

City Council Special Called Budget Work Session Transcript – 06/03/2015

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>> Mayor Adler: >> Mayor Adler: I think we have a quorum, so we're going to go ahead and convene this special called meeting of the Austin city council. Today is June 3rd, 2015. It is 9:50. We are in the board and commission room at 301 west second street, Austin, Texas. We have two items on our agenda. We have a discussion related to the general homestead exemption, which is on the agenda for city council tomorrow. And then also continued briefing and discussion related to the city's five-year financial forecast. Let's go ahead and do the discussion about the general homestead exemption first. And then we'll move to the budget. Greg, do you want to frame the issue? >> Thanks, mayor. So the mayor did just post something to the message board and I'll let him speak to that, but I'll speak to the work that I've done speaking with councilmembers since the last couple of work sessions. I know we've taken a lot of time to talk about this and I appreciate the time in work session because it gives all of us some idea of what our colleagues are thinking. And it seems to me that the will of the council was not to this year go with a 20% homestead exemption as far as I could tell, but it also

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seemed very clear to me that not pursuing a homestead exemption this year and waiting to see if we could get the authority for a flat homestead exemption was also not the will of the council, and that it seemed very clear that we were headed in the direction of a six percent homestead exemption, and I was not shy about expressing some of my concerns. With that, especially looking at the Numbers next to my district and then also understanding the needs of so many. I told the mayor I accepted his challenge to see if I could find some sort of compromise and I appreciate that I've been able to talk to some councilmembers and the mayor to work on an alternative so that -- because I had some concerns with the straight six percent, to see if there was something else we could do. And I asked for more than I probably could get, but in the end the mayor and I discussed a five percent homestead exemption, and using the -- that one-fifth -- the remaining one-fifth, which our understanding if you're talking to the financial office, would come out in the 700,000-dollar range to help tenants in need. Just this weekend I got phone calls about two apartment complexes that feed largely into Blanton elementary, one on my -- one on my side of the district boundaries in district 4 and another in councilmember Houston's boundaries where lots of families were calling me because the kids -- their kids played with are homeless now because of rapidly rising rents. The emergencies that we're seeing right now in our city of people being pushed out of the city, some being homeowners, but often times many being renters who

often don't have anywhere to go and don't have another place to rent. We have a great program, a neighborhood housing and community development that helps with those situations, and in conversations with neighborhood housing and

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with advocates, they have identified the tenant rental assistance program as a great program that has a lot of need. And so in conversations with the mayor he has agreed and I hope that the rest of the council, if not a large majority of the council, will agree that a better possibility or compromise would be to go with a five percent homestead exemption and then fund the programs that need help for people who are in dire need of help with that 700,000-dollar increment. And this plan would leave us with additional room under the roll back rate that we would not have under the six percent exemption so if the council so desires to fund something else without going over the rollback rate that would still be a possibility under this plan that did not exist under the six percent plan. So I'm sure folks have questions, I'm sure the mayor has additions, but long story short, I very much appreciate his graciousness and the graciousness of the other folks that I've been able to talk to in private to work on a compromise even though it did look like there was a majority will with going with six percent, I hope if we're looking at the six percent option versus the five and one option that a majority of the council will see the benefit of the five and one because this is a conversation about affordability. It's what folks are paying attention to. Age it signals strongly to the community that we want to use all the tools at our disposal and help those homeowners across the city, not just in my district, certainly in other people's districts that are calling for this, but that there are also some people in dire need and with the affordability crisis that we're facing and that we care about that quite a bit too. >> My comment, real briefly, I think that affordability is a huge issue in this city. We have an affordability crisis that hits all over our city. I've been encouraged by conversations I've had with

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members of this council, a lot of them at work sessions and while we've been on the dais, that there is real resolve to actually do things that will address affordability in this city. And I'm encouraged by that. And I think that there are lots of things that we should be doing. And affordability should be, kind of, a filter by which we look at everything that we do. Going back to the first week when we were picking committees and councilmember Houston suggested a committee that just dealt with affordability, and a conversation we had at that point was that we would make affordability part of the conversation we had on everything that we did. A lot of us ran addressing affordability at different levels. One of the ways we talked, one segment of the population we wanted to help was homeowners. And a homeowners exemption was discussed. It has pretty wide support among homeowners and renters. And that makes sense to me in this community, that it would have significant majority support from what appears to be almost every sector in this city. But it's only one tool. And we need to use as many tools as we have to be able to address the affordability issue in this city, including things like -- going to have an impact on renters that is several-fold greater than any effect in exemption could have on this em. But other things we're all working on as a group following the leadership of councilmember Renteria with the homestead exemption preservation districts coming out, councilmember's Casar's -- out of the housing committee.

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Not only looking at that as a tool for -- tif or raising additional funding, but, to give us different

development tools like inclusionary zoning. Other cities do it a lot, we don't do it right now. We haven't done it because we've been working under the assumption that state law wouldn't let us do it. State law provides special protections for homestead exemption preservation districts. I'm going to support efforts, hopefully coming from councilmember Renteria and his committee, to extend those districts as far as we can regardless of what we do with tif, so that we have that kind of planning tool. We have to do what we can to increase supply of housing for everyone, both rental property and home property. We have to fix the permitting process in this city. We have to work to actually change and rewrite the code in this city. And then we have to think creatively. We have to figure out how to grab the social entrepreneurship, and the social intervention in our private sector and businesses that are being created in this city. We are uniquely poised in this city for Austin, Texas to be the first city in the world that figures out how to use social innovation, social entrepreneurship to deal with civic challenges at a citywide level and we need to do that creatively, creating a strike fund and the like so that we can acquire and preserve land. You know, affordability multifamily housing in this city before it gets converted as part of gentrification. The study that came out this week that we've all seen points to a need for us also to provide music venues in this city in different communities -- of the

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world. For creating professional professional musicians and enabling them to lead a real life in this city. So this debate could easily de-involve into -- this debate about the homestead exemption -- could easily de-involve into a debate pitting one part of the city against another part of the city. There could be people in this city that would look at this resolution and try to suggest that this council is picking renters over homeowners, or people that live on the east side versus the west side, or people in this district versus that district. And nothing could be further from the truth with respect to the work that this council is doing. That does not mean that every tool will serve every part of this community. That's not the standard. The standard will be to look at the balance of the work we do and see whether or not we have deal with affordability for everyone. And I think that the compromise that is being -- that will be presented tomorrow isn't really a compromise at all. What it is, I think, more, is a statement of intent. It's a statement by this council that one tool will not fit everybody. And that we will not -- this community. But that we're going to drive to address affordability for everyone. So what has been posted on the bulletin board for the community to see, and will be reflected in the resolution that will come before the council tomorrow, is something, I think, which is symbolic of that multi-view approach to affordability in

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this city. As a practical matter, I would point out to the council that I will give the council an opportunity to vote on the 20% homestead exemption, as I've told members that I would. My guess is that's not something that is going to prevail. But I will call for that vote. I would urge my councilmembers at the end of that to support this 5% homestead exemption. We've talked about phasing it in over four years. That's one-fourth of a 20% phase-in. And I will be joining in the commitment to ask that a fifth of that cost, what would've been the spread, almost, between 5 and 6%, be something that we focus on, something that will do significant relief for renters in this community. We're going to have opportunity during the budget session to consider programs like the tenant-based rental assistance program. We're not limited by that. It's not capped by that. It would be part of the budget process that we would all be looking at and certainly, the only action that we'll be taking tomorrow is to endorse the homestead exemption and then resolutions will come up that indicate an intent for the budget process. But they'll all be handled during that budget process. Find ways in this budget process to make systemic changes so

that we're not just funding a program a year, and a year, and a year after that to deal with emergency situations, but that we will, in fact, find -- that

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can fund themselves -- change the face of this city in ways that enable people to move off programs and into homeownership, or into a more stabilized place, or that fundamentally reach that -- help us reach that equilibrium between supply and demand. So, I'm excited. I think that what is being proposed tomorrow, in a very real sense, doesn't come from me, doesn't come from Greg Casar, councilmember Casar, but comes from the conversations that we have had with councilmembers across this dais. And I'm going to be really proud to vote with what I hope is the majority voting for this tomorrow. Ms. Troxclair. >> Troxclair: Councilmember Casar, I appreciate -- makes me think about a conversation we had several months ago, when I said, you know, I'm really excited about the possibility of a homestead exemption. I'm disappointed that it has turned into a renters versus homeowners issue. I want to know, what can we do for renters? Other than the drainage fee, what is the affordability tool we can use to help them? I'm happy to hear that you have identified a program, or a way to help -- conversation about affordability instead of specifically targeted to homeowners. But I do want to point out that one thing that we're missing in this conversation is the fact that we're also talking about -- or the suggestion has been made that in order to pay for this 5 or 6%, we're increasing the tax rate. The proposal has been to increase the tax rate on everybody. And so, I worry that, you know, we're basically providing a false benefit.

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When we're telling people that we're going to initiate a homestead exemption, or that we're going to add to -- increase the tax rate to pay for it? That's not providing them with the full benefit, you know, that we all talked about. You know. I think that they're going to look at their tax bill and they're going to think -- or look at their rent and say, "I thought we were going to see a reduction." And when you look at the amount of money that they're going to pay in order to cover the cost of a homestead exemption with the tack rate increase, I mean, we're talking about a pretty minimal amount. And so now, for me, the conversation, or for me, the decision is to look at the homeowners in my district who are really struggling and who have been asking for property tax relief, and looking to this tool of a homestead exemption to provide that to not only increase their tax rate and reduce the ultimate benefit, but also increase their tax rate and ask them to pay for a percentage of a program that would not even go to offset the homestead exemption. So, I think that it's great that we do have a rental assistance program. I think \$700,000 would be an amount that we could easily come up with if we looked at the rest of the budget and we seriously considered where there are opportunities to increase efficiencies without cutting basic city services. And I'm just a little concerned that that part of the conversation has been left out of the conversation that we've had as an entire council. I do plan on offering a resolution tomorrow that would pursue a 20% homestead exemption. And just in a couple of the whereas clauses I tried to identify opportunities in the budget where we could pay for it without impacting basic city services. And just in a couple of simple bullet points, came up with over \$60 million. And that would allow us to

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implement a full 20% homestead exemption, would not require us to increase the tax rate, and would also provide us, if we pursued some of these things as suggested, would provide us with money to put towards the rental assistance program. I guess I'm a little bit frustrated with being put in a position with,

now, not only were we being asked to increase the tax rate to pay for the exemption, but now we're being asked to increase the tax rate to also pay for another program, when I think that there are other, completely achievable and reasonable ways to do that. Just to name a couple of them, I know I brought a resolution forward to the audit and finance committee last week that talked about the number of vacancies that we have in city departments. We have over 120 vacant city positions that have been vacant for over 12 months. We have positions, some with salaries of \$116,000 -- positions have been continually funded with really, no accountability and transparency of where that money is going or why those positions haven't been filled. And a simple solution to make sure that we're keeping track of those vacancies is to take any position that has been vacant over 12 months and automatically roll that money into a credit for the next -- into gr for the next budget cycle. If you look at those positions, it totals \$8.5 million which is a lot of money. There's another proposal councilmember Zimmerman posted on the message board, and I posted a proposed amendment that would look at the -- at possibly implementing a tiered pay increase for city employees so that city employees who are making the least about of money get the largest pay increases. And if we implemented something like what has been suggested, that would be another \$9.5 million. I can go on and on. But my point is, there are other

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ways for us to achieve this. There are other ways for us to provide significant property tax relief to homeowners and to also put \$700,000 or more into a rental relief fund. If we broaden the conversation to how else can we do it besides increasing the tax rate. So, I know that the decision that's before us tomorrow will simply be the homestead exemption. And it won't be how we're going to implement it. But, you know, with the expectation that has been laid before us, I am concerned that we're going down a path without really fully considering all of the alternatives. So I hope that y'all will take a look at my amendment, and will give some consideration to -- I just want to mention, I think I also take a little bit of issue with the idea that the homestead exemption is for the wealthy. And I know that one of my districts is a district that would see a great benefit from a homestead exemption, but -- and there are some -- what I would consider wealthy people in district eight. But I also want to tell y'all that just this week, there were people lined up at our local food bank for over an hour before it opened. Those people are homeowners in district eight. Those are the people that we're talking about increasing their tax rate. So, I just want us to be aware of the population that we're talking about, and refrain from talking about it, oh, this is something that's for the wealthy. Because everybody is struggling. Not every homeowner is wealthy. So. Thanks. >> Mayor Adler: Thank you. Further debate? Ms. Kitchen. >> Kitchen: Oh, I'm sorry. I didn't see the amendment posted. Did you post it? >> Troxclair: I haven't posted it yet, but I have a copy here. >> Kitchen: Okay. Look at it before tomorrow,

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because I'm interested in what you've identified. First off, I would concur that we have to understand that people are struggling all over. And the value of a home doesn't mean the person is wealthy. And then I'm just interested in what you've identified in the example you gave with regard to the vacant positions, because I, too, think this is not an either/or. You know, I personally am in favor of a homestead exemption, but I don't think that requires cuts to what I would consider basic services. We may all disagree on what we consider basic services, and that's fine. But, my vote in favor of a homestead exemption is not going to signify that I, personally, would be in favor of cuts. I think we need to be more creative than that, so. >> Troxclair: And I guess I want to just follow up that really quickly and say that my vote in favor of a homestead exemption is not going to signify my vote in favor of a tax rate increase. >> Kitchen: Okay. >> Mayor Adler: All right. And I would just concur with Ms. Kitchen. A lot of

the things you suggested are things I want to look at, too. I would expect that during the budget season - the point I would make is that it's not necessary for us to cut services in order to fund a homestead exemption. But what we actually do in terms of the choices that we make ultimately, where we're going to save money, where we want to spend money, a broad conversation I want to engage in, including some of the things you mentioned. And I see us doing that over the course of this budget discussion. >> I have a quick point of inquiry, just quickly here. I read your posting, Mr. Mayor -- to cover an exemption. But what's on the agenda tomorrow, there was nothing in that -- okay. There was nothing in there about where money was going to come from. It was just talking about the exemption itself. I wanted to make that clear. Is there an anticipation that

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there will be an amendment that will bundle how we pay for any exemption together with voting on the exemption? Is that the anticipation? >> Mayor Adler: I think we each make our own individual commitments. I would personally be committed to adding or including in our budget on the order of at least the \$700,000, money that would go to a tenant-based rental program or some other program that would help those renters that need the money. And I would be personally committing that I would be voting for a budget, ultimately, that included that kind of an expenditure. >> Zimmerman: What's interesting is that I would hope that the council could maybe separate the two questions. We have the question of whether we do the homestead exemption, and what it is, and the second issue, what about the ramifications of what we would call, city says lost revenue, I say savings for the taxpayers. However you want to couch that. I would like to keep those separate, and have those as separate conversations, if we could. >> Mayor Adler: One week after the other, and in the second week, it will be foreshadowing action that doesn't happen until September. Mr. Casar. >> Casar: And I just wanted to reiterate the point that I made during the last work session, that if there is a reasonable cut anywhere, that a majority of council agrees to, I think that we are all for finding those reasonable places. And we have to use our own value judgments based on what we are supportive of. But also, there seem to be interests in possibly raising the tax rate to fund the homestead exemption. Part of what I said is, if we're going to raise revenue, I want to spend it as equitably and in the best way possible. That's why I think that this five and one deal -- funding

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this \$700,000 through raises in revenues or cuts which would have to be determined in the budget process, anyway, that we are, you know, going to do something that's going to help folks that aren't being helped by it. If you take a look at our existing tenant-based rental assistance program, you know, the largest chunk of people that are being served by that do live in district one. That gets significantly less overall benefit from the homestead exemption because that's where we see a lot of development pressure and a lot of people that are struggling, you know, because of rising rents and other things happening in folks' lives. And then also, district three gets the second-most amount of help, and a lot of folks there face similar challenges. I think it will show, as the mayor said, it will symbolize we are trying to equalize across all different kinds of folks. All different kinds of people are struggling under affordability, that we are, with this flagship action, taking a more broad -- trying to take -- different kinds of people in all parts of town. If the council chooses to go with the 6% homestead exemption, then I don't think I could sponsor it. But, I would be sponsoring a 5% resolution for next week's agenda to declare our commitment to use the \$700,000, which is the increment during the budget session. Considering we can't devote on that 700,000 this Thursday, because it's not posted, the mechanics would go that we separate the 5%, and hopefully, I would earn majority support on a resolution next

week declaring our commitment for the

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low-income tenants. Again, speaking to councilmember troxclair's point, if we were to find reasonable cuts in the budget, whether that's paid by tax rate increases, it would be an outstanding \$700,000 because it seems the council under the 6% would be committed to the \$700,000. Essentially, that \$700,000 that's freed up would be there to benefit those low-income tenants. >> Mayor, I have a question, because I think I heard you say something about a phase-in. I know I campaigned on being committed to a 20% homestead exemption. And I would be very reluctant to support -- to get to the 20%. And I heard you mention phased-in, is that part of the ordinance that will be presented, the resolution that will be presented tomorrow? >> We can't commit future councils to action. But I also ran in favor of a 20% homestead exemption, and I also talked about phasing that in over four years. I'd say this is the first step to do that. But we can't dictate to -- we can't vote, even ourselves, a year ahead of time, much less to a new council that will be seated in three years that dictates a course of conduct. We can only take the steps in our years. >> So, is -- approve purchasing and contracts over multiple years which obligate future councils to that only allowable because those contracts have the ability to void the contract if they're not budgeted? >> Mayor Adler: That is my understanding. And unless the money is put into

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a reserve and sitting there, we can't appropriate future money for a future task. >> So could we not have the same language that allows us to obligate future councils for purchasing contracts in a homestead exemption discussion? >> I'll respond to the part about the contracts. That came up before here, it seems to me. And obviously we have projects, various sorts that are multiyear. The mayor is right. On the one hand, you can't commit future councils to that kind of an obligation. However, there is, generally speaking, a pretty standard contract language within a contract that when we're talking about multiunit, says subject to future appropriations. And so I think that's what you are alluding to. How that might relate back to the current conversation in regard to the homestead, I understand the mayor's point, that is correct, can't commit. But, it's not unlike councils to set a goal. You know, we did it, for example, in terms of four-person staffing in the fire department. The goal was to have that at all of our stations, I think it was by year 2019 or 2020, one of them, would achieve the performance. But, there was -- the commitment was to the goal, obviously. On a year-to-year basis, it was contingent upon our ability financially to do that. We achieved that goal. With respect to a phased approach on the homestead, I would think that as a matter of goals, something you want to strive for, council could articulate a phased approach in that context relative to the homestead. >> Once again, the question would be, can we put into that the same language that allows future councils to not budget

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for commitments that previous councils have made? I see it in purchasing, contracts, items, I see it in tifs that there's an example of that. So, I would hope that maybe legal could look into that. >> Mayor Adler: We can do that. That would be -- >> Okay. I feel like what's very important to me is to counter the public's perception of politicians when they say, well, this is what you said when you ran and now you're not doing it. So I think it's really important, because I know I was committed and publicly saying that I would support a 20%, that we either do the 20% or we have a plan that's multiyear that gets us to that 20% very rapidly. >> I think the short answer would be simply, yes. That it is possible for council to

characterize a commitment to the homestead, a phased approach over a number of years. >> Okay. Thank you. >> Mayor Adler: Manager, while you're talking and you have your microphone on, when -- explain one more time how -- we as a council can express our commitment or desire as a council for what we anticipate, ultimately doing as part of the budget. I assume you see those things and consider those things. Ultimately, by charter, you're required to give us your budget that you think is in the best interest of the city. And then once you do that, the budget comes to us and we can make whatever changes we want to it. Is that correct? >> That's absolutely correct. As has been noted before, our our --I have a charter responsibility to submit a structurally balanced budget recommendation for any given budget year. We do that within the context of a variety of things, including a range of financial policies that

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previous councils have adopted. And if, when you take action on the homestead, we will consider that another financial policy within which we will develop our budget recommendation. The other things that council talks about -- and I won't try to repeat them, there are been any number of them over the past -- are mindful of as we put our budget recommendation together. Of course, there are a lot of inputs that we get. Obviously the most important inputs that we get come from this honorable body, but we get them otherwise, as you know, because of the engagement process that we undertake over a good number of weeks as part of the overall budget development process. As you know, in weeks ahead, we will deliver our budget recommendation. We will try to do it in a way that, as best we can, balances all of the priorities that we hear, interest concerns, things that are important to you in that recommendation. But I think it's important to remember that even though overall we're talking about roughly a \$3.5 billion budget, slightly less than a billion dollars when it comes to the general fund, from a fiscal standpoint we always still deal in a constrained fiscal environment. Because there's never enough money to match up with all of the wants and desires in any city. And I say that because I've been in a number of them over the years, and that's always at the case, and it's true here. So there's always that balancing. And it's as much an art as it is a science to try to accomplish that. So, we will do our best. We will certainly be mindful of council's financial policies, as we're obligated to do. We will do our best to be mindful of all of those other things that we hear and learn

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about in the course of your discourse regarding these matters. >> Mayor Adler: Yes, Ms. Troxclair. >> Troxclair: I just want to follow up on councilmember Casar's comments, and underscore the fact that providing \$700,000, or some amount to rental assistance programs does not necessarily need to be tied to a reduction in the homestead exemption. I guess I am struggling with -- and I hope that the mayor and you will consider -- I don't see any reason why we can't vote on a 6% homestead exemption and also vote on your proposal to put \$700,000 towards the rental assistance program the next week. It doesn't -- in my opinion, the reducing, specifically reducing the amount of the homestead exemption that we have been talking about up until this point for the rental assistance program is still pitting homeowners against renters, because now we're saying, oh, homeowners, we're going to give you -- not only is it less than 20%, less than what we could do, but it's also less than the 6% we've been talking about this whole time? I guess I'm not understanding why we can't pursue both paths as a package deal. You know? And not pit the two against each other. It could be a win-win without necessarily having to reduce, you know, 6% to 5%. I think that we -- I mean, you know my commitment that I will work with you and support you in finding that \$700,000, or, you know, permanently. I hope that we can think about that between now and tomorrow. And to follow up on councilmember Gallo's point about

phasing it in and our ability to be able to do that over four years, when the mayor

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originally proposed 6%, again, although my preference is 20%, and I do think that we could do it if we really set our minds to it, we have no idea what the economy is going to be like in four years. I mean, we are living in one of the best economies that we've ever had in Austin right now, and I hope that we're going to work together to make sure that that continues. But, you know, we don't -- the economy may not be the same as what we're looking at today than in four years. So saying that we plan to do 5%, 5%, 5%, for me, we should take advantage of the economy and financial environment that we're in right now, do as much as we possibly can, and not commit ourselves to having that burden in a time where we may have -- we may not have the same increase in sales tax. We may not have the increase in money that we're receiving from building permits. So, I just -- from a fiscal standpoint, I really think that it would be in our best interest to pursue, as much as we feel comfortable pursuing, as much as we can right now. And then in the future, then, if we can do 6% this year, 6% next year, then we only have to do 4% over the next two years. So I just want everybody to think about that, as well. >> Mayor Adler: Ms. Gallo. >> Gallo: Those were all really, really good points. Thank you. And the winters program, which I understand would really be targeted to help potential homelessness, but be a situation where there would be a little bit of a step-in for situations beyond the control of people that keep them from being forced out of their apartments, their housing, and end up on the streets, as we know is really tragic for everyone that's involved in that, I'm really supportive of. I like the idea. There would probably be enough traction to separate that and have the council express an interest in finding funding.

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I think as we've all looked and become more familiar with the budget and different funding sources and how department are operating, I think we all feel like there can be a lot of belt-tightening across the board to find places we can fund and not cut services. I'm supportive of what you're doing. It's important to keep looking at the renters. One of the other places we haven't talked about yet is our seniors. And councilmember Houston and I are already talking about looking at the possibility of a resolution that will instruct the city manager to look at doing a 65-year tax freeze and investigating that. And so that is one of the other areas. You know, everyone struggles with affordability in Austin. And a lot of people struggle even though their incomes are going up each year. Maybe not as much as they should go up, but they are going up. You get seniors to the point that they're very much on fixed incomes. And so all of the increasing in utility bills, and the increasing in taxes probably affect them more than any other group in our community because of the fixed incomes that they live on. And a lot of times, health issues play into that, too. Even if they wanted to work at that age, could not work as much. We're really going to look at that and see if we can proceed with possibly doing something that the school district does in their tax freezes. >> Mayor Adler: Okay. Further comment? Ms. Houston. >> Houston: Yes, mayor, thank you. This has been great discussion. And thank you all so much for the conversation and the thought that you've put behind all of your comments. When I ran, I did talk about - didn't talk about a 20% tax exemption. But I did talk about the 2003 constitutional amendment that passed that allowed jurisdictions to freeze ad

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valorem taxes on seniors and those with disabilities, because the people in district one, and I'm sure across the city, are on fixed incomes. And every time something goes up, we have to sit down at our

kitchen table and re-prioritize what we're going to spend our dollars on. And so, that's what I said to the people in the community, didn't understand, could not tell people why that had not occurred before, because this has been in place since 2003. And so when we started having the conversation, I said, that's something that I did promise the voters, that those who are over 65, we would look at a tax freeze for them and those with disabilities and see what the fiscal impact would be on the general revenue. So, as one of those people who struggles with her property taxes every year -- I finally did open mine, and it was pretty scary -- [laughing] >> Houston: But I think that the people who I'm concerned about being displaced are not only renters, I'm concerned about renters in district one, as well, but the elderly who have lived in their homes for years and years and years, and they cannot keep up the pace with the amount of taxes and other services that -- >> Mayor Adler: Yes, Ms. Kitchen. >> Kitchen: I would just also add, thank you very much for pursuing that, both of you. And I'd be happy to help you. I think that, you know, I think we have talked about a goal for our city to help seniors age in place as they grow older. Simply cannot afford to. So, I think that that is a key item that we really need to look

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at, so, thank you. >> Mayor Adler: Mr. Casar. >> Casar: And Mr. Mayor, just a quick comment in response to councilmember troxclair's suggestion, which I understand in totally good will why you would want to support both the 6% and the \$700,000 for this program. I think the reason that -- for my statement for why I don't think I could bring forward the resolution next week at 5% is because we were -- it seemed to me that there was not the will of the council to do a 10% homestead exemption, because at that point, we are committing the council to either -- before we've gone through the budget cycle. So that's why it seemed to clear to me that 6% was where the council was headed, because it would not commit anybody to going above the rate or making cuts before they've been through a budget process. And so, if we were to pass a 6% homestead exemption, we would then, if we were then the next week asking people to commit to \$700,000 in rental assistance, we would -- those councilmembers would have to be committing to either going above the rollback rate, or to making those \$700,000 in cuts before they've gone into the budget. And so the five and one plan laid out by myself and the mayor would keep that sort of coalition that I've seen built here of folks that are able to bring forward a homestead exemption without committing themselves to cuts or going above the rollback before we've gone through the budget. It's just the way the statute, as I understand it, is written. We have to make this decision before we go into the budget process. And so, if we were going to be making the decision before we go into the budget, this seems to me to be the prudent way to do it, and the way the majority of the council seems comfortable moving forward. I understand you feel comfortable moving forward determining we're going to have cuts going in, but that's just

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to explain the reasoning for why the five and one plan -- folks on this council that feel comfortable going in saying we're going to make cuts. But I think that the majority will is satisfied with this and it's better, that five and one is better than the six, and I think don is about to tell me it's not in his. >> Mayor Adler: Mr. Renteria, then Mr. Zimmerman. >> Renteria: I've been really torn at this, because, you know, I live in an area where our appraisals are coming in at 300 plus, and, you know, I'm 65, so I'm a senior, also. And it's a struggle. I can tell you, even my experience of, you know, every year when I see my taxes going up, it's less than what I can give to my church. It's less that I contribute to a charity, to neighborhood programs, to my schools. You know. It's a real struggle out there. I even, you know, just to make a little spare money on the side was even going out there cutting people's yards. You know, that's the kind of struggle that we're facing in east Austin. You know, we're cutting back on a lot. And it really breaks my

heart that someone that retired because I had to early, before 65, you know, living in that kind of a social security and pension that you get, it's a daily struggle over and over, you know. And I even got to the point where I was going out to help my seniors, fixing up, and was doing it trying to earn some money. But even they are in worse shape than I am, so I couldn't accept their money. You know, that was just a real struggle of going out and seeing my people there that I've gone with.

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And then also realizing that all my friends and neighbors that we used to get together on Sundays and have a picnic, or go out and have fun, are now all gone because they can't afford to live in that community anymore. You know. It's just been -- you have to earn \$74,000 just to live in 78702. You know. No one ever -- they don't make that kind of money. So it's a real struggle. But when I was also campaigning, they were telling me, they said, please gradually implement that homestead exemption so that they won't cut our service out. Because there's a lot of service in there. You know, we need community policing. They have a high crime rate. Provides for, you know, to have these kind of social service programs and protection, safety, making sure that, you know, all of our safety departments are fully funded so that, you know, in our age, you know, we hope that there's an EMS, firefighters there that can get to your house in time to save your life. So those are the kind of things that we really -- and I really support a 6% because it's a gradual increase, and, you know -- and I also would support, you know, Cesar's, too. That's always been my passion, to support the social services and the people that are struggling in Austin, you know. So that's -- it's really tough, because, you know, there's just so much need out there. And like our manager said, there's just not enough to fund it. But we should really take it

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seriously, really look at how people are really struggling out there. I mean, it's, you know, do you really need a 20%? Is it going to make you where, you know, we're going to have people that -- in our community that are not going to be able to, you know, to go to these social programs that they have, you know, that the city sponsors, nonprofits that are struggling to . . . So it is a struggle, but I'm going to be supporting, I hope, 6% on the homestead. >> Mayor Adler: Yes, Mr. Zimmerman. >> Zimmerman: Thank you, Mr. Mayor. So the first thing is the broader political question. The broader policy debate is, need to expand the size of the city budget explosively as we've been doing for many years, or we have to be fiscally conservative, draw back on our spending. So it's really a philosophical question. Do you want city government to continue to grow its budget in dramatic fashion, or do we want to exercise fiscal constraint, draw in spending, and provide for tax relief. Those are the fundamental questions. We either provide tax relief by cutting spending or we don't. Simple question. I want to go back to February. In February, we had a big debate about the housing tax credits and the subsidized housing. Council voted overwhelmingly to grant about -- over \$6 million of taxpayer money towards subsidized housing projects. I was on the losing end of that vote, of course. But the issue still remains. I don't know where the \$700,000 comes from. We've already voted to hand out about \$6 million for subsidized housing projects. Now, these projects, if and when they're built, most of them go off the tax rolls. They can be owned by nonprofit

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501ctrees, we're handing out millions of dollars to go off the tax rolls. So, what -- the city imposed racial segregation. Now in our generation, the city is imposing economic segregation. People who

subsidized, the people who are forced to pay for the subsidies. I want to argue this point here, philosophically as a policy debate. When we do this economic segregation and say, all right, you taxpayers that are going to remain footing the bill, you're going to pay more taxes because we're going to have an economically segregated class that's going to be -- that's not going to pay taxes, they're going to be subsidized. This is just the wrong way to go from a policy point of view. We have to stop the economic segregation. And every time we do these plans and subsidized housing projects, we're increasing the divide between people forced to pay and the people that are subsidized. It's unsustainable and it's going to lead to major problems in the city. This big government growth and subsidies bankrupted Detroit. Borrowing too much money, having all these centralized planners saying -- the economic realities affect Austin just like they affect Detroit. >> I would like -- you know -- I'm sorry. And I would like to, you know, my colleagues say about the \$6 million that we're giving out to the nonprofits for housing. And there's some truth in that, because, yes, there is -- it is someone's tax money, but not Austin. But these are basically tax credits.

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And for affordable housing. And these affordable housings, you know, it's not Austin city's tax money that's going on these tax credit homes. I just want to make that comment. >> Mayor Adler: Okay. Anyone who hasn't spoken yet want to speak? Do you want to speak, Ms. Tovo? >> Tovo: I do. Well, I, too, appreciate the discussion. It's been a very interesting one. I appreciate the ideas that have been expressed. Councilmember Casar, I appreciate you coming forward with a proposal that would look at the realities of the decision we're contemplating tomorrow, and seeing how it might benefit some of the renters within the city. And I want to say, councilmember troxclair, I appreciate your focusing our attention on the fact that we have really, in our previous work sessions, pretty much focused on one way of coming up with the 5.2, I think it is, million dollars that would be associated with a 6% homestead exemption. And I think it would be helpful, and I appreciate that several of you have volunteered this. But as we go into tomorrow, I hear a couple colleagues who are talking about looking at ways to reduce spending to come up with that difference. But pretty much, the discussion has focused on increasing the tax rate to pay for it. And I do see that, mayor, in your proposal that you posted on the message board, that it would be paid for with a rate increase. So I guess I would just ask if there are -- if that's a certainty for some of you, that it would be paid for through a tax increase? I know councilmember Zimmerman, it sounded like you were suggesting that would not be your -- >> Zimmerman: I would -- >> Tovo: You see those as

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separate, and councilmember troxclair, you say that as separate. >> Mayor Adler: If I could, just to -- >> Tovo: To the extent that those of you who want to comment. As we contemplate a decision that's making a pretty big financial commitment tomorrow, it's important to me to have a sense of what that next decision might look like in terms of whether our main option that we're considering is an increase in the tax rate. It seemed to me that it is. >> Mayor Adler: If I could clarify -- >> Tovo: Sure. That would be helpful. >> Mayor Adler: What I meant by that is, it would be paid with a rate increase above what the rate would have been otherwise. So -- >> Tovo: Beyond the forecast? Beyond the forecast tax rate? >> Mayor Adler: Not necessarily. It would be beyond whatever rate it would be that this council would decide on. So what I said earlier was, we should go through the budget process and we should decide what rate we want to have based on all of the programs we want to do and all of the cuts we want to make. And then, having decided that, then the last thing we would do would be to raise the rate from that point, wherever that point may be, sufficient in order to be able to cover the homestead

homestead exemption so that it's done in a revenue-neutral way. But where that base rate would be, would be something that this council would have to decide as we get into September or October based, again, on all the programs that we want to do and all the cuts that we would want to make so that the homestead exemption was not a driver. We don't have to make any cuts for the homestead exemption. Because I don't believe we should. We work off of something that involves all the questions that everybody on the dais is raising. >> Tovo: Okay, thanks. Yeah. That's how I understood the

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conversations, and that's how I understood your proposal. And it sounds like that's the one we're -- that the council -- that seems to have support. But it does involve, at the end of the day, a tax rate increase. >> Mayor Adler: But it might be -- >> Tovo: Beyond what we were -- >> Mayor Adler: It's possible that we could do this and still end up not only with a lower tax rate, but also lower taxes to the median -- >> Tovo: Possibly. If we identify enough areas within the proposed budget that could be tightened. And I guess I would say I'm interested in hearing those suggestions, you know. We have a tremendous amount of work to do between here and September to identify those. And councilmember Zimmerman, I know you've talked a lot about the way government expands. I mean, some of the ways it expands might be ones you support, like the way we add public safety officers each year, which is a big cost to the city, but one that I think our community supports and the council has support and I will continue to support. What I don't hear us talking about are other, you know, particular ways. I mean, for example, one area we could consider, and I see that councilmember troxclair's resolution refers to this, too. I mean, we have, I believe, in this city, the ability to stop paying on our incentives deals, for example. That could net us millions. That could be the difference between -- that could cover the cost of the homestead exemption. So, anyway. It's helpful to get a sense of whether our discussion could shift after this point to looking at cost efficiencies within the budget or if it's going to continue to be that we're funding that difference through a tax rate. And, you know, again I've heard from several people that it still seems to be -- there still seems to be a sense that at the end, there will be a proposal to increase it. And I take your point that there may be overall -- I understand

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what you're saying, mayor, that at the end we may find so many levels that the end result is lower taxes. But I think we've got, just based on our forecast budget, I'm not sure how possible that's going to be. >> Mayor. >> Mayor Adler: Ms. Kitchen. >> Kitchen: You know, part of this is timing. I want to be real clear. I think this is important for the public, because what this is getting distilled down to is that in order to do a homestead exemption, we either have to cut basic services or we have to raise the tax rate. I, personally, don't feel like that's necessary. And I don't want us to come out of this with the statement that the public picks up that says -- and that means that they're prepared to cut basic services, and they're prepared to raise the tax rate. I think that we need to acknowledge that that is not what this group is saying. So, some of us may feel like that that may be really hard to do, and maybe you're correct in that. But I don't want to be labeled that way right now. So -- and not that you are labeling us that way. But, we're getting labeled that way in the press, and I don't think that's fair. I think it's important for us as a group to be creative, to acknowledge what we've been saying is that, you know, that there are basic services that we're not talking about cutting. And we're going to have some disagreement on what that is, but that we understand that we're not necessarily voting to raise the tax rate by voting for a homestead exemption. So, that's just my -- >> Mayor Adler: Ms. Tovo. >> Tovo: Yeah. I appreciate you saying that that's not -- but I do think that I want to hear some options

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for what are the big areas within the budget where we're going to look for cost reductions? Are we going to look at the incentives program? You know, what are some of the other things that are on the table? I appreciate councilmember troxclair's look at vacancies. We had a good, abbreviated discussion about the audit and finance meeting about it. I will say, that's been a focus of discussion over the last couple cycles, and that has resulted in reductions in the number of vacancies. I'm open to adding additional scrutiny to positions that have been open for a long period of time. A good number of those vacancies are firefighters, I'm not sure we'll realize great savings, even if we focus on that. I'd like to hear -- and I would be uncomfortable looking at, as a possibility for achieving that reduction, pulling back on staff in terms of our staff that we've been talking about. So, again, I'd love -- because, you know, if we're focusing on affordability, we need to think about our staff's compensation, as well, as part of that. Part of the city being a good role model and making sure we're doing everything we can to help our employees. So, again, I guess I'd just like to hear some of the other -- I mean, if we're brainstorming here today, what are some of the other areas that are going to be things we should start now thinking about, and looking at, and really digging -- what the different department needs are. >> Mayor Adler: Does anyone else have any further comments to make? Ms. Gallo. I'm sorry, hang on a second, Ms. Pool hasn't spoken yet. >> Pool: I wanted to agree with what councilmember tovo was

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saying about cuts. During the campaign, I talked about the incentives program and looking to sift incentives away from supporting big corporations moving to town and focusing more on our local small businesses. It may be that that is an area we can definitely dig into and find some significant savings. So, that's an area that I'll be having my staff look at. I, too, support continuing -- and hope that y'all will join me in my campaign to raise the budget for our parks department, significant community as sets in our parks and people look to them for places to spend time outside, relax, and get back in touch with themselves. This city has put significant importance and value because the community puts significant importance and value on the green space that we have. So, that is one area that I will be looking carefully at to augment the funding for our parks department, parks, pools, and libraries are really important in our community. And we need to find a way to support the work that I do and reverse a decline in the budget that that department has seen over time. I'd like to see the angle of that curve consistently trending up-wards for our parks. >> Mayor Adler: Ms. Gallo. >> Gallo: I just want to kind of duplicate what councilmember kitchen said, that I think it's really important that the public and the media understands that at least for from my standpoint, when we talk about the homestead exemption, I'm not talking about cutting basic services. I'm not talking about raising tax rates or even tax bills. And that as we talk about us finding ways to tighten the belts and become more cost-efficient, I think it would be really important to challenge

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the city departments to do that, also. You know, I asked a question a couple of weeks ago in a work session and asked if we had any process within the city to award employees, not even monetarily, but just recognize employees that came forward with suggested ideas on how to save money and tighten the belts of their budgets in their departments. And what I heard was that we have ways to recognize people when they do good customer service, but we really don't do that. And so I would say, let's look ourselves, as I think we're all doing, try to find ways we can suggest. But I'd also like to challenge the city departments and employees to do the same thing. We have a lot of smart, bright people who have been

doing their jobs for a long time. We should encourage them to have a venue to come forward and say perhaps we can do this differently. >> Mayor Adler: Any further conversation on this? Ms. Kitchen. >> Kitchen: We've talked about this before but I think it would be helpful, as a reminder, and also helpful, perhaps, for those that may be listening to just have a reminder about why we're discussing this at this point in time before we've gone through the budget process. Because, you know, ideally of course we would have gone through the process that the mayor outlined earlier so we would have a better idea of what we're talking about, but we don't. And we're here at this point in time before we've had the chance to go through all of these discussions. So I'd just like to please lay out for us again, why we're considering this now. >> Mayor Adler: We're considering it now because state law requires us, if we're going to elect for a homeowners exemption for next calendar year, that we act this month in order to do that. If we wait until our budget season in september/october, and then decided to do it, we couldn't implement then until the year 2017.

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So, if we're going to do something next year, it has to happen now. And it is unfortunate, I agree, that we have to move out of step with the budget process. But that's the box in which we find ourselves. >> Kitchen: And the deadline is? >> Mayor Adler: June 30th as a legal deadline, but staff which has to prepare all the budgetary documents associated with that has asked us to act by today. Further comments? Ms. Houston, your microphone is on, is that because you want to speak? >> Houston: No, I don't want to speak. >> Mayor Adler: I'm always looking to see if you're ready to speak. [Laughing] >> Mayor Adler: Always looking. Mr. Renteria. >> Renteria: You know, I'd also like to remind the public that, you know, over the past couple of years since the economy has really boomed here and the prices has -- because we don't have enough housing in Austin, you know, that's basically what's driving up the cost, you know. Our whole cost is the high prices and the lack of housing. And what the new people are moving in are willing to pay for it. It's not the tax rate that's really driving up the prices here. It does affect it, but the real price is -- the real problem is the lack of housing. And I hope that they understand that. You know, over the past year, we have been lowering the tax rates, you know, because we can't go any higher than what the state allows us to do. So -- and that's the big problem right now that we're facing, you know. If we had enough housing out there -- sit there paying for these little small houses that they're buying. And so, that's what's driving up the whole discussion right now that we're having, you know, about the tax rates. And the ones that have

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benefitted have been the big commercial, you know, buildings. And the owners of the big commercials are the ones getting the tax break. I mean, we need to lower your tax rates down by a percentage, it's actually giving them a big tax break. So we're just trying -- and then they're going and complaining -- protesting those rates, also. So, that's the dilemma that we're facing. And it's not that, you know, we're increasing their taxes. Their taxes have been increased because of the high value they're being appraised on. >> Mayor Adler: Ms. Troxclair. >> Troxclair: I wanted to, respond to councilmember Cesar's comments. I appreciated our discussion this morning. It really speaks to our passion and dedication to this issue. We are both really dedicated to affordability and have different ideas of how we can get there, but that doesn't mean we can't work together do do it. I appreciate your explanation about why you and the mayor chose to do a 1% reduction in the homestead exemption from 6% to 5% rather than just pursue it as a separate -- rather than pursue the \$700,000 as a separate item. Because you want to make sure -- but, again, we are expressing our wants and our opinions to the manager so that he can take all of that into account in putting together the city budget. And we have taken positions

already on other things coming out of the same pot of money. I mean, purchasing, certainly. But also, we recently voted to adopt autism benefits to our city employees. I'm not remembering the number, but, it was not included in our forecast and will be coming out of the same general revenue

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fund. If you voted for that with the idea that the council was going to pass a 6% homestead exemption, I just wanted to point that out, as one way that the council has expressed their wants and ideas without necessarily being concerned about going over the rollback rate. I mean, I think that we expressed our interest in including autism benefits without a discussion of what impact that would have on the tax rate. So, I hope that you can potentially consider -- rental assistance tomorrow without making a decision about the tax rate. And I just want -- oh. I appreciate mayor pro tem tovo for asking for creative solutions. That's why, I mean, I came up with a couple of things to include in my resolution. I didn't want to be the person that said, "I want to do this, but I'm not identifying how I want to pay for it." Of course I identified over \$60 million, the exemption would cost 32 million. I put the biggest thoughts and ideas I had on my head. I said, here are some options. I'm not saying this is what we should pursue or this is the combination of things, but it's -- here are some options that the council, we do have options. And I wanted to say that I have more ideas, too. I wanted to keep my resolution to two pages, but, if you're asking for what other creative solutions that we can pursue to reduce costs without impacting critical city services, I would be happy to work with you on that. And last, I wanted to say to the city manager, I appreciate -- I saw the -- listening to the workforce survey yesterday. And there were several questions about, do you feel like the resources in your department are being spent wisely. Do you feel like efficiencies

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could be made, what ideas do you have to improve efficiencies within your department or improve the work product. And so I appreciate you including those in the survey, and I do think that our city staff is a great resource and probably has good ideas about how to make improvements in their departments. I hope we can listen to the feedback they give us and potentially pursue some of those ideas. >> Mayor Adler: Anything else before we go on? Ms. Pool. >> Pool: I just wanted to make a comment that when we talk about affordability and encouraging people to continue to live in Austin and not have to move away because they can't afford it, that also speaks to the salaries we pay our city employees. So, I will be reluctant to look at any big decreases to their salaries and I will also support some increases. We've been looking at wage stagnation for the -- since the last recession. And one other element that has made it difficult for people to go out and return to home-buying is all the rules that have been placed on mortgages. So the banks have made it hard for people even to get a mortgage, and there's not a whole lot we can do as a city to change their minds, except maybe start talking about trying to free up mortgage lending rules. So I just want to put on the table that we are looking at a significant impact on the affordability and our own employees being able to stay in the city and live here. And if we take aim at their salaries, or a 3% pay increase, which is not a tremendous one, that that will make it difficult and increase their struggle in being able to either stay on the payroll or stay in Austin, because we are also looking at increases in health insurance.

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Great service for us in the city every day, particularly the people that we don't see sitting here. >> Mayor Adler: Ms. Tovo. >> Tovo: This is a question for staff. On our homestead exemption powerpoint, you

have the single family rental unit impact analysis looking at the change in monthly tax burden relative to the forecast tax rate and relative to the proposed -- well, do we have that? Yes. And also relative to a possible 6% or 20% homestead exemption. My question is, do you have that by district? Do you have that -- >> Do you have a slide number? >> Tovo: Yeah. Slide 36 and 37. I was reviewing my materials that we had received, and I don't think we've received that information by district, but I just wanted to ask if I may have overlooked it. That was in the tax incidence section, looking at potential impact on -- or forecasted impact on renters. >> We didn't do it by district. If you look at the previous slides, slide 35, that analysis was based upon 13 complexes we analyzed spread throughout the city. So, a. We didn't have data by district, but B. We were specifically looking for units that fit the

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>> Tovo: Especially in those district that have high percentages of renters. Thank you. I wanted to be sure I hadn't overlooked that info. >> Mayor Adler: That number shows what the increase to renters would be based on the value of the unit, right? Not the number of people in -- that have those units for that median unit, is that right? So the additional charge for a monthly apartment of 53 cents would be tied to a certain value unit, is that right? >> That's right. On page 34, I think 854-square-foot unit, renting for \$1,092, regardless of what district or where in the city, that unit, the owner of that unit, the landlord of that unit would expect to see that increase in their tax bill. >> Mayor Adler: So if we were in the district where the average unit was not an \$1,100 a month unit, then the -- >> Right. >> Mayor Adler: Tax increase associated with a homestead exemption -- >> Right. >> Mayor Adler: In a district where the unit was less than \$1,200 would see an even smaller increase than what you've shown here. It would be something less than 50 cents. >> That's right. We weren't able to find a data source that took what is a typical unit by district, a typical unit citywide, didn't have anything by district. >> Mayor Adler: That would be a linear relationship, correct? >> Should be. >> Mayor Adler: If we had a unit that was \$600 a month, then we added taxes for that unit associated with a 6% homestead exemption revenue neutral would be about a quarter, 25 cents a month, is that right? >> Well, I would do it more along the price of it as opposed to the square footage. So we're saying 1,092, a unit rented for 550 would be half the

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impact. There's some units in our area -- >> Mayor Adler: I meant \$600, not 600 square feet. Half the value of the unit would be a quarter? >> You're right. >> Tovo: The impact will depend on what the rents are, what the other rents are in your district. We don't really have any way of assessing that in totality by district based on the data you have. >> That's correct, we don't have it. >> Mayor Adler: Anything else on homestead? Then we'll move off homestead. >> Casar: There was one last comment I wanted to make if possible. >> Mayor Adler: Yes. >> Casar: I didn't get a chance to speak after Mr. Renteria spoke. I -- once again, I think why the 5% deal with the \$700,000 also, I think, would send a stronger message from this council. I didn't touch base on it much before. Some districts that under the 6% proposal are only getting a hundred thousand or \$200,000 worth of benefit, and because programs like the tenant-based rental assistance program benefit those districts, you will see those \$700,000, like in district one, a \$200,000 affordability investment around a \$200,000 affordability investment in we are putting those programs to use in the same proportion as the existing program. And so, what you would ultimately see in that chart is, you know, the districts with higher home values would see some reduction. But those districts with lower home values that currently are seeing you know some folks the benefit is less than a dollar a year in tax relief, those districts would see some equity there in that district, one and three, and to some extent, two and four would see a larger share. So we could just see that equity and show that we were willing to work together as a council. And so, I -- the point is

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well-taken that we could pass both. But then again, that puts us in more difficult budget situations, and like the autism benefit, we included language we would look at a variety of options. Here, this would already be deciding our option. Instead of going all the way up to the six, we would moderate that and use some of that difference for this program. So we've already identified the option. But if we want to change course, that is or prerogative as a majority of the council during the budget. >> Mayor Adler: Any further discussion on this? Then we'll move past this issue to the focus on the general budget. I want to start us off on a question that you answered for me that I just want to point out to the rest of the council. One of the things, when we talk about affordability in housing, as councilmember Renteria said, was we have an issue with respect to housing supply. And we need to address that so we get into an equilibrium in the marketplace so that house pricings don't rise. That gets us in part, to a conversation about permitting. One of the issues that I think would be up for us in the budgeting process is what we need to do. We're anticipating a recommendation about the permanent fix to permitting in the city, in so far as we can do that without having completed the code change, which in my mind gave rise to the question of -- that's gone through the city processes, the it boards commissions dealing with -- or otherwise that would enable us not to require building permitting process to have people walk through with hard copies of plans, and only one department at a time that can work on things, because that hard copy of the plan can only be in one place at a time, but actually move into a modern

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world and look at what other cities are doing, and being able to do that. But there was a significant cash outflow associated with doing that, that may be one of the reasons why that hasn't happened in the past. That's something that I think is of interest to me, but also other members of the council. So the question I was kind of laboring with as we were adding things to the budget with the things, where does that money come from? And then it was explained to me that that kind of expenditure could come not out of the general fund budget, but out of the reserve budget that is put aside for one-time capital or other one-time expenditures, which then gave rise to the question, how much money is in that fund? How much is available to the city for one-time expenses like that? And we made an attempt at working up a chart we got to within 10% of your number. We weren't dead-on, but you revised it. I want you to walk the council through those Numbers. You handed it out. I think it's also posted for folks to see in the budget, and answer questions. But if you could walk everybody through that just so everybody could see that reserve of money that is also part of the ultimate budget conversation. >> Sure. There's a lot to hear on that response, but, I think you've heard me talk about this before. The city really has three general fund reserves. We do have a fourth one that I'll just mention, but we don't usually talk about it when we're doing these reserve discussions. The three reserves we have policies, the first one, app an emergency reserve. It's not been changed since it's been set. It's \$40 million that is held in our bank account essentially for if there was a critical

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emergency where we needed immediate cash as a city to address emergency needs. The second reserve you see listed is called a contingency reserve, set at 1% of our operating budget. So, when we calculate that, we don't calculate it as 1% of our projected \$903 million. We really are looking at our operating departments thinking that if there was some major contingency related to those operating departments and those operational needs we want to have flexibility to address those needs. It doesn't include, for

example, we're not applying that 1% to our transfers to the economic incentive reserve, which are determined by a formula. There's not really any risk or contingency associated with that. We really apply it to those operational needs to account for unknowns. That's about 8.7 million, we're projecting the need in fiscal year 2016. And then the final component is what we call our budget stabilization reserve. And this is the one that tends to fluctuate up and down throughout the year, and over time. And essentially, as we end a fiscal year, typically, what happens at the end of a fiscal year is we end up with a little bit more revenue than we projected. When I say a little bit, we can get it 99% right. If we end the year with 1% more revenue than we projected, that's \$9 million. So when you talk about it in terms of percent, it's little, but in terms of dollars, it can be significant. And then same thing on the expenditures side. You know, we might end the year with our budget 99.5% expended and that remaining half of a percent then becomes savings that reverts to our ending balance. And again, playing with the Numbers, that one half of a percent of savings from a general fund department might be \$4.5 million. In a typical year, we might see 10 to 15 million dollars of net

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surplus, either additional revenues, or savings on the expenditure side that flows into our reserves. And currently we project the budget stabilization reserve, based upon the dynamic, at \$86.7 million, for a total of \$135 million projected reserves at the end of fiscal year '15 based upon the data and information we have right now. Then we have a couple, kind of, triggers that we like to keep track of in regards to our reserve levels. One is set by policy. Council reaffirms that every year with the adoption of the budget. First, it says it's a one-time source of money, you have to think of it as a bank account as opposed to a weekly income you're getting. Given that it's a one-time pot of money, council's directions is it should be allocated to one-time types of purchases, so things like the mayor was talking about. An investment, a one-time enhancement or implementation of a new IT software project. We do use that as a source of funding for other IT needs. We use it as a source of funding for vehicle replacements, you know, police cars, fire trucks, ambulances. Those types of expenditures. That's typically what we use it for. We have also used it in the past, a previous council has dipped into this reserve fund the year that the bond proposition, affordable housing bonds failed. And so, while the voters said they didn't support issuing bonds that year for affordable housing, council still viewed it as a priority and so they dipped into that fund on a one-time basis to take \$10 million out to allocate to affordable housing programs to keep the programs going for that year. So, but, again, one-time need, not capital-related in that instance.

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It was for project assistance. But still, a one-time, appropriate use of it. The other thing the policy says is that we don't want to spend it all in one year. Kind of look at it as a rainy day fund. In any given year, we don't want to draw it down by more than one-third. If it was \$90 million, you wouldn't draw it down by more than one-third to stay within that policy. The second governor we have on those reserves -- and it's not a formal policy that you'll find in the budget document, but it's something we've talked about for years with our city council. It's something we talk regularly about with our rating agencies, and we're on those rating calls trying to maintain our AAA ratings to get the best rates, to maintain an overall reserve level. We've been targeting 12% and we've maintained that successfully now for several years. It's always one of those triggers that kind of dictates what's the maximum amount we can draw down our reserves. It's either going to be the one-third trigger that gets hit first, or it's going to be the 12%. If you skip down a few lines, we project the one-third trigger, one-third of the \$86.7 million, 28.9 million would be the most you could draw down under the one-third trigger. To the extent there's still desire to maintain the overall reserves at a minimum of 12%, the limiting factor would be the 12% and that would

be \$26.9 million. So that would be our projection from where we sit with the budget right now. These Numbers do move. Don't get too tied to them, but, that would be the projection of the amount we could draw down the reserves by, still be one the one-third and maintain the 12% overall reserve levels. And those would be the funds staff would be looking at as we bring a budget proposal forward to council on July 30th, those would be the funds staff would be looking at to really address

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those one-time capital needs of our departments. Anything from it to vehicles, to, you know, things like park rate monitors and equipment that our ems paramedics use. I know that was long-winded. >> Thank you very much. This is very helpful information. I'm curious -- I'm going to ask some questions which, you know, could be something that audit and finance committee should review, or maybe has reviewed and I'm just not aware. But on the 12%, I would be interested in understanding the basis for that. In other words, is it tied to national standards, is it tied to what comparable city sizes do, is it tied to any kind of requirements that we have? It's not a formal financial policy. And so I'm curious as to whether you all would consider that appropriate, or whether the audit and finance committee would consider that appropriate that we get to the point where we do consider the reserve amount, that subject area being an appropriate subject for a more formal financial policy. >> Elaine hart, chief financial officer. I wasn't here when we started using it. I wasn't in this position when we started using the 12%. I was over at Austin energy. However, I did make a phone call to Leslie, who was the cfo, chief financial officer when the 12% was actually implemented. She had some staff do research with the government finance officers association, gfoa, which is kind of just a collection of government and financial officers. And they do a lot of research and provide us some best practices. And they had done some work on

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reserves, appropriate levels of cash balances and reserves. And at the time, they ran across a best practice report that suggested a minimum of 15%. And my discussion with her yesterday was, at the time that seemed a little bit large. They were in the -- just the early years after the recession, the great recession, and really couldn't afford the 15. So they established the 12%. They had just gotten the aaa rating, a rating increase, and they were at the 12%. And so she said that her experience, and the research said that the 12% was fine for Austin. We have maintained that trippka that aaa rating with the 12%. We go over our reserve levels each year when we meet with the rating agencies, when they review the general fund credit. And so that's really where it came about. I don't know why we never brought it back as a financial policy. It could be added. We would take it to the audit and finance committee. They review policy changes before we put them in the proposed budget. So, if that was the council's desire to have us formalize that, we would need to get that on the June agenda of the audit and finance committee so they could make that recommendation before we propose the budget. We'd certainly be glad to do this if you'd like. >> One quick followup. What year? You mentioned when this came into play, what year did it come into play, and what year was that comparison done that you mentioned? >> I want to say it was 2011, the gfoa. >> Mayor Adler: Okay. Ms. Troxclair. >> Troxclair: So the \$27 million that's under available for appropriation, I

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think I asked this at our last budget work session, but I just wanted to confirm. I asked whether or not that money was already included in the budget forecast. In other words, this isn't a new pot of money, you guys have \$26 million to spend. It's already included in the program's funding that you've set out in

the budget forecast? >> We fully anticipate using those funds to help us as part of what we recommend to council. The exact details of what it would be allocated to is still -- needs and other needs. That work is still happening. But we do anticipate the full amount would be utilized, but it doesn't have to. Several times, the budget didn't go under the maximum allowed and we have increased our reserve from, say, 12% to 13% or something of that nature. It doesn't have to all be spent, but, we have included in the forecast anticipating utilizing it all to move the different needs. >> Troxclair: Does the forecast specifically outline what the money would be used for? >> The forecast does not get into that level of detail. That's the work of the budget proposal. >> So with respect to the forecast fact sheets, and the question -- is not reflected in any of those elements? >> It's not. You'll see it on our financial summary for the general fund, where we'll show what we're projecting to use from it, but there are meetings occurring -- yes, there's a lot of work being done. >> Mayor Adler: But with respect to the Numbers that we see, for example, the removal of the capital outlays -- in other words, you haven't included in these worksheets expenses or offsetting things for it that comes from that reserve. You're working on that reserve separate and independent from the Numbers that we've seen in

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this forecast. >> That's right. >> Mayor Adler: Okay. Mr. Zimmerman. >> Zimmerman: Thank you, Mr. Mayor. I have the same question. We've finally been introduced to some of the software tools used in budgeting and procurement. Very, very interesting. And we're able to see for this fiscal year at least some of the breakdowns, different departments like library -- one of my favorites is library. We're trying to figure out how the budgets process worked and some of them tomorrow, were supposedly budgeted in last year's budget. We're trying to connect those dots. The question is for the projections that we're seeing here, is there a software tool -- the same software tools that we can look at for the current fiscal year, is that software tool also being used for the projections? So, in other words, if the department is asking for a 3% or 5% increase, can we look and see where those increases are going with any kind of software tool? >> If you're talking about, like, our budgeting system, that's focused on the operating budget so we're not using that tool to capture requests from the departments for all these different things. We have a fleet department that's looking at all the fleet requests from their general fund -- from the departments. And they'll submit that. They have a spreadsheet of all the things that have been requested for replacement from our departments. >> Zimmerman: The short answer is, there is no tool that's part of that software system. They'll just come up with spreadsheets that will go into your projections that you give us. It's like working spreadsheets, is what I'm hearing, is where those Numbers come from? >> Yes. >> Zimmerman: How do we get those? >> How does council get those spreadsheets? >> Zimmerman: Yeah, to know what's driving. We see just big Numbers here. >> Sure. >> Zimmerman: And summaries. We have no idea -- dollars on a

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sole source for audiobooks. I'd like to know that now instead of a year or two or three down the road when they say there's money in the budget. Does that make sense? >> It makes sense that you would want to know that. It's a matter of timing. We talk a lot about the length of the budget process, you know. The intent of the forecast is to give you the best look at the budget we can now, knowing what we know now. At this point, we haven't done the work to come forward with a recommendation about where we need to spend more money on library needs, or police vehicle replacements, heart rate monitors. There will be requests from departments for one-time capital needs that will exceed this \$26 million. And city management staff will have to look at all of that and make a recommendation to council. When the recommendation is made, then you will see all of that. >> Zimmerman: Can you see

the conflict I have? Big amounts of money are being presented. There's large spending increases in here. The answer I'm getting is, well, the big increases are being forecasted and presented to you, but we don't know what's driving them. Or we don't have the details on what's driving them. I'm like, then why are they so big? Is somebody just -- >> I think that's maybe a fair comment in regards to this particular pot of money, the \$26 million. But, you know, always those other large cost drivers, wage increases, health insurance increases, we have more details and information about that. We're able to provide it. All we're projecting here now is based on the Numbers we talked about. We would project the maximum amount that could be drawn down from the reserve would be \$26 million. At this early stage, we've anticipating it would all be allocated to different needs. This would be a great opportunity, know, for council to let us know that you would not like to see all that money allocated to the needs. You would like to see it saved for future needs or other

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purposes -- that would be great input. [Off mic] >> That would be, yes. That's what we're here for is to get that input. >> Mayor Adler: Okay. Any further conversations about this? Ms. Kitchen. >> Kitchen: I didn't hear. One of my questions was whether -- I'm curious what the audit and finance committee thinks. There's -- whether or not it would be appropriate to ask for a review of the 12% -- not a review, but just a discussion of the 12% reserve goal and set some more formal financial policy around that. From my perspective, but I'm not on the audit and finance committee. So, from my perspective, it might be helpful to put that into a policy. And I'm just curious about what y'all's feeling is, what you think. >> Tovo: I would say that would be fine. It's certainly been a standard practice, as you heard, for a long time to keep it at that. I think making it a formal financial policy would be fine. I mean -- staff have any concerns about that? About making that a formal financial policy rather than just having it as a standard practice? >> I'm not suggesting putting 12% necessarily. I'm suggesting having a discussion. It was put in place in 2011, based on 2009 data. I'm certain the staff did an excellent job considering it, but it's a -- major policy. >> Tovo: We can take a look at it. Whether we would have that discussion in time for this year's budget, I don't know. I'm sorry, I may have missed this part of the discussion. But, that is -- that's also a variable. I mean, we don't have -- there have -- I thought there have been some recent budget cycles. Again, I apologize if you've indicated this, where the

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council's final budget did not maintain -- >> Over that from time to time. The actual gfoa study suggested a minimum of 15%. It also commented on the fact that large cities tend to have more flexibility than smaller cities. And so the higher rate was -- the 15% minimum was much more appropriate for a 30,000-population city than Austin. And we have functioned adequately over the last 4-5 years with the 12%. We are maintaining our aaa rating. The rating agencies have not indicated a concern with the 12% level. But we do fluctuate, sometimes higher than that. >> Tovo: And has the council drawn down -- I think I'll just look back at the last few budgets, because I think there have been similar thoughts that may have drawn some things differently. In any case, these are -- I'm happy to look at practices in other cities and see what -- whether that 12% and the situation, and see whether 12% isn't the right measure anymore. >> I think it's important to rely on the good judgment of our staff. Obviously. Reserves are important. I'm not trying to eat into reserves. But when we're having a conversation about affordability, and places where we maybe should look at funding, I think that looking in our reserves is an appropriate area to understand and reaffirm if we're at the level we need to be, or, you know, if we're -- we just need to understand what level we're at. And if there's some flexibility there in a year where we're really concerned about affordability, I think we should discuss that. >> Mayor

Adler: The manager, then Ms. Houston. >> Thank you, mayor.

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It is a worthy conversation to have, no doubt, appropriate for this council to have it. I guess I would take a stronger view about a 12% reserve being a part of our budget for the past several years. Albeit not adopted formally, in other words, a specific presentation recommendation to council that was adopted. In my view, it nevertheless has been our policy for the last several years because it is adopted and endorsed by virtue of your adoption of the budget on an annual basis. I would also argue that with respect to the rating agencies, they consider it our policy, as well, to maintain a 12% reserve. And it has sustained us, notwithstanding the fact that is less conservative than the very report that our cfo, you know, was alluding to. So, I think it's important to recognize that our behavior suggests to the financial agencies, and I think it's the case, that that, in fact, has been our policy. And not to get ahead of your conversation, but I would say that if there is going to be a change in that, I would argue for a more conservative policy, which would mean a higher percentage than -- for purposes of reserving revenue. >> Mayor Adler: Do I understand correctly that as part of the budget process we're going to get a financial policy statement and something that we adopt as part of that budget process? >> Yes, that's part of the budget ordinance. It is in the budget volumes, yes, sir. >> Mayor Adler: Okay. So I would guess, knowing my fellow councilmembers, that could be part of the discussion at the time in terms of formalizing or making more conservative whatever those policies. >> Houston: Thank you, mayor. This has been great conversation and great information. I just want to say from my

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perspective that I would be very cautious about setting some policy before I go through a complete budget cycle. I'm brand-new on this council, and I don't know what the variables are. I don't know what unintended consequences may come by setting some policy that I'm not aware of, so I would not be comfortable setting any policy at this point until I've completed at least one budget cycle. Next year, I may be on that train, but not this year. >> I would toss in, there's a lot of policies. We're just talking about one. There are separate reserve policies for many of our enterprise operations, policies related to our use of debt, certificates of obligation, so there are a lot of policies. That is a full discussion in and of itself. >> Mayor Adler: Okay. Any further conversation on the reserve policies that we have? That, then, gets us into our general budget conversation. In my conversations with ed, we had gone through the general fund at the last meeting that we were at. I told him that he didn't need to bring all the general fund staff back to us today. Certainly if we have other general fund questions, we can ask them to come next week, because we also are set for Wednesday as something that we want. But there were other funds on that kind of worksheet that we have, or other kinds of questions. I would take into that first fact sheet the ctm sheet, unless there were other places that people wanted to go first. If not, can you just talk to us about the 2.4 issue, which is the removal of the one-time capital outlay, and help us understand what that is? >> Yes. My name is Terri, deputy cio for

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ctm. The 2.4 -- I'm sorry. Communications technology management. And there are -- [off mic] >> I can help you with that. If you go to your binders, the very first section now says forecast fact sheets. And we are starting -- just grab that internal services tab. We're starting at the first page under internal services. >> Houston: Page 1? >> Yeah, page 1. These are organized by each funder department. So each fund or department has its own pagination. Page 1 of the ctm fact sheet. The \$2.4 million reduction related to

the removal of one-time capital outlay costs. >> Mayor Adler: This is the third page in those documents. >> Is it the tab that's internal services fund? Okay. So it's the first sheet behind internal services fund. That's it there. >> Internal services fund. The tab -- >> Mayor Adler: Okay? >> Mayor. >> Mayor Adler: Yes. >> Houston: If I may ask councilmember Zimmerman a question, please? Is that aggie reading? [Laughing] >> Mayor Adler: You're all caught up? I was just working my way through these sheets. This is the first one. I just wanted you to know what that meant. >> Communication technology management and the combined transportation emergency and communications center, ctecc.

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The last bullet, the removal of the one-time capitol outlay cost for replacements and upgrades, a negative \$2.4 million. Every year, we have computer equipment that goes out of warranty. Computer equipment typically lasts between five and seven years, depending on what it is. And last year in our replacement cycle, we had a huge purchase for data storage. So if you remember, the police cars now have video recorders in them. And that video is stored on sd cards, pretty much like in your cameras. And then that information is transmitted over wireless, over the network, and is stored in a data center. And to meet the retention requirements for that video storage, the police department needed to make a very large storage purchase last year. So that fund that does all of our replacement cycles, when we have them on a life cycle, we needed to have a big purchase last year. Because we don't need it this year, that amount is what's reduced here. >> Mayor Adler: Okay, thank you. Anybody have any other questions about this budget? Okay, thank you. The next part of this budget was the fleet area. >> Zimmerman: Mr. Mayor. >> Mayor Adler: Yes. >> Zimmerman: So the question that I brought up just a while back about understanding the backup material, the hardware and software maintenance contracts that are on here at \$2 million, so -- again, we're just -- like councilmember Houston said, this is our first budget cycle, so that makes this at least twice as hard to

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understand. So I'm just trying to find out where the backup material is to understand what's driving the request. So, that would be in spreadsheets? Is it kind of common across the different departments, is ctm the same as others, people come up with large Numbers and later they fill in budgeting software, or . . .? >> So I believe we use the calm com system. We look at what our current budget is, look at the new projects that we implemented, and -- add it to the operating budget. Yes, we put them in big spreadsheets and go through them. There is, typically, as you know -- maintenance for that impact. But this year, we have \$2 million of an increase in software maintenance. We have done a number of big projects, so we've greatly increased our data portal, open data portal with the system. So that went up quite a bit. We have implemented an electronic plan review system, and that's called project docs, so that's also maintenance we need to add. We have that, we have informatka, we have a number of different projects we have implemented and they need maintenance. >> Zimmerman: Okay. So I guess I'll take this offline, maybe with ed and try to find out what I have to do to try to get information on these expenditures. >> So, all of the it expenditures go through an it governance process. That might be something that -- >> If I could just -- >> Yeah. >> You know, there's always a balance between trying to provide, you know, the right level of information. So always to the extent that there's questions about more details, we're happy to give you more. On this question, your tab talks

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about the financial forecast report on page 56 on that report, you'll see where we're talking about that

\$2 million projected increase and some of the things that are driving it. Terri mentioned a lot, but, software maintenance cost, informatica, different software packages the city owns and we have maintenance contracts on. There's increases in those maintenance contracts. So, on that particular item, looking through the forecast report for ctm, there is some details on that \$2 million. We're likely not going to hit every item of detail, but, that's why we're here, to give you more information as you need it. >> Mayor Adler: The question I understand councilmember Zimmerman asking is why is that number \$2 million as opposed to 1.8 or 2.2? Is there a list somewhere that adds up to the 2.0? >> Sure. >> Mayor Adler: And would that list be available to him? >> We can provide that. >> Mayor Adler: Okay. But there is a list somewhere? >> I just talked about it. It talks about the different types of program, cost drivers, it shows a total of 2 million, but, it doesn't break down 25 software packages and the projected cost increase of each of them, but we have that. >> Mayor Adler: Okay, thank you. Ms. Troxclair. >> Troxclair: The -- let's see. On the first line where it says 3% wage increase and citywide market study for civilian staff, I know that that same language is in several of the -- I guess, budget -- >> We have an hr staff who can maybe talk about that a little bit. So, I don't know every three to five years I would say, the human resources department does a market analysis to ensure the compensation is competitive to the local labor market so that we're able to attract and

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maintain the best-quality employees. That's what a market study is. In this forecast, we are projecting implementation of a market study. And the results of that market study in fiscal year '16. >> Troxclair: So this is not necessarily a yearly cost? I mean, it's not necessarily a yearly cost, it's every three to five years that we incorporate that into the budget? >> Right, mark Washington. It's periodic based on how far we are behind the market in affordability. And so, I think each department is going to reflect some aspects aspect of what it would cost to address some of the issues within their department, in terms of increasing jobs to be more reflective of market pay. >> Troxclair: Okay. But I'm guessing, of the -- well in this fund, \$1.5 million that is set aside for that, I'm guessing the vast majority of that is for the three -- forecasted 3% wage increase? How much of that is the market study? >> Well, so, about a third of the jobs are behind the market. I think what we have -- and I'll defer to ed -- is some assumptions based on a 3% across the board in addition to the market study and the budget. And so, relative to ctm, I don't know the number. We just completed a review of the department, but overall, citywide about a third of our positions are behind the market. >> Troxclair: I thought that you were talking about the cost of conducting that study, but now it sounds like you're talking about the cost of increasing salaries based on the result of that study, which would be more than a 3% wage increase. >> I'm going to defer -- >> That's correct. What she said is absolutely correct. >> Troxclair: Okay. Thank you for clarifying that. >> Mayor Adler: Okay.

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>> I have a followup question related to that. And thank you very much for providing -- I had asked questions before about the disparity study that was done a while back. And so thank you very much for providing that. I have some followup questions. I'll just ask the process followup questions now, and I can ask the detailed questions in written form. But the memo -- and the reason I'm asking these questions is that the memo does indicate, at least on its face -- and I understand that there's more details -- but at least on its face disparity with regard to hispanic and African-American women. And so my question is -- on this memo is from 2014. Or is there one and I'm just not knowing where it is for 2015? >> Yes. The memo does reflect the work that was done last year, because of the other studies that the staff is doing internally, such as the living wage study and the stakeholder group. We were not

able to devote as much time to getting that done as soon as we would like to. But hopefully within the next couple of months, we will have an updated study for 2015. >> Kitchen: Will we have that for budget deliberations? >> I hope in at the next couple of months we'll have it. That should be right in time for the budget deliberations. >> Kitchen: I would request, I think that's important for us to consider. And one more question. And related to that, there's also language in this report that points out the limitations of the study, and talks about the limitations having to do with some data that was available to you all. And so I would just be curious,

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and I can ask you followup questions about this. But, the limitation states that you were planning on doing a more detailed analysis because when this was done, there was certain information that you didn't have. And so, I'm curious about the more detailed analysis, also. >> Yeah. >> Kitchen: Would you be planning on making this next study be a more detailed analysis? >> In terms of the ability to go beyond what we did last time in the study, it's perfect timing with the ctm discussion on technology, the data has to be interpreted in the context. And so as you alluded to earlier, there are certain protected classes. Not just females, but in general, the wages of African Americans, hispanics, etc., are lower than the non-protected classes. And what we were unable to do when the study was initiated was to give context behind the qualifications, the education, the experience, and analyze the qualifications of those in each particular group. And because we don't have the technology to automate it to do that, with automation, it's a very manual process. Amount of evaluations that we just don't have an automated way, due to our deficiency of our current human resources information system to analyze work experience, education, skill level and ability, to interpret whether or not the disparities are a result of other employees having more qualifications than those who are less wage earners. >> Kitchen: There's a reference to a human capital it system being planned. What's the status of that? I assume that's what you mean in

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terms of availability of data. >> Exactly. Exactly. As Terri alluded to earlier, we do have a governing process for technology in which we assess needs throughout the city. And we did identify, as we have, the need to have a more robust human capital management system. And that has been a part of the review process, and is being currently evaluated. I think it is now being considered, both the short-term implications, what those could mean for the upcoming budget, and a more broader context. We did a briefing to the previous council on the amount of investment that would be required to do that, and we're just not preparing to make a recommendation at this point. >> Kitchen: Okay. My last question on this. This report lumps together, if I'm understanding correctly, across all the different job categories, and just gives an aggregate. So, for example, it shows when comparing hispanics in the non-sworn categories -- hispanic women, for example, in the non-sworn categories against white males, there's a difference of 74%, which to me is significant. And if you look at all employees, it's 69%. So my question is simply, in the additional study that you'll be doing, will we be able -- what I'd like to be able to see is a breakdown by job category -- that data to make that number, maybe not what it appears to be. But I think we would need to at least understand at different pay levels, different pay categories, are we seeing more of a disparity in pay for lower

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wage workers, or higher wage workers, or are we seeing that or not? Anyway, so I would just ask that

the study you're talking about doing, in time for us in the next budget deliberations, to have that level of detail. Do you think that would be possible? >> I don't know how granular we'll be able to get into the analysis, but we'll attempt to get as much data as we can, given a more segmented picture of where some of the disparities are. >> Kitchen: Okay, thank get. >> Kitchen: Okay. Thank you. >> Troxclair: I just wanted to let you know, councilmember kitchen, that this is on our agenda for the next economic opportunity committee. >> Kitchen: I saw that. >> Troxclair: Monday. So we're having I think a staff mention and discussion on the most recent disparities study. >> Kitchen: This one, okay. >> Okay. Councilmember troxclair I'd love for you to participate. >> Mayor Adler: Back to Mr. Casar. >> Casar: That was most of what I was going to say. Councilmember kitchen, you mentioned a number at the end that was one of the greater disparities. Can you show me what page we're at? >> Casar: Page 2 of 4. >> Casar: Thank you. That's what I was looking at too. Attorney1: Ms. Gallo. >> Gallo: I would second what councilmember kitchen asked for. I think this is useful but not very useful just because I think that it does need to be done by category. How many different categories of employees do we have in the city? >> We have several categories. In terms of we have over a thousand -- 13,000 employees are categorized in 13,000 job classifications, but in the simplest manner we sometimes look at executive versus management, supervisor level and individual contribute

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tore, nonsupervisor, in terms of tiererring the workforce. So that would be roughly four categories, simplest. >> Gallo: It sounds like that still may not be detailed enough to get us apples to apples comparison between ethnic, making/female for similar type jobs. I mean, would it be -- can that be expanded to give us that information better or would it be better to do it by salary if we took -- >> I think. >> Gallo: I'm trying to figure out how we can get the information that compares a group of people doing the same type of job at the same salary, how these compare. >> Right. >> Gallo: Versus the whole group together. >> That's a good question. I think if we're looking for -- the law requires comparable pay for comparable work so we would -- if we wanted to get more granular instead of just looking at ranges it would be more appropriate to look at the job. And based on jobs, then what are the wage earners within the job and then if there are variances, to determine if the vapors were due to things that would merit more compensation, education, skill level, experience, et cetera. So we certainly can work towards that. I'm not certain that that's something that -- that detail level be much -- be provided within a short period of time, given our current manual processes. >> Gallo: So if -- I love hearing the manual process since we're the number 1 -- hopefully we can do what we need to do to get up to speed because I know it makes it more difficult for the departments to do what they do. So the question would be is, if there's a difficulty in doing that, could we at least see that information in salary

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ranges? So if we took salaries and broke it down into groups every \$20,000 or \$10,000 or whatever, could we do this type of data within the salary ranges? Because that would assume, my guess, would be similar jobs, categories. But would give us an idea within the different salary ranges where the difference in percentages are. Would that be easier to provide? >> Yeah. So we can provide it, but the salary ranges would not be indicative of similar jobs. So you could have a police officer making the same as a it person -- >> Gallo: But you've already broken that down. If we still had the same type of employees that you have here, all non-sworn premise, fire, ems, did it by Sal ray ranges that would separate out those categories and do the ranges within them? >> Again, we can get the information by salary ranges, but it would be a better comparison to look at the salary ranges within a particular job family. So engineering family, for example, the compensation, protected classes versus non-protected

classes among engineers would be a -- versus just in general all the salary ranges for non-sworn employees. >> Gallo: But I was hearing that it was gonna be difficult for you to get that detail. Would it be simpler to do it by the income levels? I mean, is that an easier process for you to get us initial information back? >> It is easier, yes. >> Gallo: Okay, thank you. >> Kitchen: I would follow up by saying to me these Numbers are concerning. And so we just need -- what we're trying to get at is within -- you know, we certainly understand there's limitations and difficulties in getting the data, but we need some more information

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because these Numbers are concerning, I think, as they are. >> Mayor Adler: Okay. Thank you. If you could get that. Council, it is just a few minutes after noon. We had programmed this to go to noon. We can stop. We can keep going. We could break for lunch and come back. There's no lunch provided today because it was anticipated we'd be done at noon. We could bring in lunch. We have all of those options available to us. We could also continue to ask questions on the budget board, and we have one additional session next Wednesday morning that's also programmed and available to us. >> Mayor, I also wanted to acknowledge on behalf of staff that they anticipated noon as well so I don't -- you know, it could be that their schedule, they programmed out the rest of their day as well. >> Mayor Adler: Yeah. >> Houston: I was going to say, I don't know what other councilmembers and staff schedules look like. In anticipation that we might at least start on time and could end on time. [Laughter] >> Houston: -- And we could get more, if anything, -- I'mtology stay weapon I think we just get started and have to stop so it's another week before we can kind of take up where we are again. So I'm flexible. I said I would -- you know, I blocked out the day thinking that we would be able to do more work in the time that we have allotted. >> Mayor Adler: Okay. Other people expressing their preference? Ms. Kitchen. >> Kitchen: I have a 1:00 that I can't change. So that would be the only thing that I would say. >> Mayor Adler: Okay. >> Renteria: I'm flexible.

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>> Mayor Adler: Okay. Mr. Renteria. Ms. Tovo. >> Tovo: I can probably stay for a little bit. I would also be 07 to an option that allows to us end on time today and allocate more time next Wednesday that might be less impactful, not just on our schedule and our staff's but also the other staff who have to support this conversation. >> Mayor Adler: Okay. Another alternative would be to end today. But to plan on more of a full day next Wednesday as our final prebudget workshop. >> Troxclair: Did we anticipate -- I know a lot of the time during our budget discussions have been taken up with discussion of the homestead exemption. I mean, seeing as that's on our agenda for tomorrow, we wouldn't anticipate further discussion of homestead exemption next Wednesday? >> Mayor Adler: Correct. >> Troxclair: Okay. Hopefully we'll vote tomorrow and we can devote time to other issues. What's people's pleasure? >> Kitchen: I prefer councilmember tovo's option of block off longer time next Wednesday. >> Mayor Adler: Others? Then let's go ahead and do that. We'll then pick up then next week but let's plan, manager, on a longer day next Wednesday. I would urge people to use the bulletin board and the budget question and answers because that will help us get through stuff as well as we saw with the reserve today. Yes, Mr. Casar and then Ms. Houston. >> Casar: Can we get some definition around what "Longer" is? Is that until 2:00? 2:00 A.M., or 2:00 P.M.? >> Mayor Adler: Next week. >> Casar: Yes. >> Mayor Adler: Let's plan on 3:00 next week and that gives people time in the afternoon to do thing. Ms. Houston. >> Houston: I'm sorry. So start time is 9:30. >> Mayor Adler: 9:30. >> Houston: Next Wednesday. >> Mayor Adler: I'll be here 9:30. >> Houston: I'm clarifying.

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We're starting 5:59:30, okay. >> Mayor Adler: What? Does 9:00 work? Would people prefer to start at 9:00? All right, Ms. Houston, we're going to go ahead and start at 9:00 tomorrow -- next Wednesday. So we'll call for start at 9:00, keep our calendars open until 3:00 so we have that available time, and then if we want to cut it short we certainly can. >> Tovo: I like your emphasis on start time. >> Mayor Adler: Start time. Everyone prepared for a 9:00 start time next Wednesday? All right. We'll stand adjourned until then. Actually adjourn until tomorrow morning.