

Austin Convention Center Cash, Financial Position, Capital Project Financing, Debt

Presentation to Visitor Impact Task Force

April 11, 2017





Introduction & Background

Review of Financial Information and Resources

Introduction

While a common phrase is “Numbers don’t lie” ...

\$ %

It’s important to know...Numbers by themselves don’t tell the whole story.

The # of _____ results in \$, an increase of %
over the previous year, which was a result of
_____.

Informed users of financial information put numbers in context.

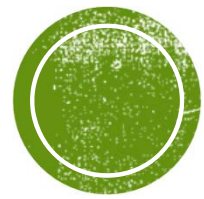
Background

- ACCD has previously provided links to budget and financial statement information
- ACCD has provided information about outstanding debt
- Complex financial information requires a methodical approach to evaluating results
- A review and understanding of that information provides a clear picture of ACCD's financial position and approach to strategic financial planning

Background

Links

- ❑ Visitor Impact Task Force website
<http://www.austintexas.gov/edims/document.cfm?id=270179>
- ❑ ACCD Responses to Questions – January 31, 2017
<http://www.austintexas.gov/edims/document.cfm?id=270179>
- Budget Pages https://www.austintexas.gov/financeonline/finance/financial_docs.cfm?ws=1&pg=1
 - Operational Budget
 - Capital Budget and Capital Improvement Project (CIP) Plan
 - Debt
- Financial Statements https://www.austintexas.gov/financeonline/finance/financial_docs.cfm?ws=1&pg=1
 - Statement of Net Position (Balance Sheet)
 - Statement of Revenues, Expenses and Changes in Net Position (Income Statement)
 - Statement of Cash Flows
 - Notes to Financial Statements



Cash, Financial Position, Capital Project Financing

Review of Cash Balance in context of ACCD's financial position and approach to capital project financing.

Note: The financial statements are for the Austin Convention Center Department, which includes Palmer Events Center.

Austin Convention Center Department Summary Reconciliation of Financial Position

Description	Amount (in millions)	Source
Total Pooled Investments and Cash	122	FY2016 CAFR
Less:		
Pooled Cash and Investments – Restricted	(10)	FY2016 CAFR
Reserved Ending Balance	(20)	FY2017 Approved Budget*
Cash Committed to Active/Planned CIP	(37)	FY2016 CIP Plan
Remaining Cash related to Venues:		
Convention Center/Waller Creek	(14)	ACCD Financial Records
Palmer/Town Lake	(6)	ACCD Financial Records
	<u>35</u>	
Net Available Funds for Future Projects/Use	<u>35</u>	

*Due to timing of budget development, FY2016 Ending Balance is found in the FY2017 Approved Budget

CAFR – Comprehensive Annual Financial Report
CIP – Capital Improvement Project
ACCD – Austin Convention Center Department



Summary of Financial Position

The following slides in this section of the presentation will walk through this reconciliation and show where the amounts are found in the various financial documents published by the City and found online on the City's Austin Finance Online webpage.

The information comes from financial reports presented from both an "accounting basis" and a "budget basis". The various reports are also published at different points in time, but all amounts represent Fiscal Year 2016 financial information.

Due to the differences in reporting basis and timing, there are reconciling differences that come into play, but as shown on a later slide, those differences are considered "immaterial" for the purpose of this analysis. Such differences are common in financial analysis and do not represent issues with the information.

Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2016
(In thousands)

ASSETS

Current assets:

	Austin Resource Recovery	Convention Center	Drainage
Cash	\$ 3	21	1
Pooled investments and cash	2,533	112,448	96,333
Pooled investments and cash - restricted	2,332	10,056	—
Total pooled investments and cash	4,865	122,504	96,333
Investments - restricted	—	10,678	—
Accounts receivable, net of allowance	8,781	474	4,324
Receivable from other governments - restricted	—	—	1,280
Due from other funds	—	—	1,732
Inventories, at cost	—	98	—
Prepaid expenses	15	30	5
Other receivables - restricted	—	29	—
Total current assets	13,664	133,834	103,675

Noncurrent assets:

Pooled investments and cash - restricted	5,418	—	16,184
Advances to other funds - restricted	331	39	—
Investments - restricted	—	13,305	—
Depreciable capital assets, net	39,031	170,824	114,877
Nondepreciable capital assets	23,699	45,378	213,061
Total noncurrent assets	68,479	229,546	344,122
Total assets	82,143	363,380	447,797

Deferred outflows of resources	\$ 19,434	34,997	13,233
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Understanding Cash

Cash reported on financial statements is at a point in time, in this case, as of September 30, 2016.

Just like a personal bank account, a cash balance on any given day doesn't represent an amount that's free and clear to spend – such things as encumbrances/commitments reduce the “free and clear” cash balance.

Restricted cash and other assets (blue arrows) represent assets that are restricted by an external source for a purpose more narrow than the fund/column being reported. The “unrestricted” cash is highlighted with the green arrows and represents the funds that are the focus of this presentation.

Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2016
(In thousands)

	Austin Resource Recovery	Convention Center	Drainage
ASSETS			
Current assets:			
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Understanding Cash

ACCD's unrestricted cash at 9/30/16 is partially committed to: fulfilling financial policy reserve requirements and funding active capital improvement projects.

Thus, the \$112 million of reported unrestricted cash at 9/30/16 is offset by such commitments. Details of those commitments are provided on the following slides.

ACCD is not unique in how the financial information is reported or communicated. All City Departments follow the same reporting process.

Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2016
(In thousands)

	Austin Resource Recovery	Convention Center	Drainage
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,441	626	1,426
Accounts and retainage payable from restricted assets	260	2,099	2,342
Accrued payroll	1,465	720	969
Accrued compensated absences	2,158	1,072	1,546
Due to other funds	--	--	--
Accrued interest payable from restricted assets	--	1,358	--
Interest payable on other debt	260	71	138
Bonds payable	8,312	808	2,001
Bonds payable from restricted assets	--	12,150	--
Customer and escrow deposits payable from restricted assets	2,307	3,302	302
Accrued landfill closure and postclosure costs	2,704	--	--
Other liabilities payable from restricted assets	--	--	416
Total current liabilities	18,907	22,206	9,140
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	--	--
Advances from other funds	--	--	657
Bonds payable, net of discount and inclusive of premium	37,529	165,871	39,032
Net pension liability	56,739	27,184	38,657
Other postemployment benefits payable	29,276	13,471	19,603
Accrued landfill closure and postclosure costs	9,899	--	--
Derivative instruments - interest rate swaps	--	15,071	--
Total noncurrent liabilities	133,443	221,597	97,949
Total liabilities	152,350	243,803	107,089
Deferred inflows of resources			
	--	270	17



Understanding Cash Commitments

The first commitments against ACCD's cash and other "liquid" assets are found in the liabilities section of the same financial statement.

The lines highlighted with the blue arrows have line descriptions ending with "payable from restricted assets". These liabilities represent the commitments connected to the restricted cash and investments from the Assets section on the previous slide.

Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2016
(In thousands)



	Austin Resource Recovery	Convention Center	Drainage
NET POSITION			
Net investment in capital assets	40,941	38,560	284,563
Restricted for:			
Debt service	331	9,402	--
Capital projects	25	--	15,882
Renewal and replacement	--	766	--
Bond Reserve	--	10,311	--
Operating reserve	--	4,428	--
Unrestricted	(92,070)	90,837	53,479
Total net position	(50,773)	154,304	353,924
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	4,473	1,346	241
Total net position - Business-type activities	\$ (46,300)	155,650	354,165

NET POSITION

Net investment in capital assets

Restricted for:

Debt service

Capital projects

Renewal and replacement

Bond Reserve

Operating reserve

Unrestricted

Total net position

Reconciliation to government-wide Statement of Net Position

Adjustment to consolidate internal service activities

Total net position - Business-type activities



Understanding Net Position

The analysis doesn't stop with looking at unrestricted cash and related current liabilities at a given point in time.

The Net Position section of the financial statements provides an indication of the financial health of the entity, given that the accounting equation is Assets – Liabilities = Net Position (Equity)

Just like the Assets and Liabilities sections, the Net Position section separates restricted (blue arrow) and unrestricted (red box) components.

At 9/30/16, ACCD's Unrestricted Net Position was \$91 million. To fully understand ACCD's financial position, you can't stop there though...

Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2016
(In thousands)

	Austin Resource Recovery	Convention Center	Drainage
OPERATING REVENUES			
User fees and rentals	\$ 103,420	33,221	83,997
Total operating revenues	<u>103,420</u>	<u>33,221</u>	<u>83,997</u>
OPERATING EXPENSES			
Operating expenses before depreciation	93,654	48,401	60,404
Depreciation and amortization	8,613	9,112	7,459
Total operating expenses	<u>102,267</u>	<u>57,513</u>	<u>67,863</u>
Operating income (loss)	<u>1,153</u>	<u>(24,292)</u>	<u>16,134</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	77	518	483
Interest on revenue bonds and other debt	(1,200)	(7,063)	(1,315)
Interest capitalized during construction	--	654	727
Other nonoperating revenue (expense)	384	(30,839)	(10,757)
Total nonoperating revenues (expenses)	<u>(739)</u>	<u>(36,730)</u>	<u>(10,862)</u>
Income (loss) before contributions and transfers	<u>414</u>	<u>(61,022)</u>	<u>5,272</u>
Capital contributions	--	--	21,906
Transfers in	179	72,280	289
Transfers out	(628)	(386)	(109)
Change in net position	<u>(35)</u>	<u>10,872</u>	<u>27,358</u>
Total net position - beginning	<u>(50,738)</u>	<u>143,432</u>	<u>326,566</u>
Total net position - ending	<u>\$ (50,773)</u>	<u>154,304</u>	<u>353,924</u>
Reconciliation to government-wide Statement of Activities			
Change in net position	(35)	10,872	27,358
Adjustment to consolidate internal service activities	207	155	(162)
Change in net position - Business-type activities	<u>\$ 172</u>	<u>11,027</u>	<u>27,196</u>

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Understanding Yearly Activity

Looking at Net Position, the numbers from the previous slide are at a single point in time. To put those numbers in context, a look at the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position (Income Statement) will show how the Net Position was impacted by the annual revenue and expenses.

For the year ended 9/30/16, ACCD's net position increased by \$11 million.

It's also good to point out the 2 lines with the blue arrows. It is important to point out that accounting rules require HOT be considered a "Transfer in", not operating revenue. This means that, from an accounting perspective, an operating loss is shown prior to the transfer in of HOT.

To fully understand what that means, you have to go back to the City's Fiscal Year 2016 Approved Budget document.



Understanding Yearly Activity

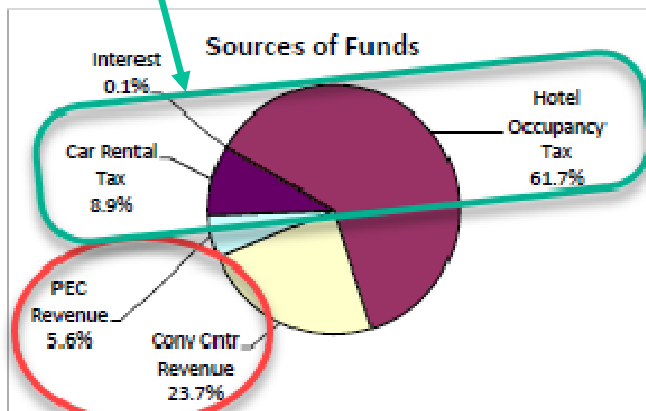
As was presented in the first presentation to the VITF on 1/3/17, the sources and uses of funds from a budget basis are shown on these pie charts.

Remember from that first presentation, ACCD's business model seeks to maximize HOT, not internally-generated facility revenue. Facility-generated revenue ("operating" accounting category) represents 29.3% of total sources of funds, and HOT and Car Rental Taxes are 70.6% of the total sources of funds for the operating budget.

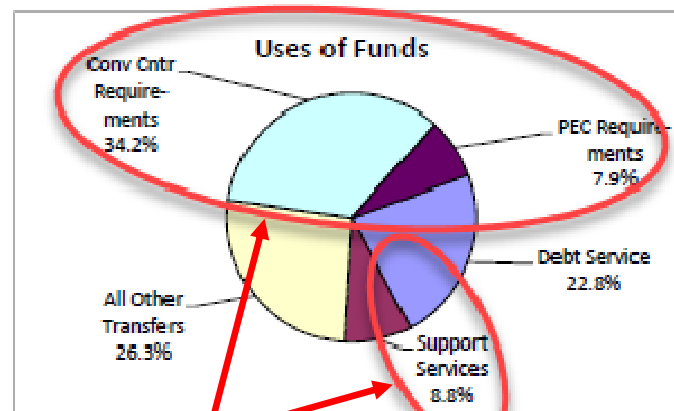
Looking at Uses of Funds, you see that 50.9% of the uses fall into the "operating" accounting category.

So, for there to be an accounting "operating" loss, does not mean failing operations when you put it in context of the business model employed.

70.6% Austin Convention Center



29.3%



50.9%

Austin Convention Center Operations

Business Model

► Revenue Approach

- Seek to Maximize Hotel Occupancy Tax
 - Seek events that generate significant hotel rooms nights
 - Benefits all recipients of the tax - Convention Center, Austin Convention and Visitors Bureau (ACVB), Arts
 - Benefits the greater Visitor Industry - hotels, restaurants, bars, visitor destinations
 - Discount facility fees, as approved in fee schedule, when significant hotel room nights are generated
 - Work with and around other large events requiring significant hotel rooms

Slide 8 of ACCD Presentation to VIFT on January 3, 2017
<http://www.austintexas.gov/edims/document.cfm?id=269388>



Understanding Yearly Activity

Before moving on to how ACCD financial policies and Capital Project Financing impacts Net Position, here is a reminder of that previous communication regarding ACCD's operations and business model.

This is a snapshot of the slide from the 1/3/17 presentation to the VITF where the revenue approach, that seeks to maximize HOT, and even discounting facility revenue when it makes sense to do so to accomplish that, was explained.

Financial Policies — 2015-16

Policy	Current Status
Austin Convention Center Financial Policies	
1. Debt service reserves shall be funded in accordance with the respective bond covenants for Austin Convention Center's Hotel Occupancy Tax Revenue bonds and Palmer Events Center's Town Lake Community Events Center Venue Project bonds.	In compliance
2. The term of long-term debt shall not exceed the expected useful life of the capital asset being financed, and in no case shall the life of the debt exceed 30 years.	In compliance
3. Capitalized interest during construction shall not exceed 5 years. Council approval shall be obtained before proceeding with financing that includes capitalized interest.	In compliance
4. The Austin Convention Center shall maintain an operating reserve that is equivalent to 180 days of operating and maintenance expenses for both the Austin Convention Center and the Palmer Events Center operating funds (as required by its Town Lake Community Events Venue bond covenants) .	In compliance
5. A capital reserve shall be maintained that is equivalent to 50% of the annual depreciation expense as reported in the prior year Comprehensive Annual Financial Report. The reserve may be used for capital projects that provide additions, replacements and improvements to Austin Convention Center facilities.	In compliance
6. Ongoing routine, preventative maintenance should be funded on a pay-as-you-go basis.	In compliance



Understanding Other Impacts to Financial Position

City-approved financial policies and ACCD's Capital Project Financing are the remaining two components needed to fully understand ACCD's financial position.

Both of these components are also found in the Approved Budget documents found online at the links provided to the VITF.

First, the financial policies are approved by City Council and lay out reserve requirements over and above those placed on ACCD by external sources.

There are 2 financial policies that impact the "unrestricted" net position, highlighted here.

Convention Center Operating Fund

	2013-14 ACTUAL	2014-15 ACTUAL	2015-16 ESTIMATED	2015-16 AMENDED	2016-17 APPROVED
BEGINNING BALANCE	21,595,649	34,884,021	27,826,000	23,102,892	19,789,524
REVENUE					
Contractor Revenue	10,556,903	12,064,505	13,448,455	11,358,057	13,231,656
Facility Revenue	6,238,077	6,823,167	6,678,403	6,678,403	6,798,692
Parking Fees	2,984,095	3,730,723	4,050,000	3,699,822	3,963,759
Building Rental/Lease	113,770	135,800	221,040	211,860	266,410
Other Revenue	91,669	317,065	110,300	110,300	117,600
Interest	18,093	73,149	84,578	50,500	90,921
Scrap Sales	4,112	17,699	0	0	0
Total Revenue	20,006,719	23,162,107	24,592,776	22,108,942	24,469,038
TRANSFERS IN					
Other Funds	28,689,696	34,732,927	38,779,475	34,530,378	40,083,281
Total Transfers In	28,689,696	34,732,927	38,779,475	34,530,378	40,083,281
TOTAL AVAILABLE FUNDS	48,696,415	57,895,034	63,372,251	56,639,320	64,552,319
PROGRAM REQUIREMENTS					
Event Operations	26,598,854	30,278,659	31,714,429	31,714,429	34,236,625
Support Services	4,140,248	4,960,871	6,331,361	6,384,627	6,978,633
Total Program Requirements	30,739,102	35,239,529	38,045,790	38,099,056	41,215,258
OTHER REQUIREMENTS					
Compensation Adjustment	0	0	0	0	336,601
Market Study Adjustment	0	0	41,629	41,629	178,817
Accrued Payroll	54,005	105,218	137,184	128,008	75,156
Awards and Recognition	13,184	0	0	0	0
Compromise settlement agmts	0	2,810,282	0	0	0
Total Other Requirements	67,189	2,915,500	178,813	169,637	590,574
TRANSFERS OUT					
Trf to Conv Ctr CIP Fund	0	22,436,282	28,413,954	9,500,000	16,427,936
Trf to GO Debt Service	2,332,301	2,173,040	2,202,340	2,202,341	1,495,640
Administrative Support	1,037,001	0	1,133,838	1,133,838	1,440,520
CTM Support	897,899	835,000	905,275	905,275	1,047,724
Trf to PID Fund	75,000	75,000	75,000	75,000	285,000
Workers' Compensation	260,486	284,541	226,728	226,728	223,686
Regional Radio System	0	0	95,127	95,127	115,787
Trf to CIP Mgm - CPM (5460)	0	0	0	0	91,702
Liability Reserve	6,480	6,480	6,480	6,480	40,080
Trf to Support Services Fund	0	984,565	0	0	0
Trf to Tourism & Promotion Fnd	125,382	125,382	125,382	125,382	0
Trf to Wireless Communication	89,408	88,654	0	0	0
Total Transfers Out	4,823,957	27,008,944	33,184,124	14,270,171	21,168,075
TOTAL REQUIREMENTS	35,630,248	65,163,974	71,408,727	52,538,864	62,973,907
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	13,066,166	(7,268,939)	(8,036,476)	4,100,456	1,578,412
ADJUSTMENT TO GAAP	222,206	210,918	0	0	0
ENDING BALANCE	34,884,021	27,826,000	19,789,524	27,203,148	21,367,936



Understanding Other Impacts to Financial Position

The financial policies related to the operating and capital reserves are reflected in the Fund Summaries in the Approved Budget.

For Convention Center Operating Fund, the ending balance represents the 180-day operating reserve and the capital reserve. Because the City's financial policies (not an external source) drive these reserves, for accounting purposes, they are reported as unrestricted. However, for financial planning purposes, these amounts are not considered "available" for current planned uses.

Convention Center **Palmer Events Center**
Operating Fund

	2013-14 ACTUAL	2014-15 ACTUAL	2015-16 ESTIMATED	2015-16 AMENDED	2016-17 APPROVED
BEGINNING BALANCE	9,387,963	12,228,267	9,661,057	8,863,805	4,306,063
REVENUE					
Interest	8,684	18,319	21,703	15,150	23,331
Total Revenue	8,684	18,319	21,703	15,150	23,331
TRANSFERS IN					
Other Funds	8,056,388	8,285,794	8,864,369	7,972,208	8,674,186
Total Transfers In	8,056,388	8,285,794	8,864,369	7,972,208	8,674,186
TOTAL AVAILABLE FUNDS	8,065,072	8,304,113	8,886,072	7,987,358	8,697,517
PROGRAM REQUIREMENTS					
Event Operations	3,766,160	4,473,732	4,852,786	5,087,384	5,383,966
Support Services	847,491	732,786	847,558	919,775	1,144,440
Total Program Requirements	4,413,651	5,206,518	5,700,344	6,007,159	6,528,406
OTHER REQUIREMENTS					
Compensation Adjustment	0	0	0	0	47,006
Market Study Adjustment	0	0	430	430	41,895
Accrued Payroll	6,080	16,648	35,613	21,515	8,403
Awards and Recognition	2,015	0	0	0	0
Total Other Requirements	8,095	16,648	36,043	21,945	97,304
TRANSFERS OUT					
Trf to Conv Ctr CIP Fund	0	4,839,499	2,650,504	341,376	675,520
Trf to PARD CIP Fund	500,000	500,000	5,500,000	5,500,000	500,000
Administrative Support	157,519	0	171,862	171,862	244,699
CTM Support	136,390	126,836	137,377	137,377	171,208
Workers' Compensation	43,524	54,531	43,720	43,720	46,744
Liability Reserve	1,216	1,216	1,216	1,216	9,196
Trf to Support Services Fund	0	149,554	0	0	0
Total Transfers Out	838,649	5,671,636	8,504,679	6,195,551	1,647,367
TOTAL REQUIREMENTS	5,260,395	10,894,802	14,241,066	12,224,655	8,273,077
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	2,804,677	(2,590,689)	(5,354,994)	(4,237,297)	424,440
ADJUSTMENT TO GAAP	35,627	23,479	0	0	0
ENDING BALANCE	12,228,267	9,661,057	4,306,063	4,626,508	4,730,503



Understanding Other Impacts to Financial Position

The funds attributed to the Palmer Events Center are treated the same in the budget documents, but due to differences in the bond documents, the budgeted ending balance is considered “restricted” Net Position in the accounting statements.

The City’s approach to reserving funds for the Convention Center and the Palmer Events Center is the same for financial planning purposes.

Convention Center Venue Project Fund

	2013-14 ACTUAL	2014-15 ACTUAL	2015-16 ESTIMATED	2015-16 AMENDED	2016-17 APPROVED
BEGINNING BALANCE	2,486,988	6,762,395	871,857	0	0
REVENUE					
Interest	5,188	14,709	10,546	13,130	11,337
Total Revenue	5,188	14,709	10,546	13,130	11,337
TRANSFERS IN					
Other Funds	15,144,320	17,653,043	19,519,237	17,623,112	20,107,925
Total Transfers In	15,144,320	17,653,043	19,519,237	17,623,112	20,107,925
TOTAL AVAILABLE FUNDS	15,149,507	17,667,752	19,529,783	17,636,242	20,119,262
TRANSFERS OUT					
Trf to ACCD HOT D/S Fund	10,874,100	9,900,046	10,743,930	10,805,984	11,360,986
Trf to Conv Ctr CIP Fund	0	13,658,244	9,657,710	6,830,258	8,758,276
Total Transfers Out	10,874,100	23,558,290	20,401,640	17,636,242	20,119,262
TOTAL REQUIREMENTS	10,874,100	23,558,290	20,401,640	17,636,242	20,119,262
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	4,275,407	(5,890,538)	(871,857)	0	0
ADJUSTMENT TO GAAP	0	0	0	0	0
ENDING BALANCE	6,762,395	871,857	0	0	0

Understanding Other Impacts to Financial Position

The funds attributed to the Convention Center Venue Project Fund are budgeted in a separate fund, but as shown in the following slides are shown combined with other Convention Center funds in the CIP Plan.

ACCD internal financial records maintain the separate balances, since the Venue funds transferred to the CIP fund can only be used on the Venue side of the building.

Each year, ACCD budgets to transfer funds remaining after debt service transfers to the Convention Center CIP Fund.

ACCD's approach to CIP funding is discussed next.

FY 2015-16 Capital Budget Appropriations and Spending Plan Summary

Department	FY 2015-16 Appropriation	FY 2015-16 Spending Plan
Animal Services	\$0	\$700,000
Austin Convention Center	\$28,882,299	\$12,157,635
Austin Energy	\$262,400,000	\$229,052,281
Austin Public Library	\$5,615,000	\$51,587,397
Austin Resource Recovery	\$6,074,696	\$7,837,438
Austin Transportation	\$13,814,132	\$15,058,943
Austin Water	\$40,850,000	\$154,356,361
Aviation	\$134,920,000	\$115,097,914
Building Services	\$1,321,000	\$3,278,867
Communications and Technology Management	\$28,390,926	\$30,665,096
Development Services	\$860,000	\$1,104,074
Economic Development	\$0	\$11,071,907
Emergency Medical Services	\$3,088,000	\$3,032,000
Fire	\$780,000	\$4,276,749
Fleet	\$0	\$576,771
Health and Human Services	\$2,605,000	\$2,619,620
Neighborhood Housing and Community Development	\$10,054,210	\$11,042,363
Office of Real Estate	\$510,000	\$510,000
Parks and Recreation	\$36,202,051	\$32,192,791
Planning and Zoning	\$1,553,385	\$2,965,449
Police	\$0	\$1,598,407
Public Works	\$25,946,221	\$45,731,734
Watershed Protection	\$25,748,000	\$47,997,767
Total CIP	\$629,614,920	\$784,511,564



Understanding Other Impacts to Financial Position

ACCD's Capital Project Financing significantly impacts ACCD's reported Unrestricted Net Position.

ACCD's business is its facilities, and therefore, deferred maintenance and delayed capital projects cannot be endured and still remain competitive.

Each year, City Council approves the Capital Budget for City Departments.

The Capital Budget is found in Volume II of the Approved Budget.

Fiscal Year 2015-2016 Capital Improvement Project (CIP) Funded Appropriation Request Summary

Austin Convention Center

Project	Actuals thru Prior Year	2016	2017	2018	2019	2020	Future	Total	Funding Source
6020:Austin Convention Center	\$37,955,133	\$26,185,028	\$19,961,942	\$20,698,401	\$21,465,999	\$27,271,179	\$0	\$153,537,682	Debt Cash
5218:Palmer Events Center	\$5,421,429	\$2,150,543	\$2,324,552	\$2,908,410	\$3,162,973	\$3,483,079	\$0	\$19,450,986	Cash
Total	\$43,728,562	\$28,335,571	\$22,286,494	\$23,606,811	\$24,628,972	\$30,754,258	\$0	\$172,988,668	

Project Name: Austin Convention Center

Project ID: 6020

Responsible Dept Contact: Gizelbach, Michele

Phone # 4044054

Project Description:

Improvements and major renovations to the Austin Convention Center. The Austin Convention Center is 881,400 gross square feet and covers six city blocks. The five contiguous Exhibit Halls have 246,097 sq. ft. of column-free space, 54 meeting rooms and show offices with 61,440 square feet, and two ballrooms.

	Thru 2015	2016	2017	2018	2019	2020	Future	Total
Spending Plan	\$12,011,897	\$11,685,035	\$6,171,000	\$1,182,000	\$60,000	\$7,060,000	\$115,367,751	\$153,537,683
Appropriation Plan	\$37,955,133	\$26,185,028	\$19,961,942	\$20,698,401	\$21,465,999	\$27,271,179	\$0	\$153,537,682
Funding Plan								
Debt	\$2,724,752	\$0	\$0	\$0	\$0	\$0	\$0	\$2,724,752
Cash	\$35,230,381	\$26,185,028	\$19,961,942	\$20,698,401	\$21,465,999	\$27,271,179	\$0	\$150,812,930
Total	\$37,955,133	\$26,185,028	\$19,961,942	\$20,698,401	\$21,465,999	\$27,271,179	\$0	\$153,537,682

Project Name: Palmer Events Center

Project ID: 5218

Responsible Dept Contact: Gizelbach, Michele

Phone # 4044054

Project Description:

Palmer Events Center has two exhibit halls totalling 70,000 square feet (SF), 5 meeting rooms totalling 6,000 SF, and the overall building size approaches 130,000 SF. The facility also has a 1200 car parking garage to support events at both Palmer and the Long Center for the Performing Arts.

	Thru 2015	2016	2017	2018	2019	2020	Future	Total
Spending Plan	\$1,407,060	\$472,600	\$40,000	\$0	\$0	\$80,000	\$17,451,326	\$19,450,986
Appropriation Plan	\$5,421,429	\$2,150,543	\$2,324,552	\$2,908,410	\$3,162,973	\$3,483,079	\$0	\$19,450,986
Funding Plan								
Cash	\$5,421,429	\$2,150,543	\$2,324,552	\$2,908,410	\$3,162,973	\$3,483,079	\$0	\$19,450,986
Total	\$5,421,429	\$2,150,543	\$2,324,552	\$2,908,410	\$3,162,973	\$3,483,079	\$0	\$19,450,986

Pages 44, 45, 48 of Fiscal Year 2016 CIP Plan



Understanding Other Impacts to Financial Position

The Capital Budget is further detailed in the published CIP Plan, also published online. The CIP Plan shows planned project appropriation and spending at a point in time. It is a planning tool supporting appropriations that are made through the adoption of the Capital Budget. Some amounts may change between the CIP Plan and the Approved Capital Budget.

The top section is the appropriation summary, and is a detail of total appropriations, past, current, and future planned. The bottom two sections show spending plan information (blue box), as well as appropriations (red box), for the Convention Center and the Palmer Events Center.

Fiscal Year 2015-2016 CIP Funded Appropriation Request Summary

Austin Convention Center

Project	Actuals thru Prior Year	2016	2017	2018	2019	2020	Future	Total	Funding Source
6020:Austin Convention Center	\$37,955,133	\$26,185,028	\$19,961,942	\$20,698,401	\$21,465,999	\$27,271,179	\$0	\$153,537,682	Debt Cash
5218:Palmer Events Center	\$5,421,429	\$2,150,543	\$2,324,552	\$2,908,410	\$3,162,973	\$3,483,079	\$0	\$19,450,986	Cash
Total	\$43,728,562	\$28,335,571	\$22,286,494	\$23,606,811	\$24,628,972	\$30,754,258	\$0	\$172,988,668	

Project Name: Austin Convention Center

4% debt project & overall

Project ID: 6020

Responsible Dept Contact: Gizelbach, Michele

Phone #: 4044054

Project Description:

Improvements and major renovations to the Austin Convention Center. The Austin Convention Center is 881,400 gross square feet and covers six city blocks. The five contiguous Exhibit Halls have 246,097 sq. ft. of column-free space, 54 meeting rooms and show offices with 61,440 square feet, and two ballrooms.

	Thru 2015	2016	2017	2018	2019	2020	Future	Total
Spending Plan	\$12,011,897	\$11,685,035	\$6,171,000	\$1,182,000	\$60,000	\$7,060,000	\$115,367,751	\$153,537,683
Appropriation Plan	\$37,955,133	\$26,185,028	\$19,961,942	\$20,698,401	\$21,465,999	\$27,271,179	\$0	\$153,537,682
Funding Plan								
Debt	\$2,724,752	\$0	\$0	\$0	\$0	\$0	\$0	\$2,724,752
Cash	\$35,230,381	\$26,185,028	\$19,961,942	\$20,698,401	\$21,465,999	\$27,271,179	\$0	\$150,812,930
Total	\$37,955,133	\$26,185,028	\$19,961,942	\$20,698,401	\$21,465,999	\$27,271,179	\$0	\$153,537,682

Austin Transportation
75% debt overall

Project Name: Neighborhood Traffic Calming
87% project debt

	Thru 2015	2016
Spending Plan	\$19,331,041	\$2,172,776
Appropriation Plan	\$19,331,041	\$2,172,776
Funding Plan		
Debt	\$75,934	\$95,219
Grants	\$1,841,949	\$4,285,041
Cash	\$2,488,001	\$55,973
Total	\$16,466,684	\$4,436,233

Austin Resource Recovery
75% debt overall

Project Name: ARR Capital Equipment
79% project debt

	Thru 2015	2016
Spending Plan	\$15,117,468	\$9,542,298
Appropriation Plan	\$18,015,322	\$8,144,444
Funding Plan		
Debt	\$17,972,682	\$2,619,748
Grants	\$17,640	\$0
Cash	\$25,000	\$5,524,696
Total	\$18,015,322	\$8,144,444

Austin Water
76% debt overall

Project Name: Water Distribution System
99% project debt

	Thru 2015	2016
Spending Plan	\$111,982,655	\$2,728,200
Appropriation Plan	\$112,207,346	\$16,647,533
Funding Plan		
Debt	\$110,181,866	\$11,150,719
Grants	\$300,000	\$600,000
Cash	\$110,831,866	\$11,750,789
Total	\$110,831,866	\$11,750,789

Aviation
64% debt overall

Project Name: ABIA Terminal Improvements
60% projects debt

	Thru 2015	2016
Spending Plan	\$86,648,748	\$13,540,000
Appropriation Plan	\$94,984,607	\$126,850,000
Funding Plan		
Debt	\$33,410,926	\$99,700,000
Grants	\$4,994,437	\$27,150,000
Cash	\$56,579,244	\$126,850,000
Total	\$94,984,607	\$126,850,000

Various Pages of Fiscal Year 2016 CIP Plan



Understanding Other Impacts to Financial Position

One of the most important points to understand is how ACCD funds its capital projects. The vast majority of capital projects are funded with cash, not debt. This is not the case for the vast majority of, if not all, other city departments.

As a result, ACCD does not commit to capital projects until the funds are collected and available. In the ACCD plan, only fully funded projects are included in the 5-year plan. This means the appropriations "thru prior year" and the current year (only) are committed to the spending plan through the next 5 years.

While additional future cash funding is expected, it is not committed to projects until it is "in hand". As is the case for using conservative projections in operating budget forecast, the same conservative approach to capital funding is needed due to the volatility of HOT and Car Rental tax – the funding source for ACCD capital projects.

In comparison, other departments' capital funding portfolios for specific project categories are shown here.

Analysis of ACCD Funding

GAAP/Accounting Basis		
Pooled Cash and Investments (Unrestricted) at 9/30/2016	112,469,000	
Recon to Related Net Position		
Unrestricted Net Position	90,837,000	
Non-cash Net Liabilities (Unrestricted)	22,815,000	
Total Net Position and Related Non-cash Net Liabilities	113,652,000	
Difference - considered immaterial for illustration purposes	(1,183,000)	-1.07%
Budget Basis		
Convention Center Operating Ending Balance, FY16	19,789,524	COA financial policy - operating and working capital reserve
Capital Projects Fund Cash Appropriation to Date thru FY16	69,339,381	
Add'l xfer to CIP in FY16, but not yet appropriated	24,050,534	
Total	113,179,439	
Difference - considered immaterial for illustration purposes	(710,439)	-0.63%
Capital Funding Available, as of 9/30/16	93,389,915	
Less: Projects with Funding Already Committed, as of 9/30/16	37,444,840	
CIP Funding for Future Projects/Use, as of 9/30/16	55,945,075	Can't stop here!...This includes Venue and Non-Venue Funds...

Reconciling /
comparing sections
of Statement of Net
Position (Balance
Sheet)

Reconciling Financial Stmts to Budget/CIP

So, putting everything together, starting with reported cash, considering outstanding commitments of that cash, reserve requirements, and capital spending plans, it is possible to determine ACCD's funding available for future capital or other related purposes.

This shows the first part of the reconciliation, starting from the accounting basis with cash, working to net position, and then to the budget-basis amounts.

To perform a detailed reconciliation with no difference would require significant additional work. For the purposes of understanding ACCD funding, reconciliations to within an immaterial difference (of less than 2% in this case) is appropriate and commonly used in auditing and financial analysis.

After taking into consideration current liability commitments and planned capital spending, ACCD's funding for future projects/use as of 9/30/16 is \$56 million.

Analysis of ACCD CIP Funding

Capital Funding Available, as of 9/30/16	93,389,915
Less: Projects with Funding Already Committed, as of 9/30/16	37,444,840
CIP Funding for Future Projects/Use, as of 9/30/16	55,945,075
Break-out of CIP Funding for Future Projects/Use, as of 9/30/16	
ACC CIP Funding	35,064,896
ACC Venue CIP Funding	14,491,214
PEC/Town Lake Venue Funding	6,388,965
	55,945,075

ACCD has communicated its strategy of transferring funds to CIP in each of the last 3 years' Approved Budgets. Excerpts from the Message from the Director, along with links to those documents are below.

From FY15 Approved Budget, Volume I, page 420:

region. In order to take advantage of these new opportunities, key stakeholders will be included in a process to explore future facility development options. To that end, it is imperative that the Department begin strategically planning in FY 2014-15 for viable options that will allow the Department to achieve continued success.

From FY16 Approved Budget, Volume I, page 514:

discussion and approval and reflected in future budget planning documents accordingly. The FY 2015-16 Budget continues to strategically prepare for the dollar-intensive undertaking of an expansion, as well as for ongoing capital requirements of the aging existing facilities, by transferring excess Convention Center operating funds to the Capital Improvement Project budget. Other financing mechanisms, such as debt issuance, will also be necessary for any expansion.

From FY17 Approved Budget, Volume I, page 502:

The FY 2016-17 Budget continues to strategically transfer ACC operating funds to the Capital Improvement Project (CIP) budget to prepare for any future dollar-intensive endeavors, and provides for ongoing capital requirements of the aging existing facilities. The FY 2016-17 Budget also includes investments in the ACCD's work force, including new FTE requests, to

FY15: https://assets.austintexas.gov/budget/14-15/downloads/fy15_approved_volume_I.pdf

FY16: https://assets.austintexas.gov/budget/15-16/downloads/Vol1Approved_Final.pdf

FY17: https://assets.austintexas.gov/budget/16-17/downloads/FY17_Proposed_Budget_Vol_1.pdf



Understanding CIP Funding

There's one more step to fully understanding the CIP funding identified as available for future use.

Since the City's Budget reports departmental budgets, in ACCD's case, the amount represents funding for ACC, ACC Venue, and PEC/Town Lake Venue.

The \$56 million is further broken out as follows:

ACC	\$35.1 million
ACC-Venue	\$14.5 million
PEC-Town Lake Venue	\$ 6.4 million

As it relates to the ACC and ACC-Venue portion, as ACCD has communicated in each of the last 3 Budgets (highlighted on this slide), accumulating excess funding has been deliberate, as expansion is being considered.

Preparing for a possible expansion requires responsible, prudent financial planning. ACCD would be remiss if funds were not being strategically managed.

Analysis of ACCD CIP Funding

	Budget Basis		
Convention Center Operating Ending Balance, FY16	19,789,524	COA financial policy - operating and working capital reserve	
Capital Projects Fund Cash Appropriation to Date thru FY16	69,339,381 A		
Add'l xfer to CIP in FY16, but not yet appropriated	24,050,534 B	43,728,562 Appropriations - Actuals thru Prior Year	
Total	113,179,439	28,335,571 Appropriations - 2016	
		(2,724,752) Debt Funded Appropriations	
		69,339,381 A	
Capital Funding Available, as of 9/30/16	93,389,915 A+B	28,413,954 Actual transfer to CIP - ACC	
Less: Projects with Funding Already Committed, as of 9/30/16	37,444,840 C	(9,500,000) Budgeted/Appropriated transfer to CIP - ACC	
CIP Funding for Future Projects/Use, as of 9/30/16	55,945,075	2,650,504 Actual transfer to CIP - PEC	
		(341,376) Budgeted/Appropriated transfer to CIP - PEC	
		9,657,710 Actual transfer to CIP - ACC Venue	
		(6,830,258) Budgeted/Appropriated transfer to CIP - ACC Venue	
		24,050,534 B	
	GAAP/Accounting Basis		
Recon to Related Net Position			
Unrestricted Net Position	90,837,000		
Non-cash Net Liabilities (Unrestricted)	22,815,000 D	12,011,897 ACC Spending Plan thru 2015	
Total Net Position and Related Non-cash Net Liabilities	113,652,000	11,685,035 ACC Spending Plan 2016	
		6,171,000 ACC Spending Plan 2017	
		1,182,000 ACC Spending Plan 2018	
		60,000 ACC Spending Plan 2019	
		7,060,000 ACC Spending Plan 2020	
		1,407,060 PEC Spending Plan thru 2015	
		472,600 PEC Spending Plan 2016	
		40,000 PEC Spending Plan 2017	
		80,000 PEC Spending Plan 2020	
		(2,724,752) ACC Debt Funded Spending Plan	
	22,815,000 D	37,444,840 C	



Understanding CIP Funding

This slide provides the detail for some of the amounts included in the reconciliation on slide 22.

The amounts for part A (blue arrow) are found on slide 20.

The amounts for part B (green arrow) are found on slides 16, 17, and 18.

The amounts for part C (orange arrow) are found on slide 20.

The amounts for part D, representing the unrestricted amounts, (purple arrow) are found on slides 8 and 10.



Debt

Review of ACCD's outstanding debt

VITF Bond Questions with ACCD Posted Responses

- When were bonds last issued for the convention center?

Bonds for Convention Center purposes were last issued in 2013 to refinance existing Convention Center bonds at lower interest rates; these 2013 bonds were issued as hotel occupancy tax (HOT) bonds.

The last “new money” issuance of debt for actual capital improvements to the Convention Center (rather than refinancing of existing debt) was a certificate of obligation (“CO”) issued in 2009 by the City for retrofit purposes.

The most recent “new money” HOT debt issuance was issued in 1999 for the Convention Center /Waller Creek venue. There have been numerous refundings (refinancings) of HOT bonds between 1999 and 2013.

- Are these bonds repayable in whole or in part? If so, when?

With respect to existing HOT debt, the 2008-A and 2008-B HOT bonds (\$87.8 million outstanding) are callable (prepayable) in whole or in part on any business date; however, because these bonds are variable rate debt, in order to early redeem or defease these bonds the Convention Center would also have to pay off the swap termination fee, which was approximately \$11.7 million based on the most recent swap valuation.

The 2012 HOT bonds (\$16.9 million outstanding) are also callable in whole or in part beginning 11/15/2021. The 2013 HOT bonds (\$14.1 million outstanding) are not callable prior to final maturity.

For certain GO bonds outstanding that were issued for Convention Center purposes (approximately \$15.06 million still outstanding), these bonds have various call dates, with the earliest occurring in 2018 and portions not callable prior to final maturity.

- How much bond debt remains outstanding?

Total Principal Outstanding \$133,991,000

- Series 2013 - \$14,115,000
- Series 2012 - \$16,995,000
- Series 2008 - \$87,820,000 (variable rate)
- GO Debt - \$15,061,000

<http://www.austintexas.gov/edims/document.cfm?id=270179>



Understanding ACCD's Debt

ACCD posted this debt/bond related information, in response to VITF questions, on January 31, 2017.

In addition to this information, debt/bond information is posted online, both in the budget and CAFR documents, found at the links posted to the VITF, and covered in the preceding slides.

The \$133.9 million of outstanding bonds that was communicated in the posting to the VITF website was as of January 2017, and only represents the debt attributed to the Convention Center. ACCD also has debt outstanding for the Palmer Events Center, backed by Car Rental Tax.

ACCD's complete debt portfolio is presented on the following slides.

ACCD Debt Schedules included in Fiscal Year 2016 Approved Budget

City of Austin Hotel Occupancy Tax Subordinate SWAP Transactions Refunding 2008 (Summary by Payment Date)

PAYMENT DATE	PRINCIPAL OUTSTANDING	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL	FISCAL YEAR TOTAL
11/15/15	98,345,000	5,190,000	1,598,352	6,788,352	
05/15/16	93,155,000	0	1,514,002	1,514,002	8,302,354
11/15/16	93,155,000	5,335,000	1,514,002	6,849,002	
05/15/17	87,820,000	0	1,427,295	1,427,295	8,276,297
11/15/17	87,820,000	5,495,000	1,427,295	6,922,295	
05/15/18	82,325,000	0	1,337,987	1,337,987	8,260,282
11/15/18	82,325,000	5,685,000	1,337,987	7,022,987	
05/15/19	76,640,000	0	1,245,592	1,245,592	8,268,579
11/15/19	76,640,000	5,875,000	1,245,592	7,120,592	
05/15/20	70,765,000	0	1,150,108	1,150,108	8,270,700
11/15/20	70,765,000	6,075,000	1,150,108	7,225,108	
05/15/21	64,690,000	0	1,051,374	1,051,374	8,276,482
11/15/21	64,690,000	6,280,000	1,051,374	7,331,374	
05/15/22	58,410,000	0	949,309	949,309	8,280,683
11/15/22	58,410,000	6,445,000	949,309	7,394,309	
05/15/23	51,965,000	0	844,561	844,561	8,238,870
11/15/23	51,965,000	6,675,000	844,561	7,519,561	
05/15/24	45,500,000	0	736,076	736,076	8,255,637

City of Austin Town Lake Park Community Events Center Venue Project Refunding Bonds, Series 2005 (Summary by Payment Date)

PAYMENT DATE	PRINCIPAL OUTSTANDING	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL	FISCAL YEAR TOTAL
11/15/15	32,020,000		783,575	2,293,575	
05/15/16	30,510,000	1,510,000	745,825	745,825	3,039,400
11/15/16	30,510,000	1,590,000	745,825	2,335,825	
05/15/17	28,920,000		706,075	706,075	3,041,900
11/15/17	28,920,000	1,660,000	706,075	2,366,075	
05/15/18	27,260,000		672,875	672,875	3,038,950
11/15/18	27,260,000	1,725,000	672,875	2,397,875	
05/15/19	25,535,000		638,375	638,375	3,036,250
11/15/19	25,535,000	1,805,000	638,375	2,443,375	
05/15/20	23,730,000		593,250	593,250	3,036,625
11/15/20	23,730,000	1,890,000	593,250	2,483,250	
05/15/21	21,840,000		546,000	546,000	3,029,250
11/15/21	21,840,000	1,990,000	546,000	2,536,000	
05/15/22	19,850,000		496,250	496,250	3,032,250
11/15/22	19,850,000	2,085,000	496,250	2,581,250	
05/15/23	17,765,000		444,125	444,125	3,025,375
11/15/23	17,765,000	2,190,000	444,125	2,634,125	
05/15/24	15,575,000		389,375	389,375	3,023,500
11/15/24	15,575,000	2,300,000	389,375	2,689,375	
05/15/25	13,275,000		331,875	331,875	3,021,250
11/15/25	13,275,000	2,410,000	331,875	2,741,875	
05/15/26	10,865,000		271,625	271,625	3,013,500
11/15/26	10,865,000	2,530,000	271,625	2,801,625	
05/15/27	8,335,000		208,375	208,375	3,010,000
11/15/27	8,335,000	2,650,000	208,375	2,858,375	
05/15/28	5,685,000		142,125	142,125	3,000,500
11/15/28	5,685,000	2,775,000	142,125	2,917,125	
05/15/29	2,910,000		72,750	72,750	2,989,875
11/15/29	2,910,000	2,910,000	72,750	2,982,750	
TOTAL		32,020,000	13,301,375	45,321,375	45,321,375

City of Austin HOT Revenue Refunding Bonds, Series 2013 (Summary by Payment Date)

PAYMENT DATE	PRINCIPAL OUTSTANDING	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL	FISCAL YEAR TOTAL
11/15/15	22,500,000		4,110,000	520,575	4,630,575
05/15/16	18,390,000		438,375	438,375	5,068,950
11/15/16	18,390,000	4,275,000	438,375	4,713,375	
05/15/17	14,115,000		352,875	352,875	5,066,250
11/15/17	14,115,000	4,475,000	352,875	4,827,875	
05/15/18	9,640,000		241,000	241,000	5,068,875
11/15/18	9,640,000	4,700,000	241,000	4,941,000	
05/15/19	4,940,000		123,500	123,500	5,064,500
11/15/19	4,940,000	4,940,000	123,500	5,063,500	
TOTAL		22,500,000	2,832,075	25,332,075	25,332,075

HOT Subordinate Lien Revenue Refunding Bonds, Series 2012 Convention Center/Waller Creek Venue Project (Summary by Payment Date)

PAYMENT DATE	PRINCIPAL OUTSTANDING	PRINCIPAL PAYMENT	INTEREST PAYMENT	TOTAL	FISCAL YEAR TOTAL
11/15/15	18,875,000		422,175	1,352,175	
05/15/16	17,945,000		412,875	412,875	1,765,050
11/15/16	17,945,000	950,000	412,875	1,362,875	
05/15/17	16,995,000		401,000	401,000	1,763,875
11/15/17	16,995,000	975,000	401,000	1,376,000	
05/15/18	16,020,000		388,813	388,813	1,764,813
11/15/18	16,020,000	1,010,000	388,813	1,398,813	
05/15/19	15,010,000		363,563	363,563	1,762,375
11/15/19	15,010,000	1,065,000	363,563	1,428,563	
05/15/20	13,945,000		336,938	336,938	1,765,500
11/15/20	13,945,000	1,115,000	336,938	1,451,938	
05/15/21	12,830,000		309,063	309,063	1,761,000
11/15/21	12,830,000	1,170,000	309,063	1,479,063	
05/15/22	11,660,000		279,813	279,813	1,758,875
11/15/22	11,660,000	1,230,000	279,813	1,509,813	
05/15/23	10,430,000		249,063	249,063	1,758,875
11/15/23	10,430,000	1,285,000	249,063	1,534,063	
05/15/24	9,145,000		216,938	216,938	1,751,000
11/15/24	9,145,000	1,350,000	216,938	1,556,938	
05/15/25	7,795,000		183,188	183,188	1,750,125
11/15/25	7,795,000	1,420,000	183,188	1,603,188	
05/15/26	6,375,000		147,688	147,688	1,750,875
11/15/26	6,375,000	1,485,000	147,688	1,632,688	
05/15/27	4,890,000		110,563	110,563	1,743,250
11/15/27	4,890,000	1,560,000	110,563	1,670,563	
05/15/28	3,330,000		71,563	71,563	1,742,125
11/15/28	3,330,000	1,630,000	71,563	1,701,563	
05/15/29	1,700,000		30,813	30,813	1,732,375
11/15/29	1,700,000	1,700,000	30,813	1,730,813	
TOTAL		18,875,000	7,425,925	26,300,925	26,300,925



Understanding Debt from Approved Budget

City Bond Indebtedness is found in Volume II of the Approved Budget.

ACCD has two separate funds to handle annual debt service payments – one for Convention Center and one for the Palmer Events Center. Those funds are described and presented on pages 731-734 of Volume II of the Fiscal Year 2016 Approved Budget.

The Approved Budget also includes debt service schedules for all bond series outstanding. ACCD's debt service schedules are found on pages 760-763.

Note: ACCD's portion of General Obligation bonds (\$15 million) are not disclosed separately, but are included in the citywide summary schedule of outstanding Certificates of Obligation on page 742 of Volume II of the Fiscal Year 2016 Approved Budget.

Including GO debt, ACCD's total outstanding debt as of 9/30/16 was \$175 million (\$160 million HOT/Car Rental bonds (amounts circled in red); \$15 million GO).

Total scheduled payments (principal and interest) equal \$241.8 million (\$221.2 million in HOT/Car Rental bonds (amounts circled in blue); \$20.6 million GO bonds).

https://assets.austintexas.gov/budget/15-16/downloads/Vol2Approved_Final.pdf

ACCD Debt Information included in Fiscal Year 2016 CAFR

Notes to Basic Financial Statements
September 30, 2016

City of Austin, Texas
(Continued)

6 – DEBT AND NON-DEBT LIABILITIES, continued c – Business-Type Activities Long-Term Liabilities, continued

Nonmajor Fund Debt:

Convention Center – Prior and Subordinate Lien Revenue Refunding Bonds - The City's Convention Center Fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2016, the total convention center obligation for prior and subordinate lien bonds is \$160,000,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are \$42,054,983 at September 30, 2016. Revenue bonds authorized and unissued amount to \$760,000 at September 30, 2016.

Bond ratings at September 30, 2016, for the revenue bonds and subordinate lien bonds were, respectively, Aa3 and A1 (Moody's Investors Service, Inc.), and AA- and A (Standard & Poor's).

The following table summarizes Convention Center refunding revenue bonds outstanding at September 30, 2016 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2005	\$ 36,720	30,510	11,772 (1)	4.00 - 5.00%	11/15/2016-2029
2008AB Refunding	2008	125,280	93,155	21,819 (2)	0.01 - 0.68%	11/15/2016-2029
2012 Refunding	2012	20,185	17,945	6,591 (1)	2.50 - 5.00%	11/15/2016-2029
2013 Refunding	2014	26,485	18,390	1,873 (1)	4.00 - 5.00%	11/15/2016-2019
			<u>\$ 160,000</u>			

(1) Interest is paid semiannually on May 15 and November 15.

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.25% in effect at the end of the fiscal year.

The Series 2008 A and B refunding bonds are variable rate demand bonds. The associated letter of credit agreements have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008-A	JPMorgan Chase Bank, NA	0.42%	Raymond James	0.05%	\$ 46,575	10/1/2017
2008-B	JPMorgan Chase Bank, NA	0.42%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	46,580	10/1/2017
					<u>\$ 93,155</u>	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2016. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

<https://assets.austintexas.gov/financeonline/downloads/cafr/cafr2016.pdf>



Understanding Debt from CAFR

The City's CAFR includes information about ACCD's outstanding debt as well.

Within the notes of the financial statements is a discussion of ACCD's debt (page 79). The notes provide information about the amount outstanding, fiscal year of issuance, maturity dates, bond ratings, as well as any corresponding debt-related agreements, as is the case of ACCD.

The amount outstanding of \$160 million (red circle) as of 9/30/16 agrees to the debt services schedules shown in the Approved Budget.

The 2008 Series is variable rate debt, and the associated counterparty agreement is also discussed (green arrow).

ACCD Debt Information included in Fiscal Year 2016 CAFR

Pledged-Revenue Coverage Last Ten Fiscal Years (In thousands)

Fiscal Year Ended Sept. 30	Electric Revenue Bonds					
	Utility Service	Less: Operating	Net Available	Debt Service (3)		Coverage (4)
	Charges (1)	Expenses (2)	Revenue	Principal	Interest	
	\$	\$	\$	\$	\$	
2007	1,096,869	708,007	388,862	101,312	66,674	2.31
2008	1,260,817	840,898	419,919	81,366	61,834	2.93
2009	1,179,688	851,756	327,932	78,773	93,170	1.91
2010	1,159,295	866,914	292,381	65,823	99,786	1.77
2011	1,258,871	912,651	346,220	75,084	97,547	2.01
2012	1,190,798	875,675	315,123	75,772	92,959	1.87
2013	1,295,116	927,294	367,822	105,091	71,052	2.09
2014	1,375,294	1,028,794	346,500	83,151	60,101	2.42
2015	1,359,097	978,283	380,814	47,904	59,017	3.56
2016	1,378,749	989,768	388,981	65,132	62,599	3.05

Fiscal Year Ended Sept. 30	Airport Revenue Bonds						Convention Center Revenue Bonds						
	Service Charges (1)	Other Available Funds (5)(6)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage (4)	User Fees and Revenue Transfers (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage (4)
					Principal	Interest					Principal	Interest	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
2007	87,419	3,805	46,683	44,541	5,386	9,834	2.93	55,932	23,787	32,145	1,260	9,829	2.90
2008	91,271	4,550	49,965	45,856	6,545	11,654	2.52	59,951	29,791	30,160	3,440	12,047	1.95
2009	85,070	4,924	54,453	35,541	6,843	12,851	1.80	54,491	30,058	24,433	4,720	11,330	1.52
2010	85,156	3,673	57,773	31,056	7,168	7,522	2.11	51,226	30,520	20,706	8,215	9,238	1.19
2011	90,259	3,739	64,371	29,627	7,544	7,410	1.98	59,351	32,464	26,887	8,545	9,356	1.50
2012	96,344	3,594	65,689	34,249	7,473	6,902	2.38	63,345	35,640	27,705	9,450	8,423	1.55
2013	103,705	3,805	69,338	38,172	8,438	6,783	2.51	73,977	44,684	29,293	10,205	7,991	1.61
2014	109,263	3,620	73,822	39,061	8,520	5,960	2.70	82,971	41,142	41,829	10,750	7,278	2.32
2015	120,780	3,551	76,995	47,336	9,264	4,941	3.33	94,847	47,746	47,101	10,930	6,691	2.67
2016	137,826	3,700	82,330	59,196	9,616	5,184	4.00	106,037	45,306	60,731	11,740	6,352	3.36

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Operating revenue, rental tax revenue, hotel tax revenue, and interest income.

(2) Operating expenses other than interest on debt, depreciation, amortization, and year-end unfunded other postemployment benefit and pension expenses.

(3) Debt service calculations are done on a cash basis rather than the accrual basis used in preparation of the financial statements. Airport excludes debt service amounts paid with passenger facility charge revenue and restricted bond proceeds applied to current interest payments.

(4) Revenue bond coverage is equal to net revenue available for debt service divided by total principal and interest payments made during each fiscal year. Coverage includes prior, subordinate, and separate lien bonds only. For Austin Water Utility, this methodology does not follow exactly the coverage calculation required by the master ordinance.

(5) Pursuant to bond ordinance, Airport is authorized to use "other available funds" in the calculation of revenue bond coverage to not exceed 25% of the debt service requirements.

(6) Includes transfer from capital fund to debt service fund to pay off variable rate note.



Understanding Debt from CAFR

At the back of the City's CAFR is additional information about outstanding debt.

Table 17 on page 232 of the CAFR shows debt service coverage for certain enterprise departments, including ACCD (red box). A debt service coverage target of 1.25x or 1.50x, depending on the debt, is considered a good minimum threshold, and required by most bonds.

ACCD's debt service coverage has been increasing over the last 6 years and is in line with Austin Energy and Airport (blue circles). Debt service coverage is monitored by rating agencies regularly and can impact bond ratings and interest rates on new bond offerings.

<https://assets.austintexas.gov/financeonline/downloads/cafr/cafr2016.pdf>

ACCD Debt Information included in Fiscal Year 2016 CAFR

Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2016
(In thousands)

	Austin Resource Recovery	Convention Center	Drainage
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,441	626	1,426
Accounts and retainage payable from restricted assets	260	2,099	2,342
Accrued payroll	1,465	720	969
Accrued compensated absences	2,158	1,072	1,546
Due to other funds	—	—	—
Accrued interest payable from restricted assets	—	1,358	—
Interest payable on other debt	260	71	138
Bonds payable	8,312	808	2,001
Bonds payable from restricted assets	—	12,150	—
Customer and escrow deposits payable from restricted assets	2,307	3,302	302
Accrued landfill closure and postclosure costs	2,704	—	—
Other liabilities payable from restricted assets	—	—	416
Total current liabilities	18,907	22,206	9,140
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	—	—	—
Advances from other funds	—	—	657
Bonds payable, <u>net of discount and inclusive of premium</u>	37,529	165,871	39,032
Net pension liability	56,739	27,184	38,657
Other postemployment benefits payable	29,276	13,471	19,603
Accrued landfill closure and postclosure costs	9,899	—	—
Derivative instruments - interest rate swaps	—	15,071	—
Total noncurrent liabilities	133,443	221,597	97,949
Total liabilities	152,350	243,803	107,089
Deferred inflows of resources	—	270	17
NET POSITION			
Net investment in capital assets	40,941	38,560	284,563
Restricted for:			
Debt service	331	9,402	—
Capital projects	25	—	15,882
Renewal and replacement	—	766	—
Bond Reserve	—	10,311	—
Operating reserve	—	4,428	—
Unrestricted	(92,070)	90,837	53,479
Total net position	(50,773)	154,304	353,924
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	4,473	1,346	241
Total net position - Business-type activities	\$ (46,300)	155,650	354,165



Understanding Debt from CAFR

One other area in the City's CAFR that provides information about debt is within the financial statements themselves.

On ACCD's Statement of Net Position (page 180), in the Liabilities section, bonds payable is shown as both current (portion payable within a year) and noncurrent (portion payable beyond a year) liabilities (red circles).

The amounts total \$178.8 million, which approximates the \$175 million shown in the debt service scheduled on the previous slide, but is a bit different, due to the inclusion of net premiums and discounts related to those bond issuances (description highlighted).


ACCD Debt Information included in Fiscal Year 2016 CAFR

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the year ended September 30, 2016
(In thousands)

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Proceeds from the sale of general obligation bonds
and other tax-supported debt
Principal paid on long-term debt
Interest paid on revenue bonds and other debt
Acquisition and construction of capital assets
Contributions in aid of construction
Bond issuance costs
Bond premiums
Net cash provided (used) by capital and related
financing activities



Austin Resource Recovery	Convention Center	Drainage
-	-	17,795
(10,179)	(13,185)	(2,052)
(1,689)	(7,106)	(1,652)
(5,852)	(5,861)	(61,980)
-	-	12,891
-	-	(137)
-	-	2,842
(17,720)	(26,152)	(32,293)



Understanding Debt from CAFR

Finally, on ACCD's Statement of Cash Flows, the amount paid for principal and interest during Fiscal Year 2016 was \$20.3 million (red circle).

This amount is made up of \$18.1 of HOT/Car Rental bond payments and \$2.2 of GO bond payments.

Summary

- A complete picture of ACCD's financial position requires review and understanding of multiple financial documents published by the City:
 - Comprehensive Annual Financial Report (CAFR)
 - Approved Budgets – Operating and Capital
 - Capital Improvement Program (CIP) Plans
- Understanding the basis of reporting (i.e. accounting versus budget) is important when evaluating different financial reports
- A portion of ACCD's reported cash at any given time has offsetting commitments or limited spending ability, leaving funds available for future projects/uses something less than the cash balance.
- ACCD's debt schedules are published in the City's Approved Budget and outstanding debt is discussed in the City's CAFR.



Questions?