



MEMORANDUM

TO: Mayor and City Council

FROM: Ed Van Eenoo, Deputy Chief Financial Officer, Financial Services Department *EW*

DATE: October 9, 2020

SUBJECT: Update on Identifying Funding for Save Austin's Vital Economic Sectors (SAVES) Initiatives

This memorandum provides updates and additional information regarding funding options for SAVES initiatives, in response to both Resolution No. 20200917-062 and to Council direction and discussion at its October 1, 2020 meeting. Prior memorandums related to SAVES funding options were provided to Council on September 25, 2020 from the Law Department, September 28, 2020 from the Budget Office, and October 1, 2020 from the Austin Transportation Department. Additional memorandums are being prepared by the Economic Development Department and Law Department related to Chapter 380 Economic Incentive Agreements and by the Austin Transportation Department related to the service impacts of redirecting Temporary Use Right of Way Permit Fees to the General Fund Emergency Reserve.

Funding Options Directed by City Council to be Included on the October 15, 2020 Council Agenda

Sales Taxes and General Fund Reserves

Based on actual payments received through eleven months of FY 2020, including the October payment for August activity received yesterday morning, sales tax revenue is currently projected to end the year \$13.4 million above the estimated year-end level included in the Approved Budget. In response to Council direction, staff will launch two items recognizing this higher sales tax revenue projection for the October 15th agenda: first, an item amending the General Fund Emergency Reserve to appropriate \$1,500,000 for expanded food access, and a second item amending the General Fund Emergency Reserve to appropriate \$8,500,000 for SAVES-related initiatives. Staff recommend maintaining remaining reserves at the highest possible level in light of the considerable economic uncertainty created by the COVID-19 pandemic and to address likely future funding needs relating to the City's direct medical and public health response to the crisis. Most CARES act funding available for the City's medical and public health response will expire on December 30, 2020 and Austin Public Health projects expenses in excess of \$50 million may be required to continue the City's efforts to contain the spread of the virus between December 31, 2020 and September 30, 2021.

Temporary Use of Right-of-Way Fees

Council directed staff to launch an amendment that would transfer all revenue, net of the cost to staff to operate the permitting program, from permits associated with temporary use of the city's right-of-way (outside of the Rainey Street Historic District) from the Austin Transportation Department (ATD) to a Business Preservation Fund for two years. ATD expects to collect \$6.6 million in fees for the temporary use of the City's right-of-way in FY 2021, while incurring costs of \$2.9 million in providing services related to these fees. As directed by Council, staff has placed an item on the October 15th agenda amending the Mobility Fund to transfer and appropriate \$3,700,000 in temporary use of Right-of-Way revenue to the General Fund Emergency Reserve for Business Preservation Fund-related initiatives. The impacts of the loss of this revenue in ATD's budget were more thoroughly addressed in an October 1, 2020 from Assistant City Manager Gina Fiandaca to the Council, but include reductions to the capital improvement program, deferring transfers to the Great Streets Development Program, deferring the Transportation Demand Management Program, delaying the Downtown Austin Core Transportation Plan, and freezing vacant positions and reducing utilization of staff augmentation. As directed by Council, additional information in regard to the savings and service impacts created by each of these reductions was provided to Council via a separate memorandum on October 9, 2020.

Alley and Street Vacation Sales & Encroachment Agreements

Council directed staff to launch a budget amendment that would allocate all revenue, net of the cost to staff and operate the permitting program, from street and alley vacation sales and from encroachment agreements (outside of the Rainey Street Historic District) to a Business Preservation Fund for two years. Land Management staff that evaluate and process these sales and agreements are housed in the Development Services Department (DSD) and are funded by application fees that are retained by DSD. The revenue from these fees would be unaffected by this action. Revenue from payments for alley and street vacations and for encroachment agreements is budgeted in the General Fund in the amount of \$800,000 and was committed as part of the FY 2021 Budget. Staff is not projecting any additional revenue in the current fiscal year so a budget amendment recognizing additional revenue is not possible. However, a resolution has been placed on the October 15, 2020 agenda directing staff to return to Council with a budget amendment to allocate any revenue from these payments that exceed the budgeted amount during the next two fiscal years to a Business Preservation Fund.

Information on Other Funding Options Reviewed by Staff

Chapter 380 Incentive Agreements

Staff has investigated the possibility of delaying or declining to issue property tax incentive payments associated with Chapter 380 incentive agreements. Because companies fulfilled the terms of their agreements in 2019, the City is obligated to make \$8.2 million in property tax incentive payments by October 30, 2020. These funds were approved as part of the FY 2021 budget for the Economic Incentive Reserve Fund (EIRF). The EIRF is projected to receive \$8.5 million in property tax revenue in FY 2021, and accrues a liability in the same amount due to the anticipated rebate of these funds in October of FY 2022 subject to the successful achievement of performance goals by companies for the period of January 1, 2020 through December 31, 2020. Reallocating these funds would create an unfunded liability and be contrary to generally accepted accounting principles. The Economic Development Department and Law Department are preparing a more detailed response with regard to the legal issues associated with the City's ability to delay or decline to issue future incentive payments.

Delay Critical Replacement

The Communications and Technology Management (CTM) Department has identified \$1.4 million budgeted in FY 2021 for the critical replacement of information technology equipment, such as servers, data storage devices, and network hardware, that could potentially be delayed. This represents approximately 29% of CTM's total FY 2021 critical replacement budget. Delaying the replacement of these items would not immediately compromise network or informational security but is anticipated to lead to increased service interruptions and additional demand for user support. Of the \$1.4 million, approximately \$700,000 would be savings to enterprise departments and \$700,000 would be savings to the General Fund. Only the General Fund savings of \$700,000 would be available for reallocation to SAVES initiatives.

Debt-Fund EMS Repair Projects

The FY 2021 operating budget includes \$1.3 million in funding for repairs to Emergency Medical Services' headquarters building and to Station #4. Financial and legal staff have determined that it would be permissible to fund these projects through the issuance of debt rather than through cash as originally approved. While permissible, this approach is less fiscally prudent as debt-funding these projects would entail additional interest costs of approximately \$750,000 over the term of the debt repayment.

Delay Opening of Travis Country Fire Station

The approved budget contains \$1.5 million in funding for nine pay periods of Fire and EMS staff, and related expenses, for the new Travis Country fire station. Delaying the staffing of this station until October 1, 2021 would allow Council to reallocate this funding to SAVES initiatives. Once operational, firefighters working at the Travis Country station are projected to respond to over 450 calls for service annually and improve emergency response time in the area by 2-4 minutes, from 12-13 minutes to 8-10 minutes. Emergency Medical Services anticipates responding to 2,400 calls for services annually from this station resulting in an improvement in response times for the area from 88% for Priority 1 calls to 90%.

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