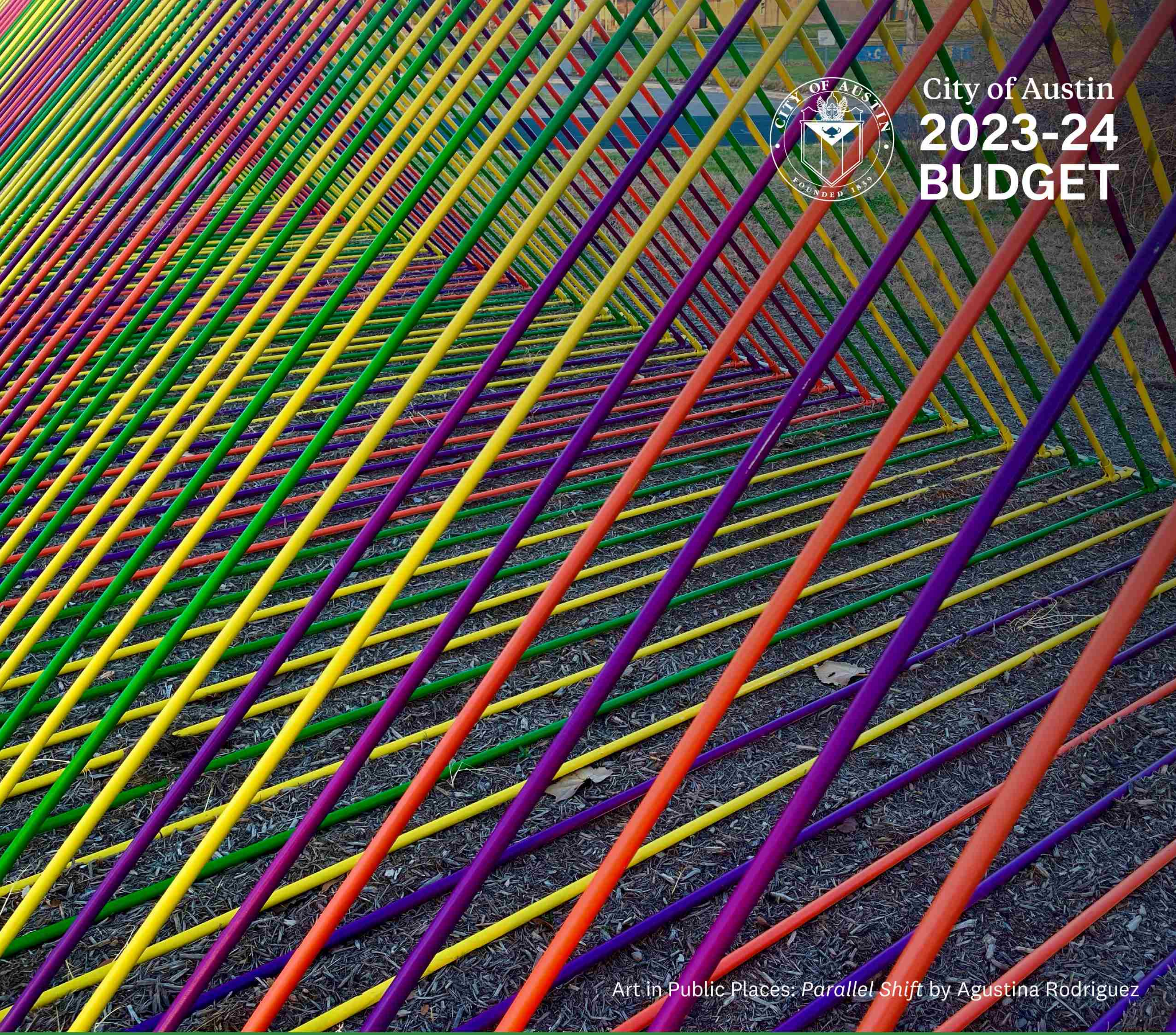
Art in Public Places: *Parallel Shift* by Agustina Rodriguez

City of Austin
2023-24
BUDGET

FINANCIAL SERVICES DEPARTMENT

Five-Year Financial Forecast Report

FY 2024 – FY 2028

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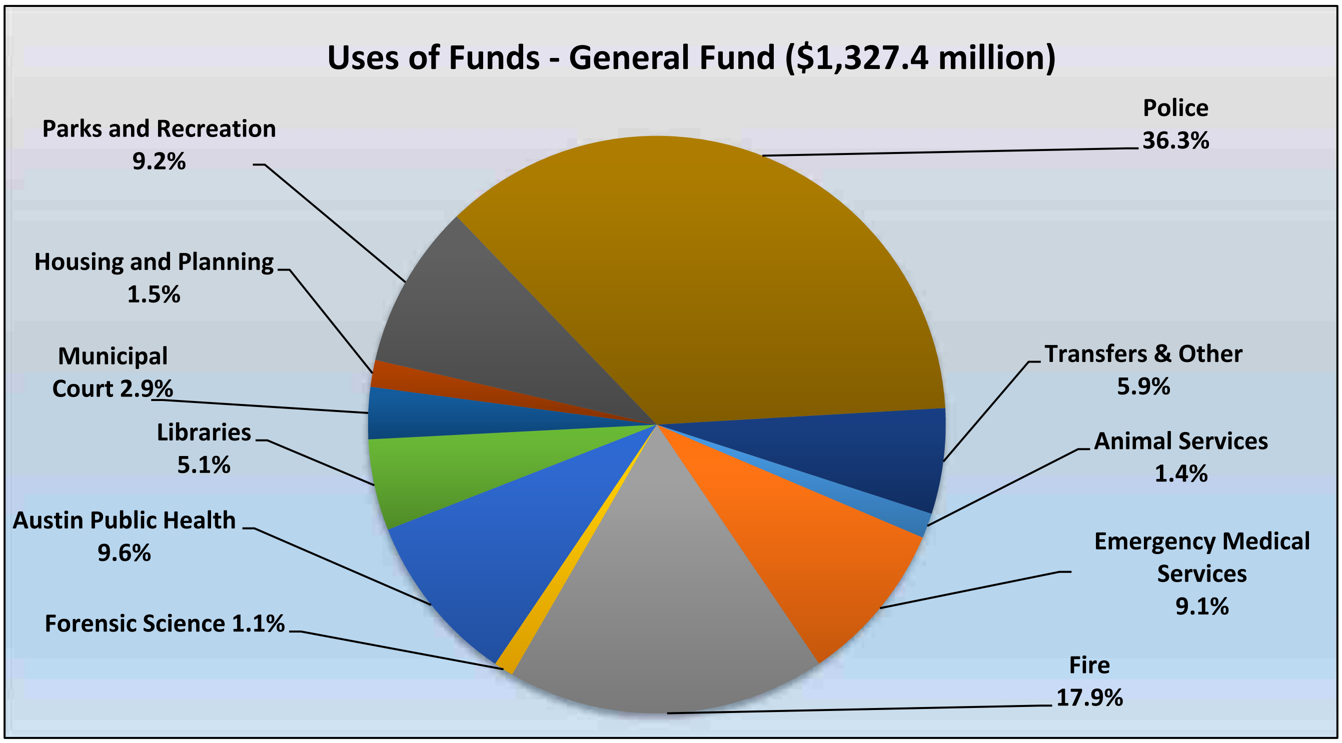
General Fund Forecast

Expenditures

The General Fund is the general operating fund for the City of Austin. It includes ten departments that provide programs, activities, and services directly to the citizens of Austin, as well as to surrounding communities. Total FY 2024 base expenditures for the General Fund are projected at $1.33 billion, which is $50.0 million, or 3.9%, higher than the FY 2023 Approved Budget. The largest portion of the General Fund budget, approximately 64.4%, is allocated to the four existing public safety departments: Police, Fire, Emergency Medical Services and Forensic Science. The community service departments, namely Parks and Recreation, Austin Public Health, Library, Animal Services, Municipal Court and the Housing and Planning Department collectively comprise 29.7% of the General Fund budget. Transfers & Other represent the remaining 5.9% of General Fund resources.



For the FY 2024 Forecast, General Fund expenditures are projecting to increase by $50.0 million over the FY 2023 Amended Budget. Major cost drivers and year-over-year adjustments include:

- Sworn public safety personnel costs in the amount of $38.4 million, including for pay enhancements approved in 2023, increased health insurance and pension contribution costs, and the projected impact of prospective new meet-and-confer agreements;
    - EMS, Fire, and Police labor negotiations are on-going and this forecast includes placeholder values—projected based on market factors and historical trends—for the ultimate cost of these contracts;

- $14.3 million for personnel and benefit cost drivers for our civilian workforce related to wages, market-driven salary adjustments, health insurance, and pension contribution increases;

- $10.0 million to return to a cash-funding model for Police vehicle replacements and associated wireless equipment expenses, as the frequency and regularity of their replacement make operations and maintenance funding the most cost-effective source;

- Net total of $7.7 million, or 3.7%, increase to cost-allocation plans charges for Support Services, Information & Technology Management, fleet maintenance and fuel, and other city-wide allocations;

- Miscellaneous contractual increases of $5.4 million for technology and software contracts, interlocal agreements, rent, utilities, supplies, and operational equipment;

- 28 new sworn positions for the opening of the Goodnight Ranch EMS/Fire station in the amount of $3.3 million along with associated equipment and supplies, as well as the annualized cost for positions for the Loop 360 EMS/Fire station added in FY 2023;

    - For Goodnight Ranch, the Fire Department is adding 16 firefighters and the EMS Department 12 medic positions;

- $2.6 million for Police cadets hiring incentive pay of up to $15,000 for current and upcoming academy classes;

- Austin Public Health adding positions for the opening of a new facility in Dove Springs and annualized funding for full operation of the Southbridge shelter with a cost impact of $2.1 million;

- $1.1 million for the annualized costs of positions and resources added in the FY 2023 Budget; and,

- Net total decrease of $34.9 million in other requirements and transfers out, due to the removal of a $28.7-million transfer to the Budget Stabilization Reserve and a $10.0-million one-time transfer to the Liability Reserve, partially offset by increases in the transfers to the Capital Rehabilitation Fund, Economic Development Fund, Housing Trust Fund and various other funds to keep pace with growing costs and to maintain compliance with approved financial policies.

Over the five-year forecast period, annual General Fund expenditures are projected to increase by $263.5 million from current budgeted levels. This equates to a compound annual growth rate of 3.8%. Major components of this forecasted increase are described below. Outside of the items included here, the Forecast does not assume or include any significant enhancements to General Fund services or staffing levels.

- $185.6 million of this increase is for personnel-related cost drivers such as wage adjustments and health insurance contributions to the Employee Benefits Fund;

- $41.1 million is for anticipated growth in the General Fund's share of the allocated costs of the City's Support Services, Information & Technology Management, and Fleet departments, as well as for other City-wide cost allocations;

- The forecast includes the addition of 90 Police sworn positions beginning in FY 2025, and continuing through FY 2028, at a total cost of $22.8 million for personnel and equipment;

- $3.1 million is included in FY 2025 for the opening of the Canyon Creek EMS/Fire station including 16 firefighters and 12 EMS medic positions, equipment, and operational supplies; and,

- There is a net increase of $10.9 million in transfers to other funds including the Capital Rehabilitation Fund, Economic Development Fund, and the Liability Reserve Fund, as well as for miscellaneous other requirements.

Fund Summary (in millions)

	FY23 Amended	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Revenue & Transfers In	$1,277.3	$1,310.0	$1,319.1	$1,366.4	$1,408.8	$1,455.4	$1,503.7
Expenditures & Transfers Out	$1,277.3	$1,276.0	$1,327.4	$1,381.2	$1,428.4	$1,483.5	$1,540.8
Surplus (Deficit)	$0.0	$34.0	($8.3)	($14.8)	($19.6)	($28.1)	($37.2)
Projected Monthly Property Tax Bill for Typical Homeowner*	$139.96	$139.96	$136.42	$145.67	$159.54	$174.63	$187.13
FTEs	6,786.5	6,786.5	6,822.5	6,890.0	6,935.0	6,990.0	7,045.0

Assumes no-new-revenue property tax rate in FY24 and voter-approval tax rate in subsequent fiscal years.
Note: Numbers may not add due to rounding.

Revenue

General Fund revenue is sourced from four broad categories: property tax, sales tax, transfers in from the two City-owned utilities, and other revenue. Property taxes are a result of the tax rate per $100 of property valuation. Sales tax collections allocated to the City of Austin are 1% of the price of taxable goods and services sold in the city of Austin. Transfers into the General Fund are received from the electric and water utilities in accordance with a Council ordinance. Other revenue comprises franchise fees, development fees, fines, forfeitures, penalties, licenses, permits, inspections, charges for services, and interest.

In FY 2023, property tax revenue is estimated to end the year at $610.0 million, slightly below the budgeted amount of $610.8 million. This slight negative variance is the result of elevated levels of prior-year refunds, as well as current-year receipts tracking slightly below the 98.5% budgeted collection rate. Sales tax, the second largest revenue source, is projected at $367.9 million, 2.8% above its budget of $354.4 million, as local economic activity has remained at an elevated level as prices have risen significantly. Transfers from the City-owned electric and water utilities are expected at the budgeted figure of $162.0 million. Other Revenue, such as departmental fees for services, franchise fees, and interest are estimated at a combined $170.1 million, 13.4% above the budgeted projection of $150.0 million, primarily as a result of growth in interest earnings due to multiple significant rate increases by the Federal Reserve and stronger-than-anticipated growth in mixed-beverage tax receipts. In total, General Fund revenue is projected to end the current year at $1,310.0 million, an increase of $32.7 million, or 2.6%, in comparison with the FY 2023 Budget.

The FY 2024 base revenue forecast projects growth in taxable property value at 11.8% and anticipates further appreciation in the 4-to-7% range for FY 2025 through FY 2028. New property valuation of $2.6 billion is projected for FY 2024, a significant decline from the $3.1 billion of new value in FY 2023, as inflationary pressures and an uncertain economic outlook have slowed development growth. FY 2024 value estimates are based on the noticed property tax rolls provided by the Travis and Williamson Central Appraisal Districts. An average of $2.4 billion in new value is anticipated for FY 2025 through FY 2028.

Sales tax growth for FY 2024 is projected at 5.4%, representing an increase of $19.8 million over estimated FY 2023 receipts, while 5% growth is projected for FY 2025, and 4% growth for the remaining three years of the forecast period. These projections reflect the extremely elevated levels of retail sales activity the city is currently experiencing, while remaining more conservative with regard to the prospects for medium-term growth in this volatile revenue source.

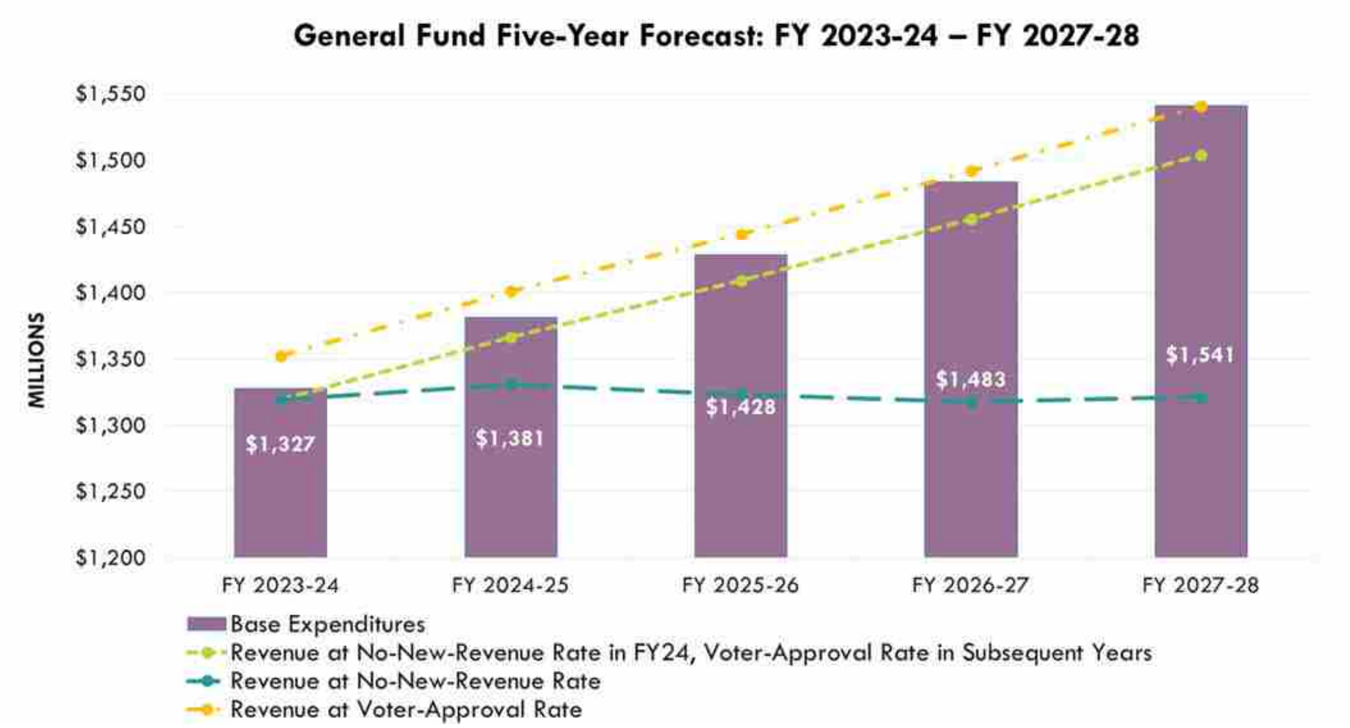
Other Revenue is expected to decrease by $0.8 million, or 0.5%, in FY 2024 in comparison with estimated FY 2023 receipts, as interest rates are anticipated to decline moderately, and due to the scheduled elimination of a $7.6-million repayment from the Development Services Department that was spread between FY 2022 and FY 2023. Other Revenue is projected to grow at a 0.8% average annual rate over the remainder of the forecast period.

Utility Transfers, which are based on a percentage of three years of average revenue at Austin Energy and Austin Water, are anticipated to increase by $2.8 million, or 1.7%, to $164.8 million in FY 2024, reflecting the impact of AE's recent rate increase. As a result of planned rate increases by both Utilities, as well as continued growth in their customer bases, the combined transfer is currently projected to rise to $198.2 million by the close of the forecast period. However, numerous bills are currently under consideration in the Texas State legislature that could substantially impact, or even eliminate, this source of revenue.

Reserves

Inclusive of a $34.0 million transfer reflecting stronger-than-anticipated revenue growth and nominal year-end savings, General Fund reserves are projected to close FY 2023 at $242.6 million, or 19.4% of ongoing expenditures. City financial policies currently call for a total reserves level of 14% across the Budget Stabilization Reserve and Emergency Reserve Fund. However, the Government Finance Officers Association recommends that, at a minimum, general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. Moreover, the City relied heavily on its reserves in order to facilitate a rapid and thorough response to the COVID pandemic. While we have been fortunate that the Austin-area economy proved resilient during the pandemic and has responded strongly to the influx of Federal stimulus dollars—allowing City reserve levels to recover quickly—this experience highlighted the necessity and utility of maintaining robust reserve levels amidst the ever increasing threat of global health and extreme weather events. In light of the GFOA recommendation, the City's recent experience, and the loss of revenue flexibility created by the State-mandated cap on property tax revenue growth, staff are recommending that the financial policy be amended to meet the GFOA recommended General Fund reserve level by requiring reserves of at least 17% of ongoing expenditures, including an emergency reserve of 10% days and a budget stabilization reserve of 7%. The forecast projects total FY 2024 year-end General Fund reserves of 18.9%, assuming no expenditure of reserve funding one-time items, which represents a surplus of $24.9 million against the recommended 17% level.

Combined General Fund Forecast



The graph displayed above illustrates the combined revenue and baseline expenditure forecast for the General Fund over the next five fiscal years. It displays total revenue at three levels of projected property tax rates: the no-new-revenue property tax rate; the no-new-revenue rate in FY 2024 followed by the voter-approval property tax rate in the subsequent four fiscal years; and the voter-approval property tax rate in each fiscal year.

The no-new-revenue property tax rate is the rate that generates the same amount of *total* property tax revenue, for both debt service and maintenance and operations, as was generated in the prior fiscal year, from properties taxed in both years. At this rate, the City receives incremental additional property tax revenue from new property that enters the tax roll for the first time, but it is not held harmless for increases in debt service expenses. Because the City anticipates that debt service requirements will increase markedly over the forecast period—primarily as the result of several bond initiatives approved by voters in recent years—total property tax revenue available for General Fund maintenance and operations would decline throughout the forecast period. Although extraordinary, but unsustainable, growth in revenue sources such as sales tax and interest earnings allow the General Fund to experience a only a relatively minor deficit of $8.3 million in FY 2024 at this level of property taxation, declining total revenues and increasing baseline expenditures mean the annual operating deficit would swell to $219.3 million by FY 2028.

The second revenue scenario assumes the projected no-new-revenue property tax rate in FY 2024, and the voter-approval property tax rate thereafter. The voter-approval property tax rate is the maximum property tax rate that the City Council may approve without triggering an automatic citywide election. This tax rate generates the same amount of *maintenance and operations* tax revenue as was generated in the prior fiscal year from properties taxed in both years, plus an additional 3.5%, and plus the tax rate necessary to generate revenue sufficient to meet the servicing requirements for eligible debt. In 2019, state law was changed to reduce this 3.5% increase factor from 8%, which has placed significant constraints on the City's ability to generate sufficient property tax revenue to maintain structural balance. Under this scenario, the General Fund experiences deficits even assuming approval of this maximum tax rate in FY 2025 through FY

2028, although they are much smaller than under the no-new-revenue rate scenario, with the operating imbalance growing from $8.3 million in FY 2024 to $37.2 million by FY 2028. It should be noted that State law allows the "banking" of unused tax rate authority for up to three years after a fiscal year in which a municipality adopts a tax rate below the voter-approval rate. The above scenario assumes that the City would not elect to tap into its banked tax rate authority from FY 2024 in fiscal years 2025 or beyond. There are also several bills currently being considered by the Texas Legislature that would curtail or eliminate this ability to leverage unused tax rate from prior years.

The final revenue scenario assumes adoption of the projected voter-approval rate in each year of the forecast period. Under this scenario, the General Fund shows an operating surplus of $35.1 million in FY 2024. However, because baseline expenditures are projected to grow at a faster rate than total revenue, even assuming adoption of the maximum tax rate in each year, this scenario projects annual surpluses to shrink each year through FY 2027, and for General Fund expenditures and revenue to balance in FY 2028.

Next Steps and Forecast Caveats

As the FY 2024 budget development process progresses, it is important to bear in mind that this Forecast reflects only baseline General Fund expenditures and does not assume or include any significant enhancements to current levels of General Fund staffing or services outside of the items described in the *Expenditures* section of this report. In the weeks ahead, Budget staff and City management will review a variety of unmet service demands from departments, seeking to balance budgetary needs against fiscal constraints and impacts to tax-, fee- and ratepayers. Staff will also continue to explore funding strategies for numerous unfunded resolutions approved by City Council, particularly those approved subsequent to the adoption of the FY 2023 budget (see the "Unfunded Items from Council" section below).

Additional ongoing expenditures in FY 2024 would shrink the anticipated surpluses and widen the projected deficits associated with each of these scenarios. Even assuming adoption of the maximum tax rate in each year, any additional ongoing expenditure in FY 2024 would be projected to result in an annual operating deficit by FY 2028. While record spikes in sales tax receipts and interest earnings have boosted reserves and are helping to delay operating imbalances in the short term, significant work remains to be done to achieve long-term structural stability in the General Fund.

Enterprise Department Forecasts

Typical Residential Rate- and Taxpayer Historical Monthly Bill

	FY18	FY19	FY20	FY21	FY22	FY23	Compound Avg. Annual % Growth
Austin Energy	$87.00	$86.72	$88.05	$84.60	$84.56	$108.71	4.1%
Austin Water	$80.91	$79.20	$80.79	$80.79	$80.79	$80.79	(0.5%)
Austin Resource Recovery	$24.30	$24.30	$24.95	$27.55	$29.05	$29.70	4.1%
Clean Community Fee	$8.95	$8.95	$8.95	$8.95	$9.30	$9.60	3.6%
Transportation User Fee	$11.52	$12.79	$12.79	$13.04	$14.96	$17.87	9.2%
Drainage Utility Fee	$11.80	$11.80	$11.80	$11.80	$11.80	$11.80	0.0%
Property Tax	$104.18	$109.76	$117.40	$145.61	$144.18	$139.96	8.2%
Monthly Bill Totals	**$328.66**	**$333.52**	**$344.73**	**$372.34**	**$374.64**	**$398.43**	**4.4%**

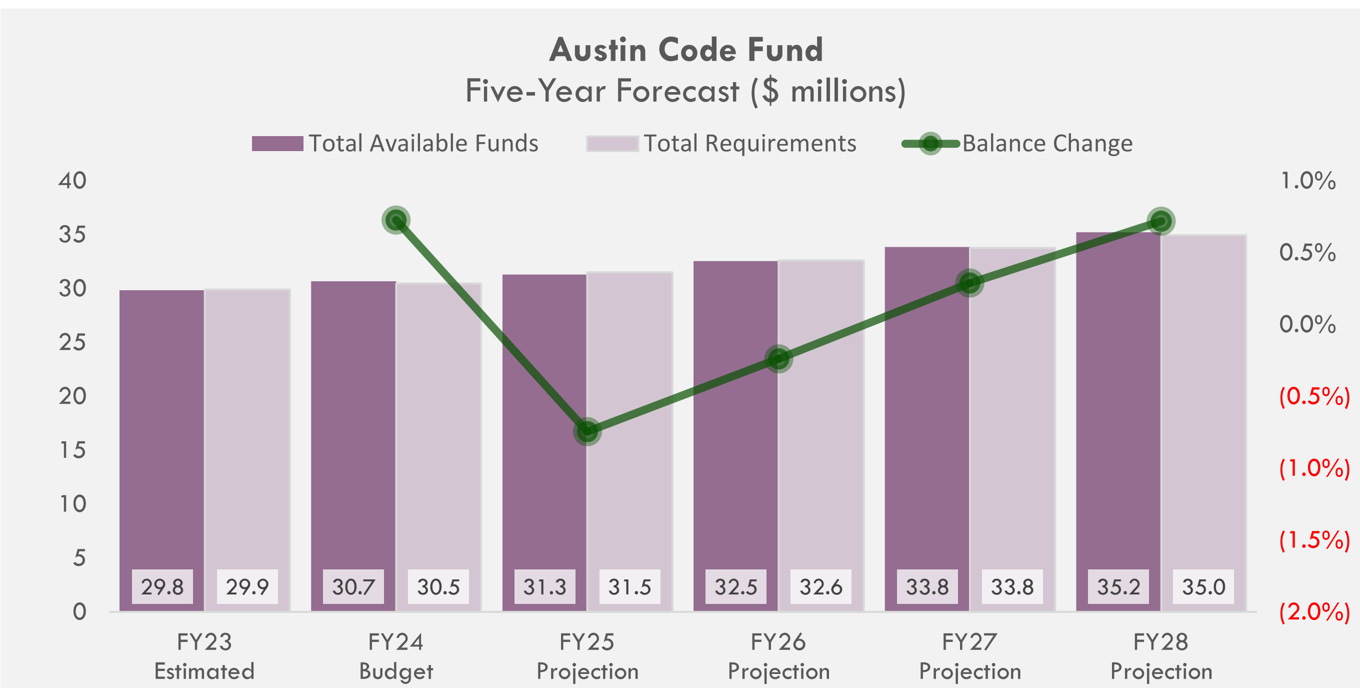
Austin Code

The Austin Code Department (ACD) provides community education and fair and equitable enforcement of local property maintenance, land use, and nuisance codes so that Austin will be safe and livable. ACD's services include case investigations, licensing and registration compliance, involuntary code enforcement, and public education. ACD strives for voluntary compliance with city codes when possible, and fair and reasonable enforcement practices when legal action is required.

Baseline Forecast

The Austin Code Department's FY 2023-24 operating budget of $30.5 million represents a net increase in total requirements of $0.6 million, or 2.0%, compared to the FY 2022-23 amended budget of $29.9 million. The net increase is a result of a $1.2 million increase in personnel cost drivers and rent, offset by a reduction of $0.6 million attributable to recalibrating the budget for certain contracts based on historical utilization patterns.

Over the five-year forecast period, total revenue for ACD is projected to increase by $3.9 million when compared to the FY 2022-23 amended budget, which is primarily attributable to projected growth in Clean Community Fee (CCF) residential customer accounts.



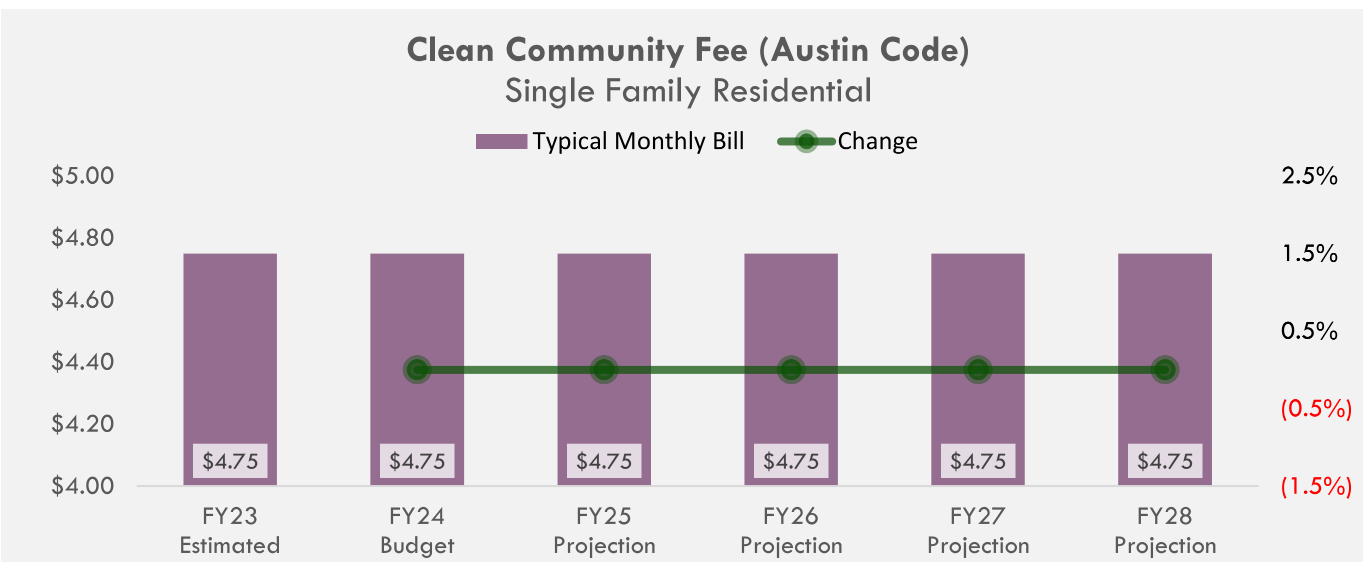
Baseline Forecast Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$4.8	$4.7	$5.2	$5.0	$4.3	$3.3
Revenue & Transfers In	$29.8	$31.0	$31.3	$31.9	$32.8	$33.7
Expenditures & Transfers Out	$29.9	$30.5	$31.5	$32.6	$33.8	$35.0
Change in Fund Balance	($0.1)	$0.5	($0.2)	($0.7)	($1.0)	($1.3)
Ending Fund Balance	$4.7	$5.2	$5.0	$4.3	$3.3	$2.0
Typical Residential Monthly Bill	$4.75	$4.75	$4.75	$4.75	$4.75	$4.75
FTEs	164	164	164	164	164	164

Note: Numbers may not add due to rounding.

Typical Ratepayer

The majority of ACD revenue is derived from the Clean Community Fee (CCF), which is shared with Austin Resource Recovery. ACD's baseline forecast projects that its portion of the CCF will remain at its current level of $4.75 per single-family residence throughout the five-year forecast period.



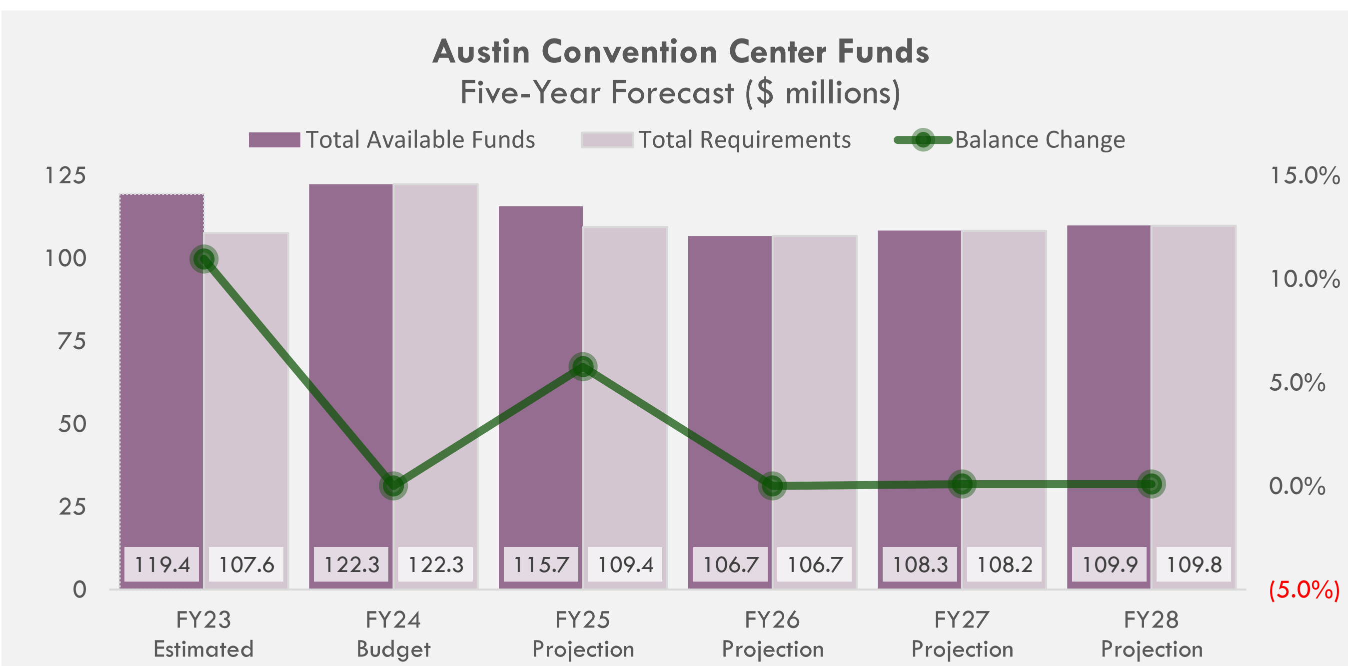
Austin Convention Center

The Austin Convention Center is a multipurpose facility providing innovative meeting space and customized services to attract visitors to the city of Austin, contributing to the local economy through supporting a prosperous tourism and travel industry.

Baseline Forecast

Convention Center's major revenue sources include Hotel Occupancy Tax (HOT), Vehicle Rental Tax, and fees for parking and facility rentals. In FY 2023-24, total revenue is projected to be $122.3 million, an increase of 20.8% from the FY 2022-23 budget. Hotel Occupancy Tax (HOT) collections account for over 60% of Convention Center's total revenue. The Convention Center's allocation of Hotel Occupancy Tax (HOT) is anticipated to increase by $17.2 million, or 26.9% from the FY 2022-23 budget. Although Hotel Occupancy Tax is expected to recover to pre-pandemic levels by FY 2024-25, due to reduced hotel bookings and facility activity resulting from modified operations during the Convention Center's planned redevelopment and expansion project, total revenue is expected to decline in FY 2024-25 and FY 2025-26, and to grow only modestly in the remaining years of the forecast period.

The FY 2023-24 Convention Center operating budget is projected at $122.3 million, a 17% increase from its FY 2022-23 budget. This increase is necessary to maintain current services and support the anticipated levels of business at both the Convention Center and Palmer Events Center. Major cost drivers include the increased Living Wage for temporary employees and other citywide cost drivers, maintenance of equipment, and updating technology infrastructure. With an anticipated construction start date in FY 2024-25, expenditure assumptions for the later years of the forecast period reflect modified operations at the Convention Center and a shift of operations to the Palmer Event Center.



The following table reflects the Austin Convention Center's main operating funds' financial forecast for FY 2022-23 through FY 2027-28.

Fund Summary (in millions)

	FY23 Estimated	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**
Beginning Fund Balance	$25.1	$36.8	$36.8	$43.1	$43.1	$43.2
Revenue & Transfers In	$119.4	$122.3	$115.7	$106.7	$108.3	$109.9
Expenditures & Transfers Out	$107.6	$122.3	$109.4	$106.7	$108.2	$109.8
Change in Fund Balance	$11.8	$0.0	$6.3	$0.0	$0.1	$0.2
Ending Fund Balance	$36.8	$36.8	$43.1	$43.1	$43.2	$43.4
FTEs	301	301	301	301	301	301

Note: Numbers may not add due to rounding.

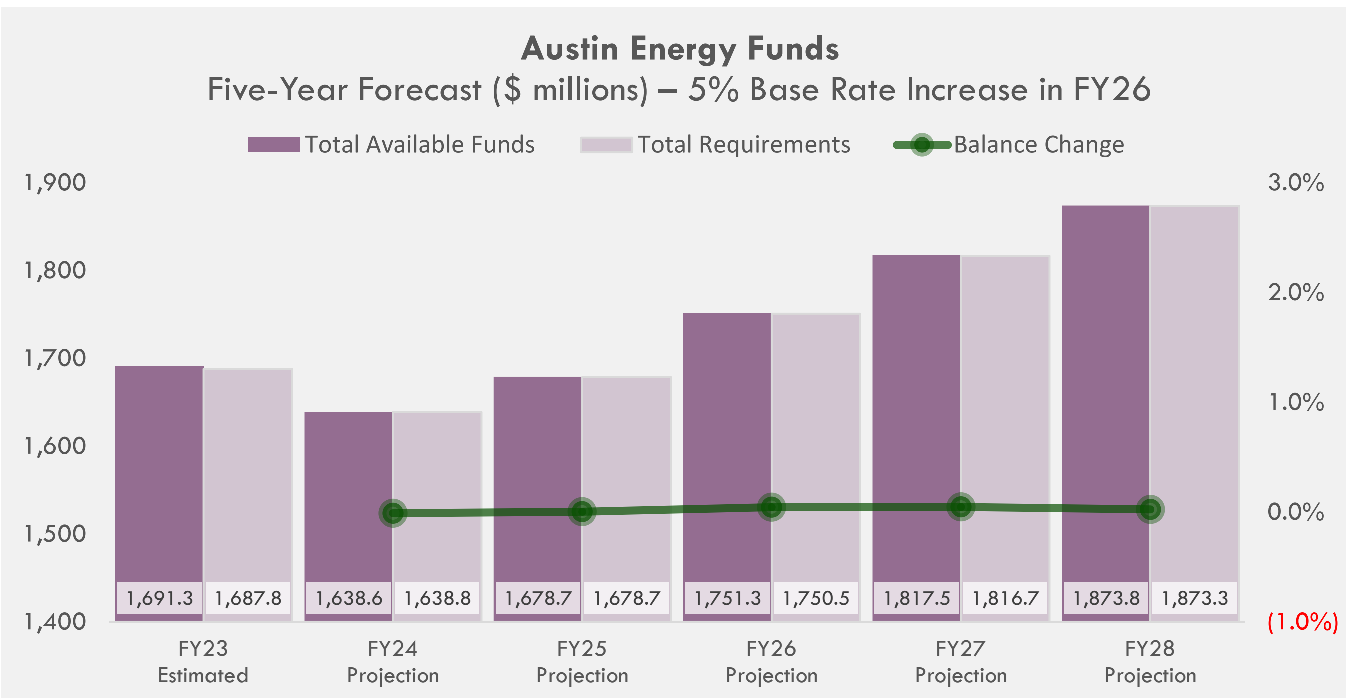
Austin Energy

Austin Energy is a municipally owned electric utility that delivers energy to over 530,000 residential, commercial, and industrial customers across 12,000 miles of distribution and transmission lines serving a 437-square-mile area. Austin Energy is committed to safely delivering clean, affordable, and reliable energy along with excellent customer service.

Baseline Forecast

Austin Energy's major expenditures are power supply costs, wholesale transmission costs, operating and maintenance expenses, debt service, investment in capital improvements, and transfers to the City. Over the five-year forecast, total expenditure requirements necessary to maintain existing service levels are expected to increase from $1.6 billion in FY 2023-24 to $1.9 billion in FY 2027-28.

Austin Energy recovers 90% of its costs through base rates and pass-through rates. Base rates cover basic utility infrastructure such as power plants, distribution lines, customer service, and related operation and maintenance. Pass-through rates cover power supply costs, wholesale transmission costs, and certain costs incurred by the utility on behalf of Austin Energy's service area customers and the greater community.



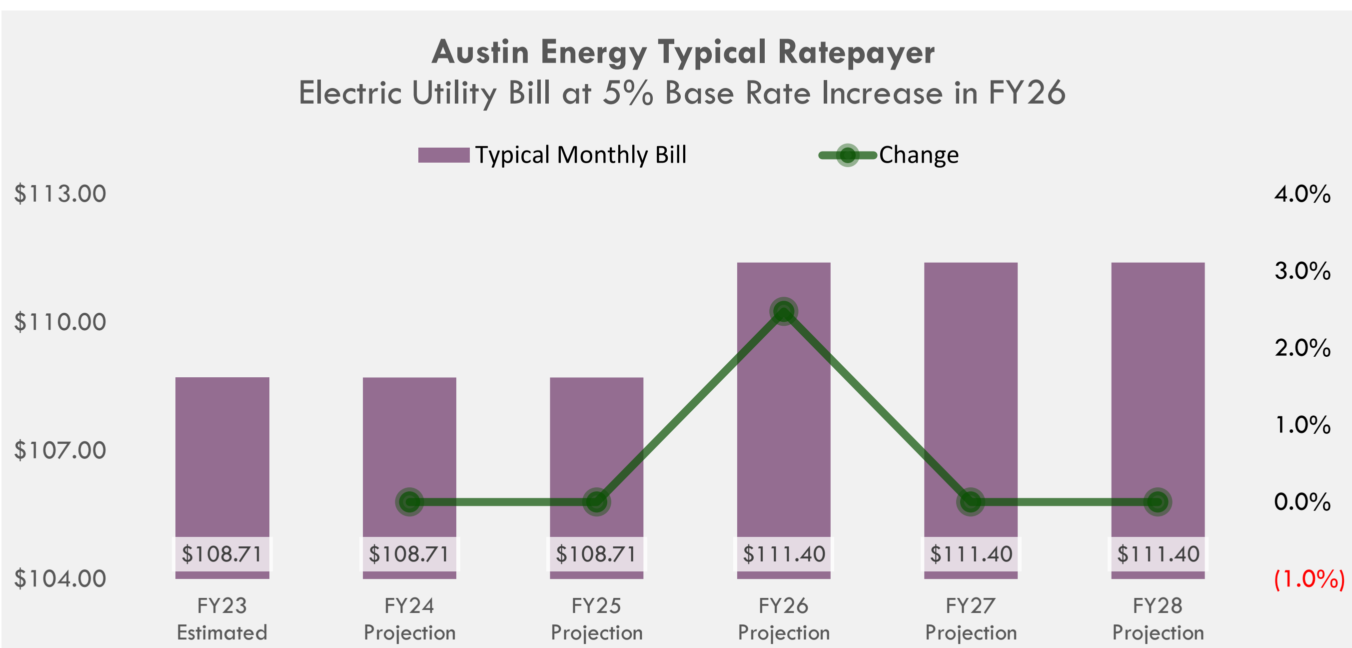
Baseline Forecast Scenario – 5% Base Rate Increase in FY26
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$235.1	$238.6	$238.4	$238.4	$239.2	$240.0
Revenue & Transfers In	$1,691.3	$1,638.6	$1,678.7	$1,751.3	$1,817.5	$1,873.8
Expenditures & Transfers Out	$1,687.8	$1,638.8	$1,678.7	$1,750.5	$1,816.7	$1,873.3
Change in Fund Balance	$3.5	($0.2)	$0.0	$0.8	$0.8	$0.4
Ending Fund Balance	$238.6	$238.4	$238.4	$239.2	$240.0	$240.4
Typical Residential Monthly Bill	$108.71	$108.71	$108.71	$111.40	$111.40	$111.40
FTEs	1,897	1,897	1,897	1,897	1,897	1,897

Note: Numbers may not add due to rounding.

Typical Ratepayer

In FY 2022-23, a residential customer within the City of Austin limits using 860 kWh per month (the typical ratepayer) is billed $108.71 monthly. Over the five-year forecast, Austin Energy's energy sales in kilowatt-hours (kWh) are projected to grow an average of 1% per year, while customer growth is projected to grow by 2% per year. To meet growing cost drivers, a 5% increase to the base rate is projected in FY 2025-26, which translates to a 2.5% overall bill impact to the typical ratepayer. These cost drivers include operating and maintenance expenses, debt service, investment in capital improvements, and transfers to the City of Austin.



No Rate Increase

If Austin Energy assumes no base rate increases in the five-year financial forecast, the utility anticipates several negative impacts on its financial position, including but not limited to, the following:

- Days of cash on hand would be out of compliance with the financial policy of 150 days throughout the five-year forecast;
- Net income would experience a deficit of $5.8 million in FY 2025-26 and $17.0 million in FY 2027-28;
- Debt service coverage would not meet financial policy targets in FY 2025-26 and FY 2027-28; and,
- The Reserve Funds would not be fully funded and would be out of compliance with financial policies throughout the five-year forecast.

Please note that these projections only assume no increase in Austin Energy's base rates. The Power Supply Adjustment, Community Benefit Charge, and Regulatory Charge are pass-through rates that recover specific costs incurred by Austin Energy and would continue to be adjusted annually, in line with current practice and GASB 62.

No Rate Increase Scenario
Fund Summary (in millions)

	FY23 Estimated	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**
Beginning Fund Balance	$235.1	$238.6	$238.4	$238.4	$226.3	$226.8
Revenue & Transfers In	$1,691.3	$1,638.6	$1,678.7	$1,715.3	$1,781.1	$1,836.8
Expenditures & Transfers Out	$1,687.8	$1,638.8	$1,678.7	$1,727.4	$1,780.6	$1,857.7
Change in Fund Balance	$3.5	($0.2)	$0.0	($12.1)	$0.5	($20.9)
Ending Fund Balance	$238.6	$238.4	$238.4	$226.3	$226.8	$205.9
Typical Residential Monthly Bill	$108.71	$108.71	$108.71	$108.71	$108.71	$108.71
FTEs	1,897	1,897	1,897	1,897	1,897	1,897

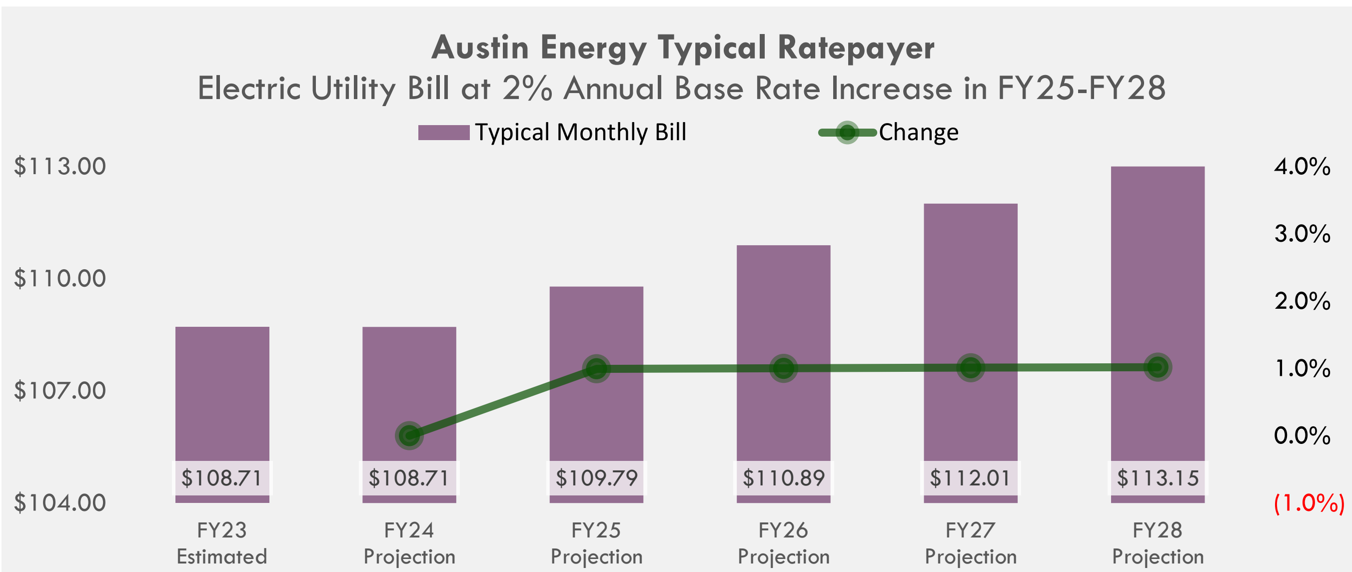
Note: Numbers may not add due to rounding.

Annual 2% Base Rate Increase

As an alternative to the 5% base rate increase in FY 2025-26, a projected 2% base rate increase in FY 2024-25 through FY 2027-28 would reduce bill volatility and rate shock through smaller incremental base rate increases and would result in a stronger financial position for Austin Energy. This alternative would require approval by City Council during the annual budget process and a cost-of-service review every five years. The positive financial impacts of this scenario include, but are not limited to, the following:

- Days of cash on hand would comply with the financial policy of 150 days beginning in FY 2025-26;
- A positive annual net income would occur throughout the five-year forecast;
- Debt service coverage would meet financial policy targets annually throughout the five-year forecast; and,
- The Reserve Funds would be fully funded and comply with financial policies by FY 2026-27.

A 2% increase to the base rate each year beginning in FY 2024-25 would translate to an approximate 1% overall bill impact each year to the typical ratepayer.



Annual 2% Base Rate Increase Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$235.1	$238.6	$238.4	$238.7	$239.6	$241.6
Revenue & Transfers In	$1,691.3	$1,638.6	$1,692.0	$1,744.4	$1,825.7	$1,897.8
Expenditures & Transfers Out	$1,687.8	$1,638.8	$1,691.7	$1,743.5	$1,823.8	$1,892.9
Change in Fund Balance	$3.5	($0.2)	$0.3	$0.9	$2.0	$4.9
Ending Fund Balance	$238.6	$238.4	$238.7	$239.6	$241.6	$246.5
Typical Residential Monthly Bill	$108.71	$108.71	$109.79	$110.89	$112.01	$113.15
FTEs	1,897	1,897	1,897	1,897	1,897	1,897

Note: Numbers may not add due to rounding.

Austin Resource Recovery

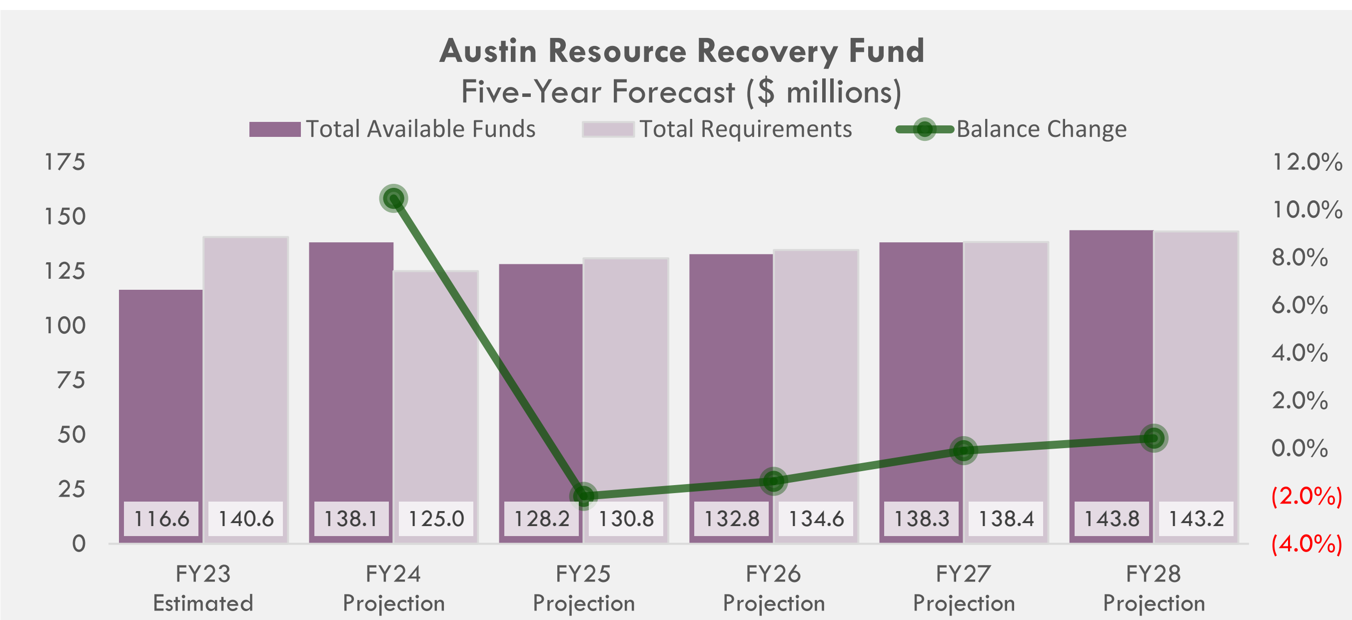
Austin Resource Recovery (ARR) provides essential services that protect people and the planet by driving the global transformation of traditional waste management to sustainable resource recovery.

Baseline Forecast

Three major user fees—the Clean Community Fee (CCF), Base Customer Fee, and Trash Cart Fee—account for 95% of ARR's revenue. To maintain existing service levels and recover from significant expenditures associated with Winter Storm Mara, ARR anticipates rate increases in all three major user fees over the forecast period.

In FY 2022-23, ARR experienced $18.6 million in unexpected expenditures related to the Winter Storm Mara response and currently estimates to end the year with a negative $5.8 million fund balance. Recently, the Biden Administration approved the State's request for a Major Disaster Declaration. ARR will seek a $15 million Federal Emergency Management Agency (FEMA) reimbursement to recover a portion of its storm-related expenses. ARR projects to remain out of compliance with its current operating reserve policy of 30-days of expenditures throughout the forecast period as a result of these expenditures.

ARR's operating budget requirements are projected to be $125.0 million in FY 2023-24, a net increase of $3.1 million from the FY 2022-23 budget. Increases of $5.7 million for citywide cost drivers, implementation of the new Living Wage and recent market studies, and contractual obligations are offset by a $2.6 million decrease to the annual transfer to CIP for vehicle replacements. Changing development standards, including narrower streets, impact ARR's ability to provide essential services with existing resources. Further increases in the forecast period are primarily attributable to 16 new personnel and equipment to support the redesign of routes to maintain current service levels. Increases in contractual costs related to Household Hazardous Waste Disposal and fleet maintenance and fuel costs are also contributing factors.



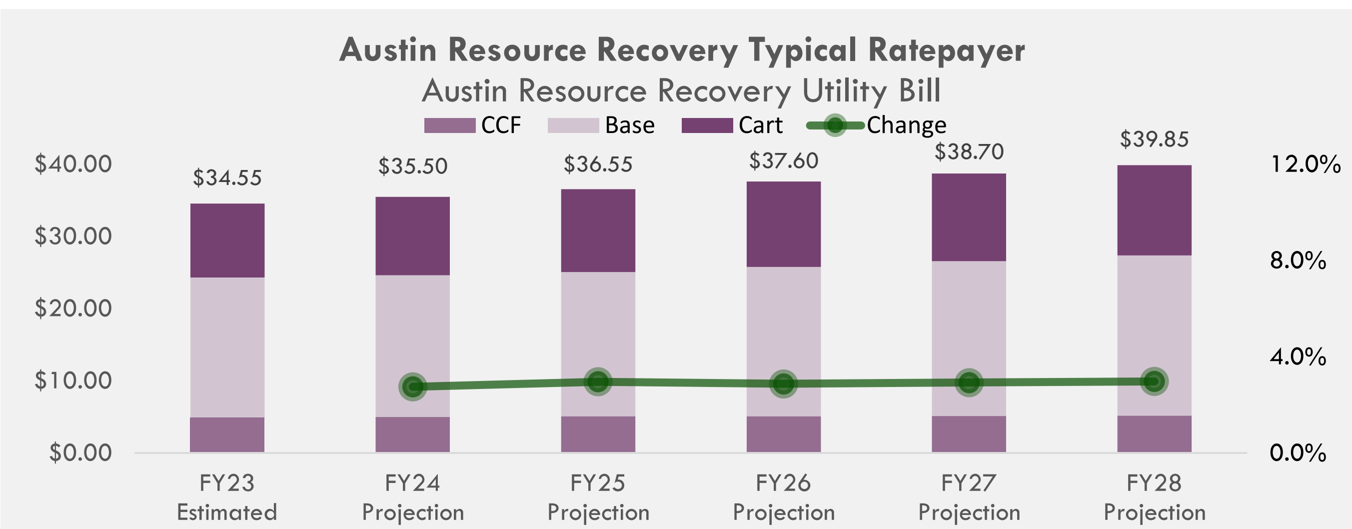
Baseline Forecast Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$18.3	($5.8)	$7.3	$4.7	$2.8	$2.7
Revenue & Transfers In	$116.6	$138.1	$128.2	$132.8	$138.3	$143.8
Expenditures & Transfers Out	$140.6	$125.0	$130.8	$134.6	$138.4	$143.2
Change in Fund Balance	($24.1)	$13.1	($2.6)	($1.9)	($0.1)	$0.6
Ending Fund Balance	($5.8)	$7.3	$4.7	$2.8	$2.7	$3.3
Typical Residential Monthly Bill	$34.55	$35.50	$36.55	$37.60	$38.70	$39.85
Residential Clean Community Fee Bill	$4.85	$5.00	$5.05	$5.05	$5.10	$5.15
FTEs	521	521	526	531	534	537

Note: Numbers may not add due to rounding.

Typical Ratepayer

The monthly bill of the typical ARR customer is projected to increase by 2.7%, or $0.95, to a total of $35.50 in FY 2023-24. By FY 2027-28, the last year of the forecast, this monthly total grows to $39.85.



The "Typical ARR Utility Bill" is defined as the bill paid by a residential curbside collection customer with a 64-gallon trash cart who pays all three major user fees. This group generates approximately 35% of all ARR revenue.

No Rate Increase

In a no-rate-increase revenue scenario, when compared against baseline expenditure assumptions, ARR has a projected annual deficit that grows to $41.4 million by FY 2027-28. As in the baseline forecast, this scenario reflects an estimated FEMA reimbursement of $15.0 million for costs associated with Winter Storm Mara in FY 2023-24.

No Rate Increase Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$18.3	($5.8)	$4.4	($3.8)	($14.1)	($26.2)
Revenue & Transfers In	$116.6	$135.2	$122.6	$124.3	$126.3	$128.0
Expenditures & Transfers Out	$140.6	$125.0	$130.8	$134.6	$138.4	$143.2
Change in Fund Balance	($24.1)	$10.1	($8.2)	($10.3)	($12.0)	($15.2)
Ending Fund Balance	($5.8)	$4.4	($3.8)	($14.1)	($26.2)	($41.4)
Typical Residential Monthly Bill	$34.55	$34.55	$34.55	$34.55	$34.55	$34.55
Residential Clean Community Fee Bill	$4.85	$4.85	$4.85	$4.85	$4.85	$4.85
FTEs	521	521	526	531	534	537

Note: Numbers may not add due to rounding.

Prospective Service Enhancements

To improve service delivery and expand other Zero Waste programs, ARR projects its total requirements would increase by $19.8 million over the forecast period, which includes the increase projected in its baseline forecast, as well as funding for additional new positions and program enhancements. In total, this expanded scenario includes:

- $6.7 million for 61 new positions
  - 16 operational positions to maintain existing services (included in baseline forecast)
  - 33 positions to improve operations support functions, such as, human resources, data management, customer service, and driver safety
  - 10 positions to increase Universal Recycling Ordinance (URO) compliance
  - 2 positions to expand the Household Hazardous Waste Collections program
- $1 million for Transfer Station and Southeast/Southcentral Landfill facility planning efforts
- $200,000 to implement mattress recycling services

To fund this program and service delivery enhancement scenario, by FY 2027-28, the typical ARR utility customer monthly bill would increase $6.80 to a total of $41.35 a month. ARR projects a positive fund balance beginning in FY 2023-24 and compliance with its current operating reserve policy of 30-days of expenditures throughout the forecast period.

Prospective Service Enhancements Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$18.3	($5.8)	$10.8	$11.7	$12.9	$14.2
Revenue & Transfers In	$116.6	$144.1	$133.8	$139.4	$144.3	$149.5
Expenditures & Transfers Out	$140.6	$127.5	$132.8	$138.3	$143.0	$148.8
Change in Fund Balance	($24.1)	$16.5	$1.0	$1.2	$1.2	$0.7
Ending Fund Balance	($5.8)	$10.8	$11.7	$12.9	$14.2	$14.8
Typical Residential Monthly Bill	$34.55	$37.75	$38.25	$39.50	$40.30	$41.35
Residential Clean Community Fee Bill	$4.85	$5.15	$5.15	$5.30	$5.35	$5.40
FTEs	521	521	538	555	568	582

Note: Numbers may not add due to rounding.

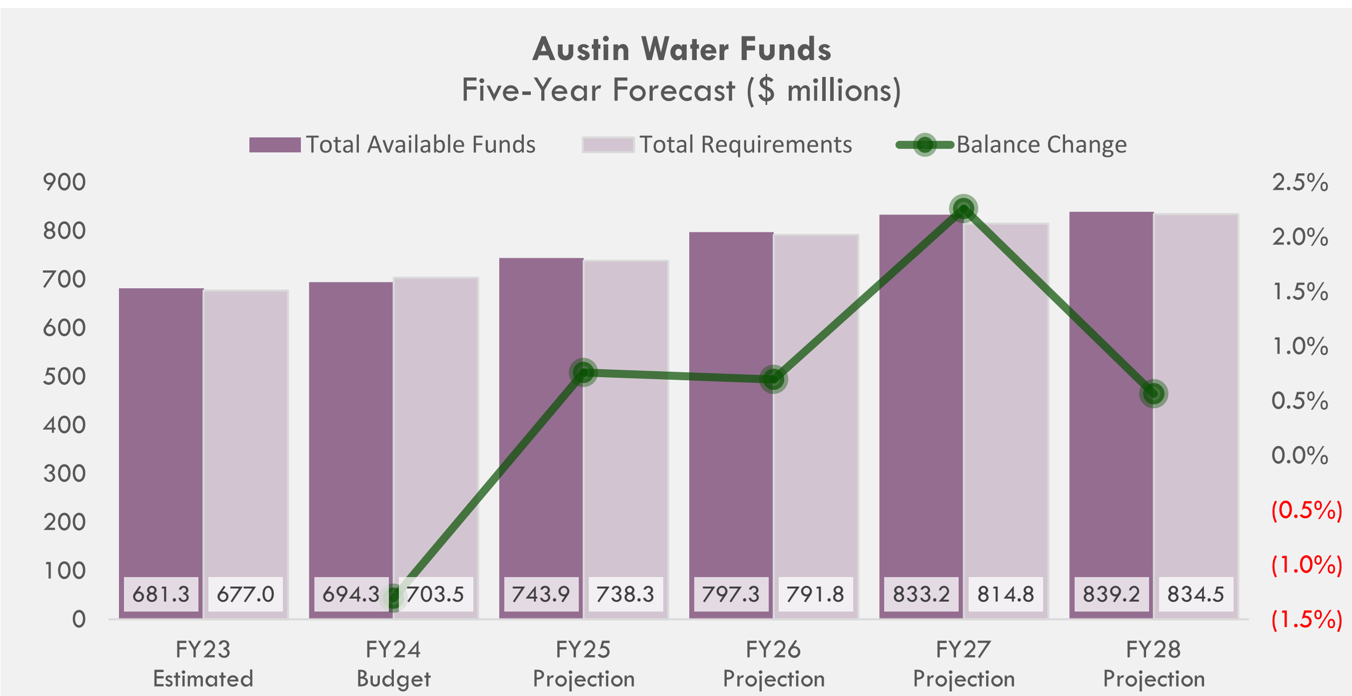
Austin Water

Austin Water utilizes water and wastewater rate revenue through its operating budget and capital improvement program to ensure a reliable, affordable, and sustainable stream of safe drinking water and the environmentally responsible treatment of wastewater.

Baseline Forecast

Austin Water's FY 2022-23 total revenue estimates are projected to surpass the adopted revenue budget by 1.2%. Total revenues and transfers in are expected to increase by an average of 4.3% over the five-year forecast period due to customer growth and forecasted rate increases necessary to maintain financial stability in light of increasing baseline expenditures.

Austin Water's major expenditure categories include operating and maintenance costs, debt service payments, and transfers to other City funds, including the General Fund, Utility Billing Support, and Administrative Support. To maintain existing service levels, the department is forecasting a FY 2023-24 operating budget of $703.5 million. This represents an increase in total requirements of $18.9 million, or 2.8%, compared to the $684.6 million budgeted in FY 2022-23. This increase is primarily due to citywide cost drivers, higher program requirements targeted at improving system resiliency, and partial-year funding for the retention stipend of 10% of salary, which was implemented in FY 2022-23. Expenditure increases throughout the remainder of the forecast period include modest increases in transfers to CIP, projected growth in the cost of chemicals, wage adjustments, and other citywide cost drivers.



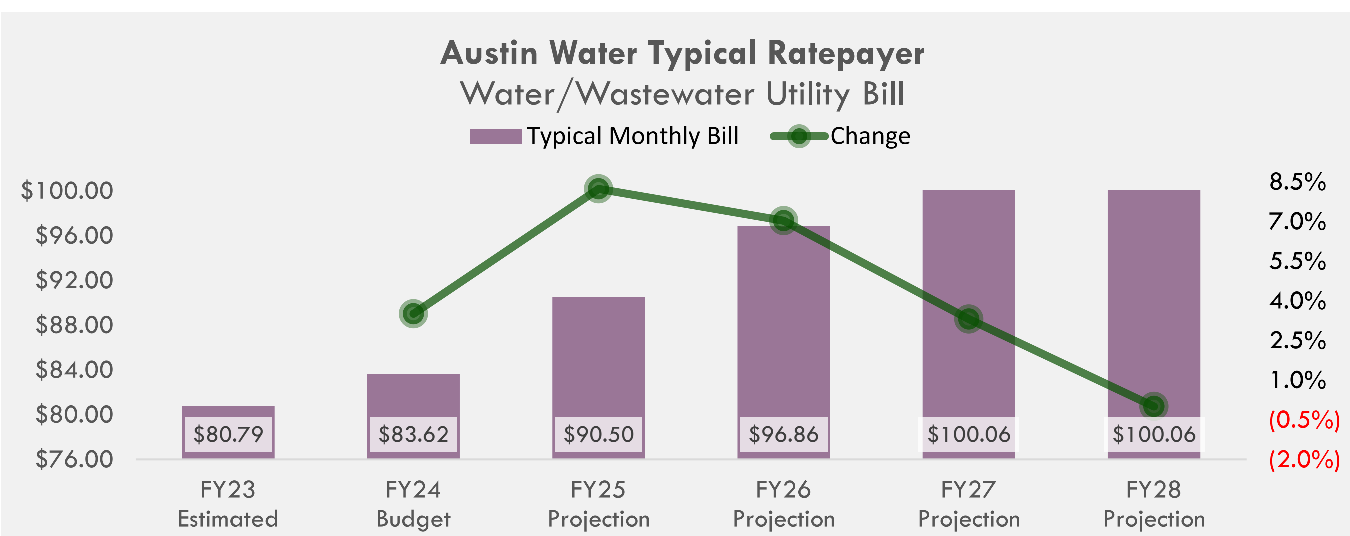
Baseline Forecast Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$260.1	$264.4	$255.2	$260.8	$266.2	$284.6
Revenue & Transfers In	$681.3	$694.3	$743.9	$797.3	$833.2	$839.2
Expenditures & Transfers Out	$677.0	$703.5	$738.3	$791.8	$814.8	$834.5
Change in Fund Balance	$4.4	($9.2)	$5.6	$5.4	$18.3	$4.7
Ending Fund Balance	$264.4	$255.2	$260.8	$266.2	$284.6	$289.2
Typical Residential Monthly Bill	$80.79	$83.62	$90.50	$96.86	$100.06	$100.06
FTEs	1,361	1,361	1,361	1,361	1,361	1,361

Note: Numbers may not add due to rounding.

Typical Ratepayer

In order to maintain current service levels, Austin Water is projecting that water and wastewater rates will increase over the next four fiscal years, and then remain flat in FY 2027-28. The last adjustment to water and wastewater rates was a 3.7% increase in FY 2016-17. In order to keep pace with baseline expenditures, AW currently projects the need for a 3.5% increase in FY 2023-24, and additional increases of 8.2%, 7.0%, and 3.3%, respectively, in fiscal years 2024-25 through 2026-27. By FY 2026-27, AW projects that the monthly bill for its typical ratepayer will rise to $100.06 from its current level of $80.79, before remaining flat in FY 2027-28.



No Rate Increase

Without the ability to increase rates, Austin Water is projecting significant annual deficits that will rapidly increase over the next five fiscal years. The department's fund balance could fiscally withstand these annual deficits over the next three fiscal years, but by FY 2026-27 AW projects a negative operating fund balance, and this balance would fall to negative $139.7 million by FY 2027-28. This scenario would place the department out of compliance with four of its financial policies.

No Rate Increase Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$260.1	$264.4	$238.3	$181.2	$83.0	($22.2)
Revenue & Transfers In	$681.3	$677.4	$680.8	$691.4	$704.5	$708.9
Expenditures & Transfers Out	$677.0	$703.5	$737.9	$789.6	$809.7	$826.4
Change in Fund Balance	$4.4	($26.1)	($57.1)	($98.2)	($105.2)	($117.5)
Ending Fund Balance	$264.4	$238.3	$181.2	$83.0	($22.2)	($139.7)
Typical Residential Monthly Bill	$80.79	$80.79	$80.79	$80.79	$80.79	$80.79
FTEs	1,361	1,361	1,361	1,361	1,361	1,361

Note: Numbers may not add due to rounding.

Prospective Service Enhancements

In order to improve system resiliency, keep pace with customer growth, and support operational optimization, Austin Water anticipates the need for the addition of 91 new positions over the next five years, including 27 in FY 2023-24, as well as ongoing funding for its 10% retention stipend. Inclusive of these additions, the department is forecasting a FY 2023-24 operating budget of $708.2 million, and total operating requirements of $874.4 million by FY 2027-28.

Total revenues are expected to increase by an average 5.0% over the five-year forecast period due to customer growth and forecasted rate increases. In order to fund these service enhancements, the water and wastewater bill for its typical residential customer would increase throughout the forecast period, including a 3.7% increase in FY 2023-24, and an average annual increase of 5.1% over the forecast period. Under this scenario, AW projects that the monthly bill for its typical ratepayer will rise to $103.55 by FY 2027-28 from its current level of $80.79.

Prospective Service Enhancements Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$260.1	$264.4	$249.8	$252.3	$254.5	$258.2
Revenue & Transfers In	$681.3	$693.5	$751.6	$813.1	$859.1	$866.4
Expenditures & Transfers Out	$677.0	$708.2	$749.1	$810.8	$855.4	$874.4
Change in Fund Balance	$4.4	($14.7)	$2.5	$2.2	$3.7	($8.0)
Ending Fund Balance	$264.4	$249.8	$252.3	$254.5	$258.2	$250.2
Typical Residential Monthly Bill	$80.79	$83.80	$91.13	$98.63	$103.55	$103.55
FTEs	1,361	1,388	1,407	1,422	1,437	1,452

Note: Numbers may not add due to rounding.

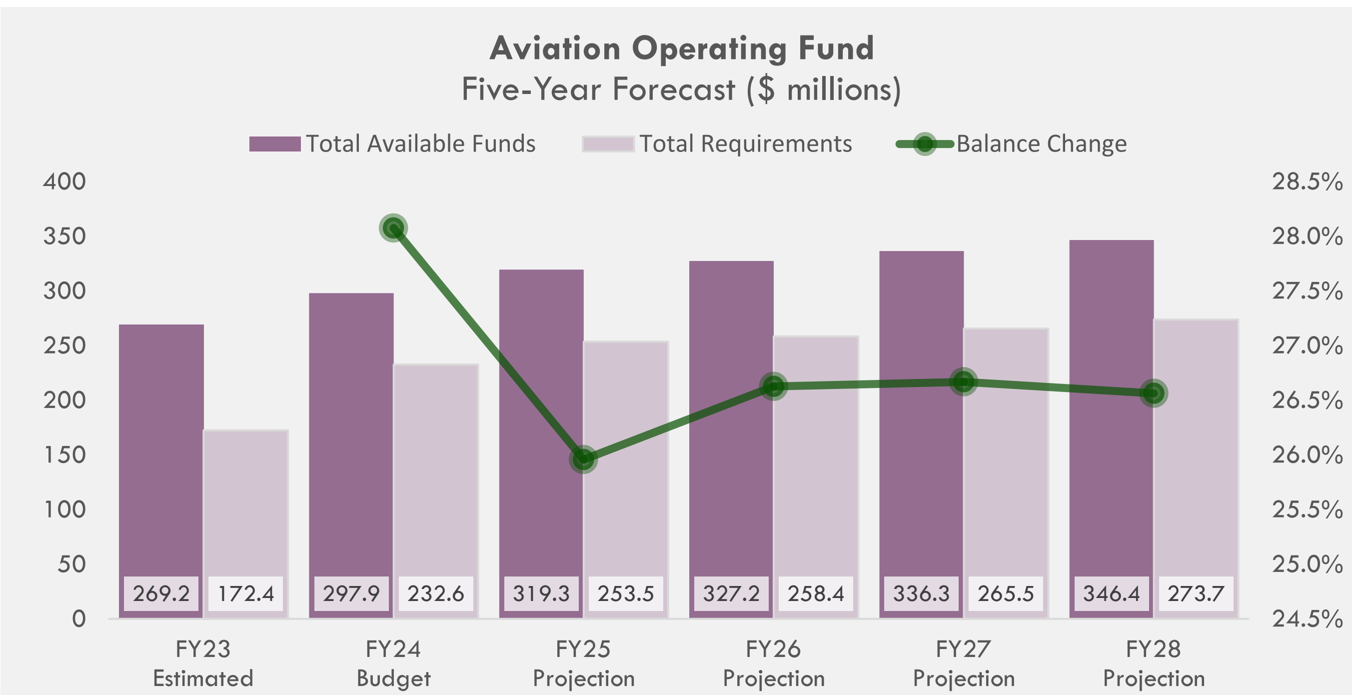
Aviation

Austin Bergstrom International Airport (AUS) connects Austin and its surrounding communities to the world with exceptional facilities and services while representing the character and culture of the City of Austin.

Baseline Forecast

AUS receives approximately 45% of operating revenue from partnering airlines which includes landing fees and terminal rents and 55% of operating revenue from non-airline fees which include parking, concessions, and miscellaneous fees. Over the FY 2023-24 through FY 2027-28 forecast period, AUS expects passenger enplanements to steadily increase, resulting in $281.2 million in projected operating revenue in FY 2023-24, and $326.7 million by FY 2027-28, an increase of 38% from its FY 2022-23 budget.

AUS forecasts operating budget requirements of $232.6 million in FY 2023-24, an increase of $50.6 million over the FY 2022-23 budget. This increase is necessary to maintain current service levels and support anticipated passenger traffic. $30 million of this increase is attributable to the anticipated depletion of pandemic-era federal relief (CARES Act, CRRSAA, ARPA), while the remaining $20.6 million is associated with increasing citywide cost drivers and anticipated inflation in consumer prices and contract services.



**Both total revenue and total requirements are shown without the Airport Capital Fund transfer.*

Baseline Forecast Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Revenue	$254.9	$281.2	$299.0	$307.5	$316.7	$326.7
Transfers in from CIP	$14.3	$16.7	$20.4	$19.7	$19.6	$19.8
Requirements*	$172.4	$232.6	$253.5	$258.4	$265.5	$273.7
Transfer to Airport Capital Fund	$96.8	$65.3	$65.8	$68.8	$70.8	$72.7
FTEs	684	684	684	684	684	684

**Expenditures include $39.6 million in anticipated Federal Relief funding for the FY23 CYE.*

Note: Numbers may not add due to rounding.

Prospective Service Enhancements

To enhance airport operations, AUS has developed a staffing plan to add 80 new positions over the forecast period, which will expand parking, ground transportation, rental cars, and concession services. This plan would only be instituted once the Department had made meaningful progress in reducing its vacancy rate from the current level of 36%. The $6.1 million in additional personnel and equipment costs over the forecast period would be offset through higher fees for service. Thus, both the revenue and expenditures are projected to increase in the Prospective Service Enhancement forecast scenario.

Prospective Service Enhancements Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Revenue	$254.9	$281.2	$300.2	$309.5	$319.4	$330.3
Transfers in from CIP	$14.3	$16.7	$20.4	$19.7	$19.6	$19.8
Requirements*	$172.4	$232.6	$254.2	$260.6	$269.5	$279.8
Transfer to Airport Capital Fund	$96.8	$65.3	$66.4	$68.6	$69.5	$70.3
FTEs	684	684	704	724	744	764

**Expenditures include $39.6 million in anticipated Federal Relief funding for the FY23 CYE.*

Note: Numbers may not add due to rounding.

Development Services

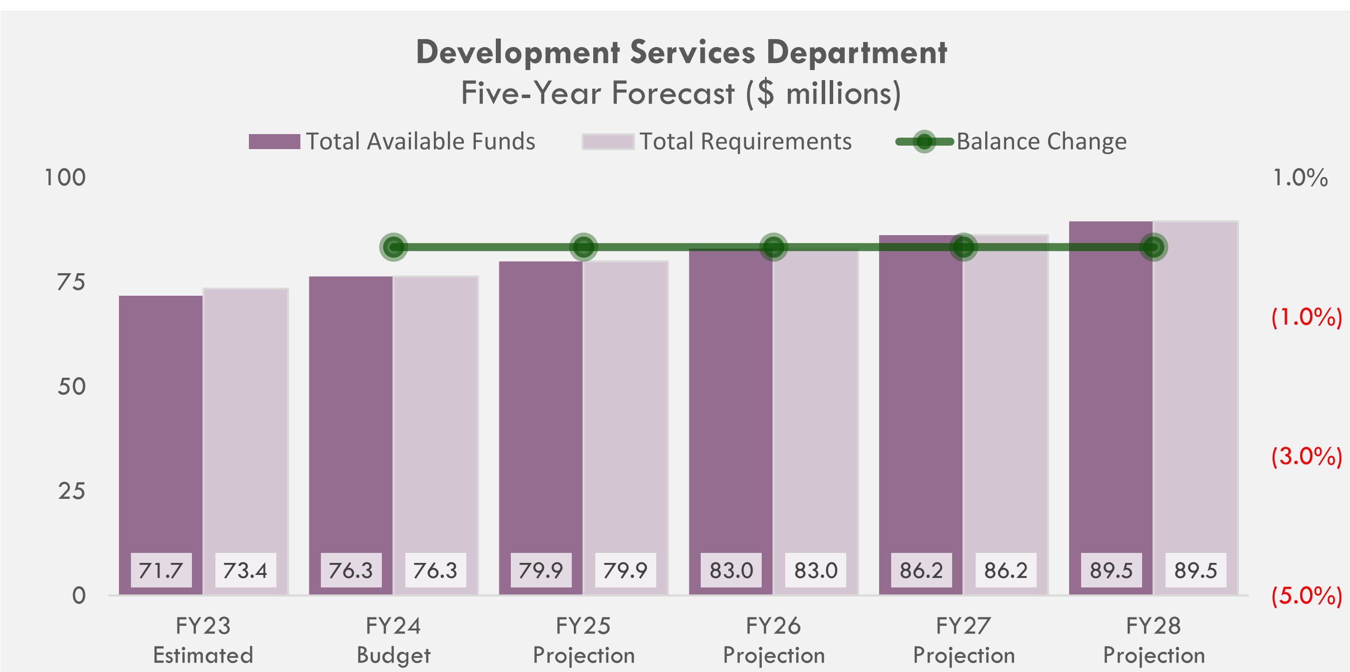
The Development Services Department (DSD) provides assistance to home and business owners, contractors, and enterprises to build, demolish, remodel or perform any type of construction by ensuring compliance to both City and building code standards. The Department strives to support a vibrant community through responsible development while providing high-quality and timely development review and inspection services. Ensuring the safety of the public is the primary reason why the Department works so diligently to protect and to serve the residents of the City of Austin.

Baseline Forecast

In order to continue services at existing levels, DSD forecasts operating budget requirements of $76.3 million. This represents a decrease in total requirements of $0.5 million compared to the FY 2022-23 budget. This decrease is largely driven by reductions in its Permitting and Development Center (PDC) rent payment and the removal of repayments of seed funding to the Budget Stabilization Reserve Fund that occurred over the prior two fiscal years.

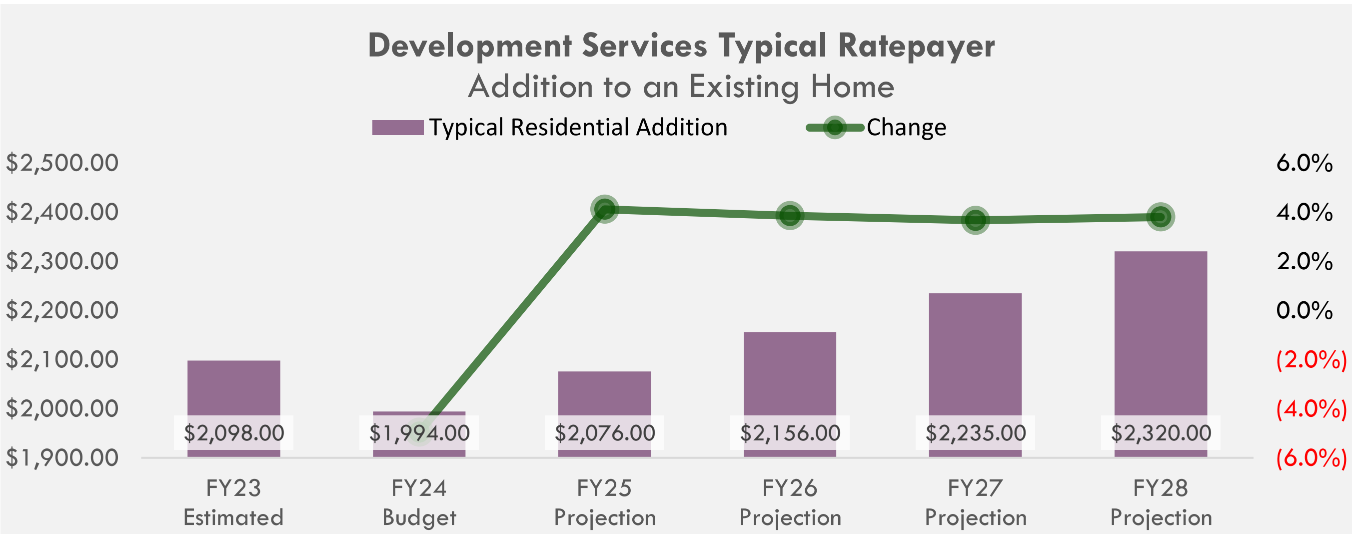
Over the five-year forecast, DSD's expense budget is projected to increase minimally year over year, driven largely by citywide and departmental cost drivers. Annual fee levels are adjusted in line with these expenditures to reflect the true cost of service delivery. Each year, DSD reviews the full cost of service for the department's operations and drives out appropriate fee levels based on volume projections informed by historical experience and economic forecasting.

DSD receives approximately 87% of its revenue from the development review, inspection, and permitting process. Approximately 13% of DSD's budget is funded through a General Fund transfer and other expense refunds. The General Fund transfer reimburses the Department for fee waivers and for services that cannot be covered through fees, including telecom permitting and the Urban Forestry program.



Typical Ratepayer

Development Services receives 85% of its non-transfer revenue from building safety (45%) and development fees (40%), with other revenue accounting for the remaining 15%. Overall, most fees are expected to remain flat from the previous year. Anticipated expenditure increases are moderate due to the Department's successful implementation of new technologies to drive efficiencies, which has helped to offset increases in citywide and other cost drivers. Demand is also expected to increase for many of the Department's services. Due to the interplay of costs and volume projections, certain fees will be increased in order to ensure that DSD appropriately recovers the full cost of providing each service.



Note: Typical ratepayer chart reflects the combined fees for residential additions of 500 square feet or more

The following table reflects Development Services Department's baseline financial forecast for FY 2022-23 through FY 2027-28.

Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$32.6	$30.9	$30.9	$30.9	$30.9	$30.9
Revenue & Transfers In	$71.7	$76.3	$79.9	$83.1	$86.3	$89.5
Expenditures & Transfers Out	$73.4	$76.3	$79.9	$83.1	$86.3	$89.5
Change in Fund Balance	($1.7)	$0.0	$0.0	$0.0	$0.0	$0.0
Ending Fund Balance	$30.9	$30.9	$30.9	$30.9	$30.9	$30.9
FTEs	487	487	487	487	487	487

Note: Numbers may not add due to rounding.

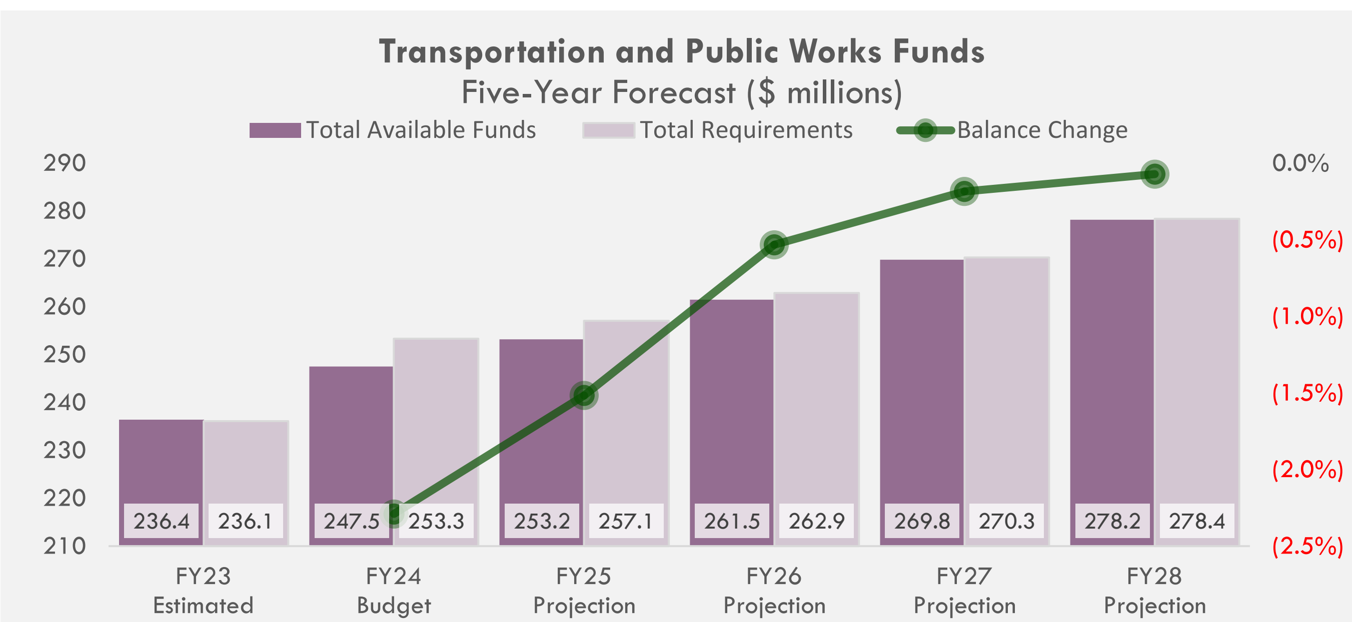
Transportation and Public Works

The Transportation and Public Works Department (TPWD) connects people with safe and reliable infrastructure by planning, building, and maintaining our streets, bridges, sidewalks, and urban trails, managing traffic engineering, permitting and coordination of construction and maintenance in the City's right-of-way as well as by managing the delivery of City capital improvement projects.

Baseline Forecast

TPWD revenue is derived from the Transportation User Fee (TUF); direct charges to capital projects; a cost-recovery allocation to capital improvement project sponsor departments; collections from a child safety trust fund; permitting and review fees for Traffic Impact Analysis (TIA), Right-of-Way (ROW) and special event permits; parking meter revenue; and permits for mobility services (i.e. taxis, chauffeurs, car-share, bike-share, and scooters). To maintain existing service levels in FY 2023-24, the department is forecasting an increase in revenue of $ 6.0 million (2.4%) in comparison with the FY 2022-23 Budget. The planned increase in revenue in FY 2023-24 is due to a combination of increases in incoming parking revenue due to trending higher meter usage, interdepartmental CIP revenue, and of both residential and commercial TUF revenue.

Transportation and Public Works' major expenditure categories include street and bridge preventive maintenance and repair, sidewalks, urban trails, infrastructure management, capital delivery, mobility systems management, transportation development and permits, and traffic management. The baseline budget forecast for FY 2023-24 includes expenditure increases necessary to maintain current service levels and address citywide cost drivers, which are almost entirely offset by a reduction in transfers to the CIP and through realignment of existing program budgets. As a result, TPWD is projecting an increase in its FY 2023-24 expenditure budget of $0.3 million in comparison with the FY 2022-23 budget. Baseline costs for the department are anticipated to increase incrementally throughout the forecast period. TPWD projects a cumulative increase in its expenditure budget of $25.4 million through FY 2027-28.



Baseline Forecast Scenario
Fund Summary (in millions)

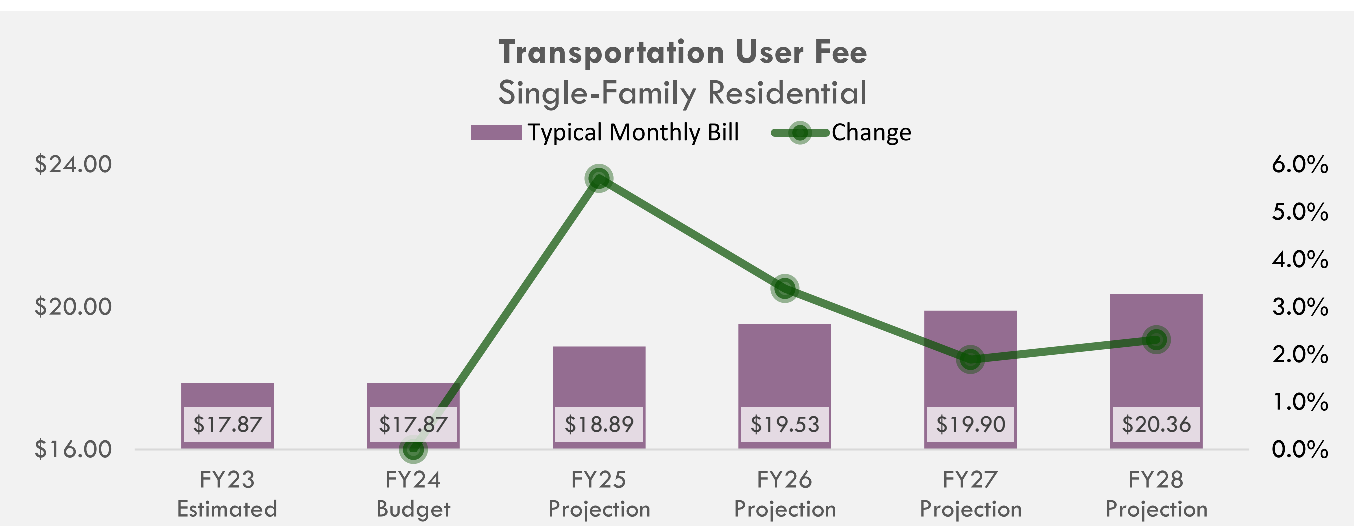
	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$28.1	$28.4	$22.6	$18.7	$17.3	$16.8
Revenue & Transfers In	$236.4	$247.5	$253.2	$261.5	$269.8	$278.2
Expenditures & Transfers Out	$236.1	$253.3	$257.1	$262.9	$270.3	$278.4
Change in Fund Balance	$0.3	($5.8)	($3.9)	($1.4)	($0.5)	($0.2)
Ending Fund Balance*	$28.4	$22.6	$18.7	$17.3	$16.8	$16.6
Typical Residential Monthly Bill	$17.87	$17.87	$18.89	$19.53	$19.90	$20.36
FTEs	1,102.75	1,102.75	1,102.75	1,102.75	1,102.75	1,102.75

**Please note that the ending fund balance represents five independent funds that have restricted uses and may not be used to supplement the deficits of the other funds.*

Note: Numbers may not add due to rounding.

Typical Ratepayer

To meet base expenditure requirements and maintain existing service levels, TPWD is projecting that the TUF can remain unchanged in FY 2023-24, but that there is a need for incremental increases throughout the forecast period. More specifically, the TUF is projected to increase by $1.02 per month in 2024-25, $0.64 in FY 2025-26, $0.37 in FY 2026-27, and $0.46 in FY 2027-28. These increases are required to ensure the department can continue to provide services at its current levels while maintaining structural balance in its budget.



No Rate Increase

Without increases to the TUF to defray the impact of escalating costs, TPWD would immediately experience annual deficits that would negatively impact fund balances, or it would have to reduce services below current levels. When comparing projected baseline expenditures to anticipated revenue with no increase in TUF, TPWD forecasts a cumulative decrease in fund balance of $63.9 million throughout the forecast period.

No Rate Increase Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$28.1	$28.4	$17.9	$8.6	($3.9)	($18.5)
Revenue & Transfers In	$236.4	$242.8	$247.8	$250.4	$255.7	$261.4
Expenditures & Transfers Out	$236.1	$253.3	$257.1	$262.9	$270.3	$278.4
Change in Fund Balance	$0.3	($10.5)	($9.3)	($12.5)	($14.6)	($17.0)
Ending Fund Balance*	$28.4	$17.9	$8.6	($3.9)	($18.5)	($35.5)
Typical Residential Monthly Bill	$17.87	$17.87	$17.87	$17.87	$17.87	$17.87
FTEs	1,102.75	1,102.75	1,102.75	1,102.75	1,102.75	1,102.75

**Please note that the ending fund balance represents five independent funds that have restricted uses and may not be used to supplement the deficits of the other funds.*

Note: Numbers may not add due to rounding.

Prospective Service Enhancements

To provide enhanced services to Austin's residents, businesses, and stakeholders, and to drive improvement on key performance indicators, TPWD is seeking increased funding and staffing levels over the five-year forecast period. This enhanced service forecast includes the addition of 83.25 new positions in FY 2023-24, and an additional 85 positions by FY 2027-28. 27.25 of these positions would be dedicated to maintaining signage and wayfinding, supporting the delivery of bond projects, and monitoring parking services. The remainder of the positions would be to support street preventive maintenance, right-of-way maintenance, a dedicated bridge maintenance crew, sidewalk maintenance and repair, trail and vegetation maintenance, safe routes to school and urban trail program management, and support services. The costs associated with 19 of the new positions would be covered by direct charges to capital projects to address a growing capital delivery workload and the projected workload from other City departments, including Austin Water, Aviation, and TPWD, as part of the 2016, 2018, and 2020 Bonds. The department would also fund an additional $3.8 million over four years in contracted overlay funding to improve the street network condition and include resources for an enterprise project management information system (PMIS) to support capital delivery.

To fund this increase in staffing and these new initiatives, along with the baseline expenditure increases described above, TPWD is projecting an increase in FY 2023-24 expenditures of $16.4 million, or 6.1%, from FY 2022-23 budgeted levels. Throughout the remainder of the forecast period, budgeted expenditures would increase by an additional $46.6 million.

Sustaining these service enhancements, along with baseline requirements, would require a projected revenue increase of $20.0 million in FY 2023-24 in comparison with the FY 2022-23 budget. This 7.7% growth would be generated largely by an increase in the Transportation User Fee. Total revenue requirements would increase by a further $54.7 million by FY 2027-28. PWD and ATD project the increases in the residential portion of the TUF necessary to generate this revenue at $1.77 per month in FY 2023-24, $1.06 per month in 2024-25, $0.66 in FY 2025-26, $0.47 in FY 2026-27, and $0.33 in FY 2027-28.

Prospective Service Enhancements Scenario
Fund Summary (in millions)

	FY23 Estimated	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**
Beginning Fund Balance	$28.1	$28.4	$20.5	$20.9	$21.0	$21.0
Revenue & Transfers In	$236.4	$261.5	$280.9	$294.0	$304.8	$316.2
Expenditures & Transfers Out	$236.1	$269.4	$280.5	$293.9	$304.8	$316.0
Change in Fund Balance	$0.3	($7.9)	$0.4	$0.1	$0.0	$0.2
Ending Fund Balance*	$28.4	$20.5	$20.9	$21.0	$21.0	$21.2
Typical Residential Monthly Bill	$17.87	$19.64	$20.70	$21.36	$21.82	$22.15
FTEs	1,102.75	1,186.00	1,244.00	1,256.00	1,264.00	1,271.00

**Please note that the ending fund balance represents five independent funds that have restricted uses and may not be used to supplement the deficits of the other funds.*

Note: Numbers may not add due to rounding.

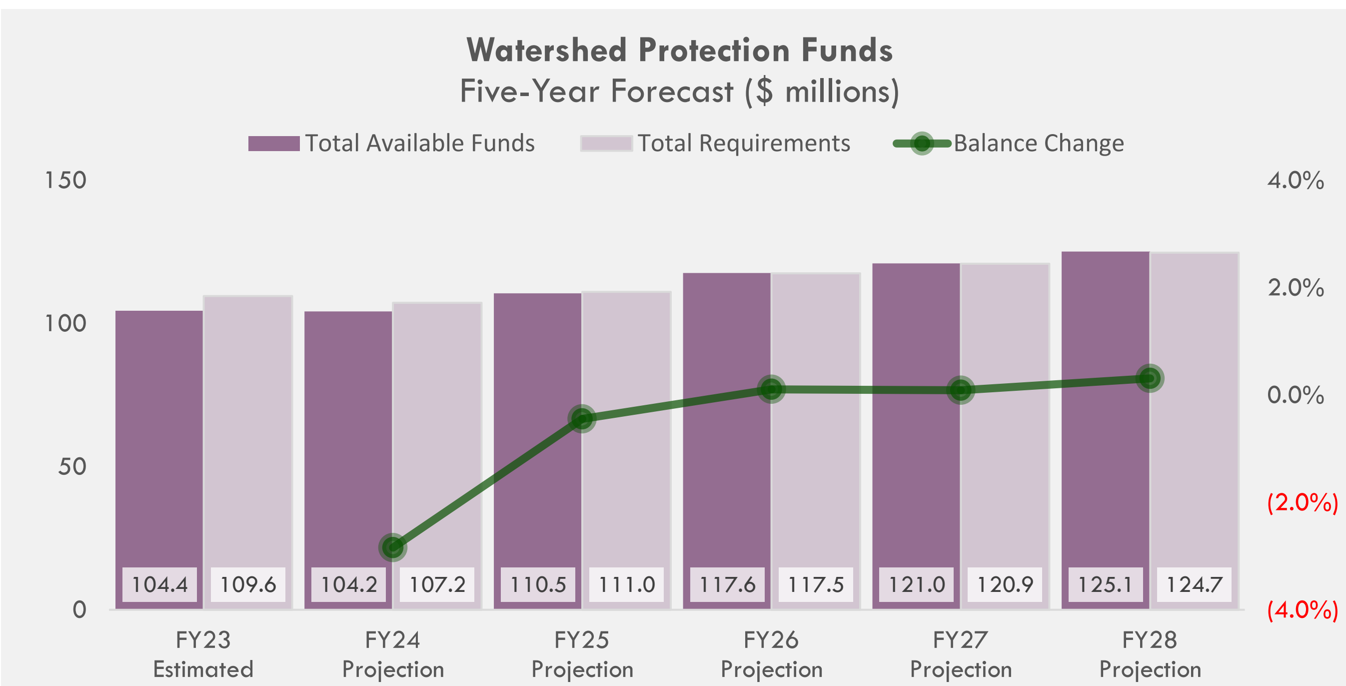
Watershed Protection

The Watershed Protection Department's (WPD) operating budget and Capital Improvement Plan (CIP) support programs and projects that serve its mission to protect the lives, property, and the environment of our community by reducing the impact of flooding, erosion, and water pollution.

Baseline Forecast

In order to maintain existing service levels, WPD forecasts total FY 2023-24 operating budget requirements of $107.2 million, which represents a reduction of $5.3 million, or 4.7%, from the prior year, as the net effect of a $4.4 million increase in program requirements and a $9.7 million reduction in transfers and other requirements. Program requirements include field operations; departmental support services; planning, monitoring, and compliance; and project design and delivery. Expenses for program requirements are forecasted to increase from $60.3 million in the FY 2022-23 budget to $64.6 million in FY 2023-24, a 7.2% increase, and at an average annual rate of 3.8% for the remainder of the forecast period. Increases to program requirements are driven primarily by the increased cost of contracts and commodities.

The remainder of WPD's operating budget consists of transfers and other requirements, of which the transfer to CIP is the largest component. The baseline forecast projects a transfer to CIP of $22 million in FY 2023-24 and FY 2024-25 each, representing a reduction of $11 million or 33% from budgeted transfer of $33 million in FY2022-23. WPD anticipates increasing its CIP transfer to $25 million for the final three years of the forecast period.



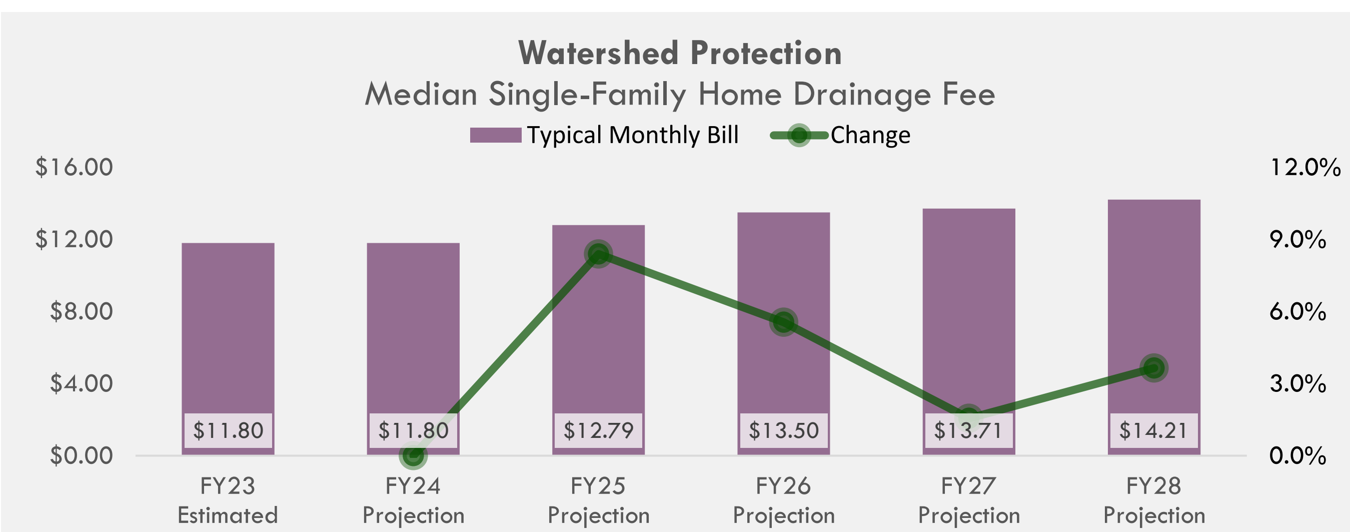
Baseline Forecast Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$16.7	$11.5	$8.5	$8.0	$8.1	$8.2
Revenue & Transfers In	$104.4	$104.2	$110.5	$117.6	$121.0	$125.1
Expenditures & Transfers Out	$109.6	$107.2	$111.0	$117.5	$120.9	$124.7
Change in Fund Balance	($5.2)	($3.0)	($0.5)	$0.1	$0.1	$0.4
Ending Fund Balance	$11.5	$8.5	$8.0	$8.1	$8.2	$8.6
Typical Residential Monthly Bill	$11.80	$11.80	$12.79	$13.50	$13.71	$14.21
FTEs	431	431	431	431	431	431

Note: Numbers may not add due to rounding.

Typical Ratepayer

The primary source of revenue for WPD's operating budget is the drainage utility charge assessed on residential and commercial customer's utility bills. The charge is based on the amount and percentage of impervious cover on the property. WPD has been able to hold the rate flat since the creation of the drainage charge in 2015 due to increases in impervious cover from parcels added due to new construction and development. During the forecast period, WPD anticipates an annual increase in rates to defray baseline expenditure increases and maintain reserves in compliance with financial policy. For a single-family home with 37% and 3,100 sq. ft. impervious cover, the current median rate is $11.80 per month. No increase in this charge is forecasted for FY 2023-24. However, in order to maintain existing service levels, WPD projects the need to increase the median rate to $12.79 per month in FY 2024-25. WPD anticipates continued increases in rates in each subsequent year of the forecast period, with the rate reaching $14.21 per month for a median single-family home in FY 2027-28.



No Rate Increase

In the event that rates were held constant throughout the forecast period, WPD would experience immediate annual deficits and severe reductions to its fund balance. By the end of FY 2024-25, WPD projects that it would fall out of compliance with the financial policy reserve requirement of 30 days of operating expenditures. Restricted revenue would require further substantial reductions to capital program spending in order to stay compliant and would inhibit the department's ability to support drainage infrastructure, flood mitigation, and erosion control. Participation in corridor program projects would also be jeopardized.

No Rate Increase Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$16.7	$11.5	$8.5	$1.5	($11.6)	($27.7)
Revenue & Transfers In	$104.4	$104.2	$104.1	$104.4	$104.8	$105.1
Expenditures & Transfers Out	$109.6	$107.2	$111.0	$117.5	$120.9	$124.7
Change in Fund Balance	($5.2)	($3.0)	($6.9)	($13.1)	($16.1)	($19.6)
Ending Fund Balance	$11.5	$8.5	$1.5	($11.6)	($27.7)	($47.3)
Typical Residential Monthly Bill	$11.80	$11.80	$11.80	$11.80	$11.80	$11.80
FTEs	431	431	431	431	431	431

Note: Numbers may not add due to rounding.

Prospective Service Enhancements

In order to enhance service delivery to its customers, WPD has developed plans to fund programs arising from the from Rain to River strategic plan, the creation of a new emergency management unit for community response and internal resilience, study and evaluate bacterial toxicity in Austin streams, increase the frequency of pond maintenance, and increase the number of encampment cleanups. These plans would require additional expenditures of $2.2 million in FY 2023-24 and $21.2 million by the conclusion of the forecast period. WPD would require 17 positions in FY 2023-24 and an additional 24 positions by the conclusion of the forecast period in order to implement the programs under the expansion scenario. WPD is reducing its CIP transfer by $5 million each year during the forecasted period to prudently allocate its resources to field operations and manage any rate increases at a reasonable level.

To fund these service enhancements, as well as its baseline forecast expenditures, WPD projects the need for an increase in the drainage utility fee from $11.80 in FY 2022-23 to $15.21 by FY 2027-28, a 29% increase over the forecast period.

Prospective Service Enhancements Scenario
Fund Summary (in millions)

	FY23 Estimated	FY24	FY25	FY26	FY27	FY28
Beginning Fund Balance	$16.7	$11.5	$7.5	$7.9	$8.3	$8.6
Revenue & Transfers In	$104.4	$110.6	$120.8	$125.7	$129.6	$133.9
Expenditures & Transfers Out	$109.6	$114.6	$120.4	$125.3	$129.3	$133.6
Change in Fund Balance	($5.2)	($4.0)	$0.3	$0.4	$0.3	$0.3
Ending Fund Balance	$11.5	$7.5	$7.9	$8.3	$8.6	$8.8
Typical Residential Monthly Bill	$11.80	$12.79	$14.05	$14.33	$14.76	$15.21
FTEs	431	448	465	472	472	472

Note: Numbers may not add due to rounding.

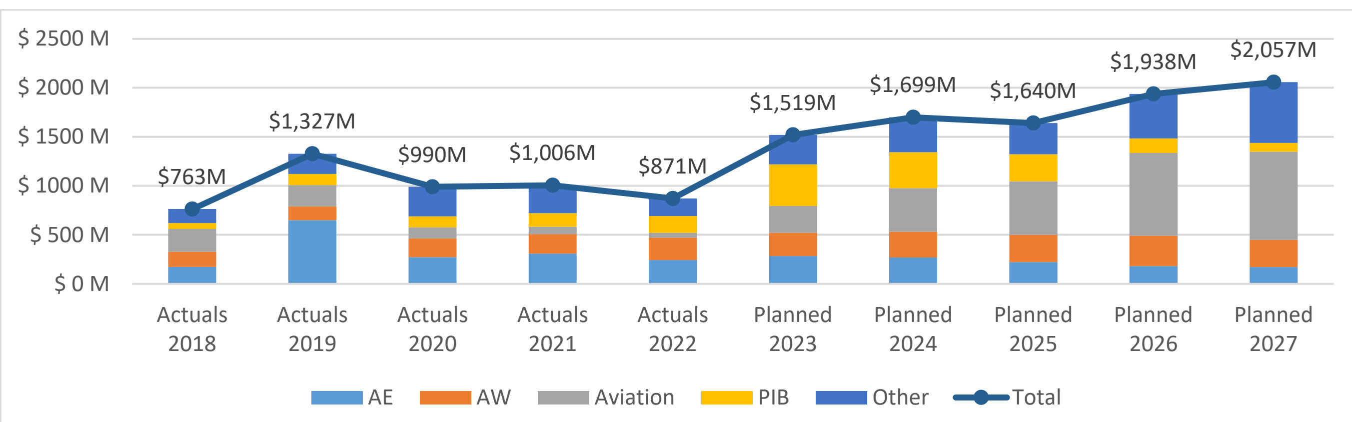
Capital Improvement Program

The City of Austin regularly undertakes projects to improve public facilities and infrastructure assets for the benefit of its citizens. Projects include the construction of City facilities such as recreation centers and libraries as well as the reconstruction of streets, replacement of water/wastewater lines, and provision of power for City of Austin residents. Collectively, these projects are referred to as the City of Austin Capital Improvement Program (CIP).

Each year, the City produces a Five-Year CIP Plan that outlines various projects, with associated spending plans that are anticipated over the upcoming five-year period. This financial planning document is published as part of the annual budget and will include revised projections through FY 2028.

The CIP is supported by several different funding sources including debt, current revenue, and grants. Debt sources include public improvement bonds (PIBs) resulting from voter-approved bond programs, as well as certificates of obligation, contractual obligations, commercial paper, and revenue bonds. Certificates of obligation are long-term non-voter-approved debt and are used for real property purchase and construction. Contractual obligations are a non–voter-approved short-term debt instrument typically used to fund the purchase of vehicles and equipment. Commercial paper and revenue bonds are, respectively, short- and long-term debt instruments utilized by enterprise departments. Current revenue typically includes transfers from the operating budget, such as revenue collected through user fees.

The graph below shows the past five years of actual spending data along with projected current-year and out-year spending. Over the prior five fiscal years, the City has averaged $991 million in annual CIP spending and anticipates investing nearly $1.8 billion annually in infrastructure on average from FY 2023 through FY 2027. The size and nature of Austin Energy, Austin Water, and Aviation projects are significant and account for 62% of projected spending over this timeframe.



General Obligation Debt

The City currently has four active major voter-approved general obligation bond programs: 2016, 2018, 2020 and 2022. Prior to 2016, the City historically paced bond programs approximately six years apart. With the recent increase in the number and size of voter-approved bond programs, the City currently has more than $1.8 billion in authorized but unissued voter-approved bonds. Fulfilment of these bond programs is projected to take place over the next six–to-eight years. The table on the next page provides an overview of the authorizations and activity for these programs through March 31, 2023.

Public Improvement Bond Program	Voter Approved	Expended	% Expended
2016 – Prop 1: Transportation and Mobility	$720,000,000	$323,974,772	45%
2016 Bond Total	**$720,000,000**	**$323,974,772**	**45%**
2018 – Prop. A: Affordable Housing	$250,000,000	$155,707,137	62%
2018 – Prop. B: Libraries, Museums and Cultural Arts Facilities	$128,000,000	$14,155,706	11%
2018 – Prop. C: Parks and Recreation	$149,000,000	$52,693,460	35%
2018 – Prop. D: Flood Mitigation, Open Space, and Water Quality Protection	$184,000,000	$80,575,015	44%
2018 – Prop. E: Health and Human Services	$16,000,000	$1,829,438	11%
2018 – Prop. F: Public Safety	$38,000,000	$8,100,849	21%
2018 – Prop. G: Transportation Infrastructure	$160,000,000	$50,622,014	32%
2018 Bond Total	**$925,000,000**	**$363,683,620**	**39%**
2020 – Prop B: Transportation and Mobility	$460,000,000	$22,869,461	5%
2020 Bond Total	**$460,000,000**	**$22,869,461**	**5%**
2022 – Prop A: Affordable Housing	$350,000,000	$0	0%
2022 Bond Total	**$350,000,000**	**$0**	**0%**
Total	**$2,455,000,000**	**$710,527,852**	**29%**

Unfunded Items from Council

The following table details resolutions passed by Council for which funding sources have not yet been identified or are in development and for which funding is not included in the Five-Year Financial Forecast.

Resolution	CIUR ID	IFC Description	FY24 Funding
20220519-035	2507	Approve a resolution declaring the City's support for inclusive reproductive care, amending the City's legislative agenda to include support for The Access to Infertility Treatment and Care Act, and directing the City Manager to study and report back on the inclusion of family building support, such as fertility and adoption and fostering assistance, for City employees.	Estimated cost $1 M
20220609-067	2519	Approve a resolution related to the expedited purchase of additional High Activity Location Observation (HALO) cameras for the Sixth Street area and directing an assessment of interest among businesses in the Historic 6th Street and Rainey Historic District in using hand-held metal detector wands and recommendations related to additional technology.	Estimated cost $193 K - $898 K
20220616- 050	2529	Approve a resolution directing the City Manager to adopt a living wage of $22.00 ($25 in FY25) per hour for City employees and to make other budget recommendations.	Estimated cost $4.6 M - $9.7 M
20220616-052	2531	Approve a resolution directing the City Manager to explore strategies to increase high-speed roadway traffic enforcement that is narrowly focused on reducing traffic fatalities.	In development
20220616- 089	2538	Approve a resolution directing the City Manager to study the feasibility and fiscal impact of an Intergenerational Resource and Activity Center program in the Nash Hernandez Building, to survey City-owned parcels and review co-location opportunities for other centers in collaboration with community partners, and to report to Council.	Estimated cost $4.9 M - $7.7 M
20220721-003	2554	Approve a resolution directing the City Manager to explore the City’s ability to conduct a public education program on long-term birth control, including vasectomies and to provide Council with an update; and to ensure health insurance for City employees and their spouses cover low-cost birth control, including vasectomies.	In development
20220817-004	2568	CM Kelly Budget Rider - CPA Retiree Study	Estimated cost $20.4 M - $117.7 M
20220817-004	2569	CM Kelly Budget Rider - Play for all-abilities park	Estimated cost $3 M - $4 M
20220817-004	2581	CM Tovo Budget Rider - PARD Site Rentals	Estimated cost $1.1 M - $1.6 M

[20220817-004]()	2583	CM Tovo Budget Rider - Transitioning from contract employees to permanent positions	In development
[20220817-004]()	2585	CM Vela Budget Rider - Parks Shading	Estimated cost $210 K
[20220901-087]()	2587	Approve a resolution directing the City Manager to conduct a stakeholder process to explore potential enhancements to affordable housing programs and additional community benefits required of affordable housing projects funded by the City.	In development
[20220901-089]()	2589	Approve a resolution relating to a creative space bonus and incentive program for new and existing creative spaces and initiating amendments to City Code.	In development
[20220915-052]()	2592	Approve a resolution directing the City Manager to provide appropriate resources to vendors who do business with the City and encourage training to ensure vendors have the skills to recognize indicators of individuals experiencing homelessness at risk of human trafficking.	Partial Funding (APH has $50 K in ARPA for this)
[20220915-091]()	2596	Approve a resolution directing the City Manager regarding compensation and benefits for Austin Police Department Police Officers if Council places a petition initiative known as the Austin Police Oversight Act on the May 2023 ballot.	In development
[20221013-075]()	2598	Approve a resolution directing the City Manager to implement a strategy, engage with stakeholders, and provide public education campaigns to reduce the use of single-use plastic by restaurants, bars, and other commercial food or beverage establishments; to work with the Austin Restaurant Association and other stakeholders to promote replacing single-use plastics and Styrofoam with biodegradable materials; and to explore ways to reduce reliance and use of disposable plastic water bottles by Austin visitors as well as City employees and residents at City-owned facilities.	In development
[20221027-065]()	2604	Approve a resolution regarding text messages to 911 communications and directing the City Manager to initiate a procurement process concerning translation technology for 911 call takers and dispatchers.	In development

20221208-059	2607	Approve a resolution directing the City Manager to partner with the Intergenerational Day Center Advisory Group to implement an Intergenerational Resource Activity Center at the Nash Hernandez Building to address a fast-growing, low-income population in Austin and childcare needs in the 78702 zip code area and surrounding areas.	In development
20221208-067	2614	Approve a resolution directing a review and the development of recommendations for the prioritization of affordable housing funding and affordable housing capital and project-based operating subsidies, including policies and procedures that will prioritize Continuum of Care units and supportive services, and return to City Council with any necessary action items.	In development
20221208-068	2615	Approve a resolution directing the City Manager to proceed with the construction of the Dougherty Arts Center and Emma S. Barrientos Mexican American Cultural Center without a reduction in the scope of proposed work to the extent feasible and to include funding needed to complete the work in the 2024 City of Austin General Obligation Bond election, to develop cost estimates for the next phase of the George Washington Carver Museum and Cultural Center and the Asian American Resource Center as part of the development of the 2024 City of Austin General Obligation Bond Program, and to work the with Austin Economic Development Corporation to develop recommendations and possible funding levels for creative space funding as a part of the development of the 2024 City of Austin General Obligation Bond election.	In development
20221208-069	2617	Approve a resolution directing the City Manager to continue using the Northbridge Shelter as a bridge shelter until a comparable replacement is operational, and to identify strategies and funding options to maintain a minimum number of bridge shelter rooms.	Estimated cost $1.75 M - $3.15 M
20221201-039	2620	Approve a resolution approving the recommendations made by the Special Events Task Force and directing the City Manager to implement the recommendations and identify ways to discuss high-capacity venues.	In development
20221201-046	2627	Approve a resolution establishing targets for enrollment of eligible households in Austin Energy's Customer Assistance Program and directing the City Manager to facilitate program expansion.	In development
20221201-049	2630	Approve a resolution directing the City Manager to participate in efforts to support and adopt a technical solution that will improve data sharing and care coordination for individuals experiencing homelessness in Austin.	In development

20230126-055	2632	Approve a resolution related to creating an economic development program for affordable childcare operations and initiating amendments to Title 25 of the City Code to increase the availability of child care services.	In development
20230309-026	2644	Approve a resolution related to restarting the Austin Police Department's Citizen Police Academy.	In development
20230413-038	2654	Approve a resolution directing the City Manager to review future aerial fire truck, staffing, equipment, and budgetary needs for the Austin Fire Department and report back to Council with recommendations.	In development

2023 Economic & Sales Tax Forecast for the City of Austin

TXP, Inc.

1310 South 1st Street, Suite 105
Austin, Texas 78704
www.txp.com

The National Economy

Status

The national economy appears to have flattened over the course of the Spring, as overall growth during the first three months of the year probably was modest at best. Consumer spending generally appeared to be down slightly amid continued reports of higher prices; travel and tourism picked up across much of the nation, but manufacturing declined even as supply chains continued to improve. Continuing global supply issues, OPEC output reductions, and Ukraine grain impacts are all contributing to the supply chain disruptions, which in turn have led to higher prices for raw materials, transportation costs, and intermediate goods. Monetary policy has tightened considerably, with the Federal Reserve raising interest rates by 425 basis points, and it is likely to continue to combat inflation. The banking crisis is constraining capital availability, with equity requirements increasing and underwriting becoming much stricter. The commercial real estate market, especially the office sector, is facing serious challenges, in part due to the shift towards remote work. However, demand for industrial, lodging, and entertainment real estate is still strong for now, although this could change as the recession spreads. The tech sector is also feeling the impact; with discretionary ad/marketing budgets being reduced, layoffs have occurred across the landscape. Overall, employment growth continues to slow, as not enough workers and challenges in certain sectors lead to deceleration. Beyond the layoffs, many firms have opted to allow for natural attrition to occur, and to hire only for critically important roles. Additionally, there are indications of better employee retention, as wages have shown some moderation but remain elevated as compared to pre-pandemic.

Outlook

The general view (expressed well by the Conference Board) is that economic weakness will intensify and spread more widely throughout the US economy over the coming months, leading to a recession starting in mid-2023. This outlook is associated with persistent inflation and Federal Reserve hawkishness. Specifically, the outlook is for:

> Real GDP growth will slow to 0.7 percent in 2023, and then rise to 0.8 percent in 2024…. we expect credit conditions to remain tight and sentiment among consumers and businesses to suffer due to the shock. At present, we do not expect the Federal Reserve to pause interest rate hikes until a terminal rate window of 5.25 to 5.50 percent is achieved in Q2 2023. On inflation, we expect to see progress over the coming months but the path will be bumpy. We expect year-over-year inflation readings to remain at about 3 percent at 2023 yearend and that the Fed's 2 percent target will not be achieved until the end of 2024.
>
> Labor market tightness will moderate somewhat over the coming quarters but will remain elevated relative to previous economic downturns. This should prevent overall

economic growth from slipping too deeply into contractionary territory and facilitate a rebound in early 2024. We forecast that overall growth will return to more stable pre-pandemic rates, inflation will drift closer to 2 percent, and the Fed will bring rates back below 4 percent. However, due to demographic challenges we expect tightness in the labor market to remain an ongoing challenge for the foreseeable future.

The Austin Area Economy

Status

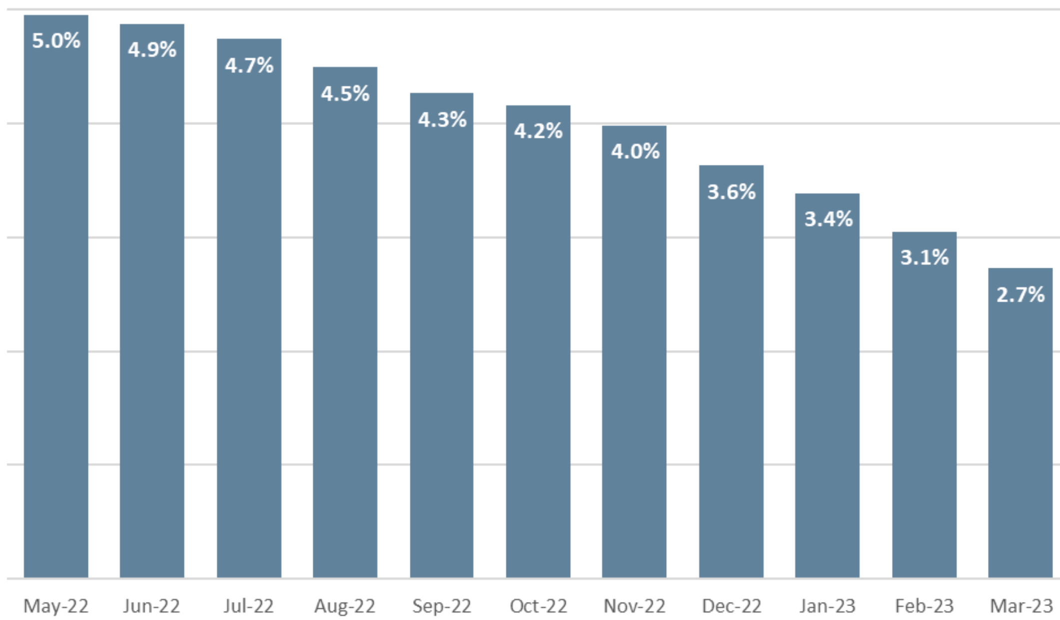
As has been the case for decades, growth in Austin has outstripped the nation as a whole, but impending slowdown/recession will have an impact. Last year was exceptional, as the Austin MSA saw a net increase of over 100,000 wage & salary jobs, an increase of 8.7 percent. However, the tech downturn hits Austin relatively harder than elsewhere, due to its local concentration, with companies such as Indeed, Amazon, and Alphabet all announcing layoffs. On the other hand, manufacturing is booming locally, with Tesla substantially exceeding hiring projections and Samsung embarking on what could be major growth over the course of the next several years. As monetary policy has tightened, project finance has become increasingly difficult; underwriting standards are stricter, more equity is required, and the price of the money is higher. At the same time, venture capital has become harder to come by, with the upshot that capital availability will be a constraint to growth for some time. Meanwhile, the housing market has clearly cooled from the rocketship pace of recent years, although a shortage of supply means that prices remain elevated above what might typically be expected. On the commercial side, demand for office space is falling rapidly, while industrial, retail, and hospitality appear more stable.

Outlook

Austin's increasing ties to the global economy suggest that national recession will have a significant local impact, although overall growth should remain positive. There are several factors underlying this somewhat optimistic view. First, exceptional in-migration has brought an influx of demand that is not fully met, e.g., long wait-times to do almost anything, meaning that a slowdown could yield better alignment. Second, visitor activity remains strong, with travel and tourism hitting a record high last year. Third, manufacturing is poised for continued growth over the next several years. Taken together, the expectation is that job growth will moderate to a net gain of 35,400 this year, an increase of 2.8 percent. Next year, the pace will abate somewhat further, as a net gain of 25,200 translates into growth of 1.9 percent. Over the longer term, job growth is expected to rise toward 3 percent annually, a rate that reflects Austin's continued appeal as a center of the modern economy. On the sales tax front, inflation has kept revenues higher than underlying economic conditions would indicate, a situation that should moderate as price increases slow. The forecast is for Fiscal Year 2023 growth of 9.5 percent, followed by 5.4 percent in 2024.

National Charts

Figure 1: National Employment Growth (12-Month Change)

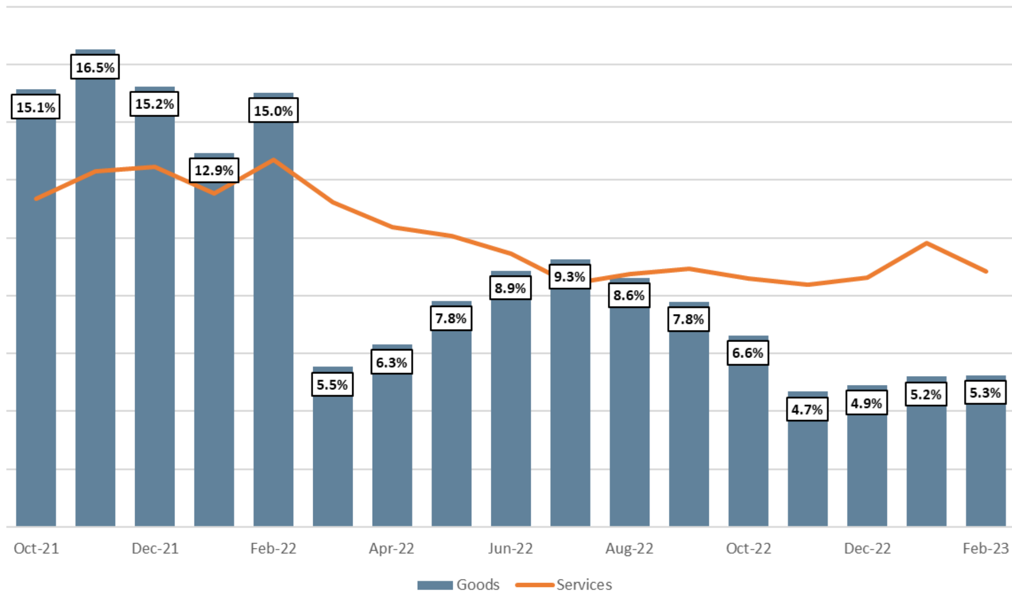


Sources: Texas LMI, TXP

Figure 2: Labor Force Participation Rate

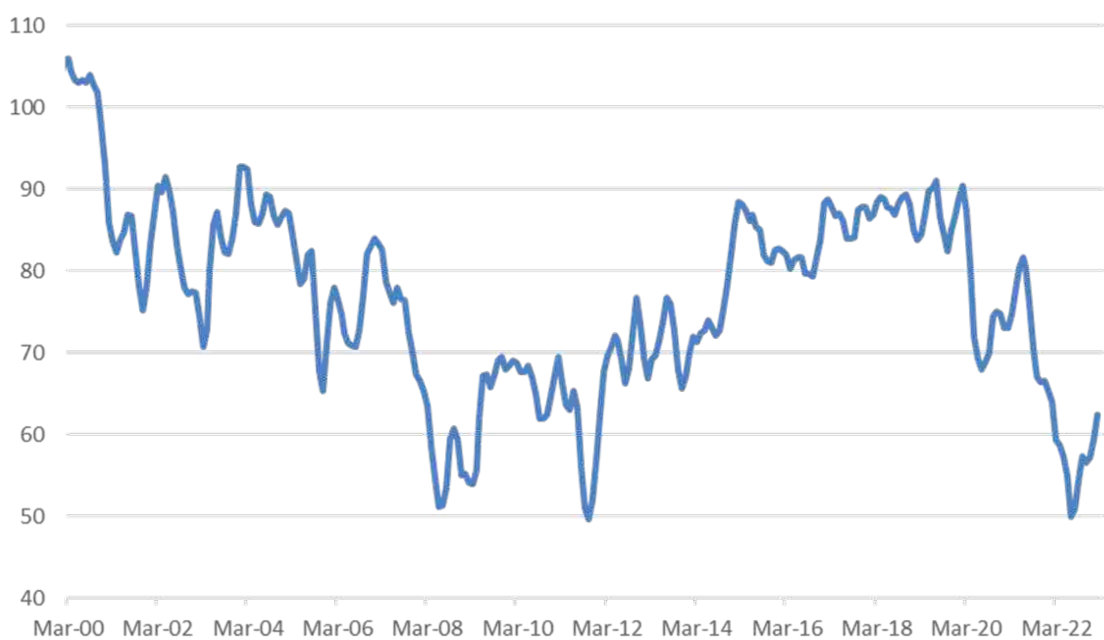
Sources: Bureau of Labor Statistics; TXP

Figure 3: Consumer Price Index Growth (12-Month Change)



Sources: Bureau of Labor Statistics; TXP

Figure 4: Index of Consumer Expectations



Sources: University of Michigan; TXP

Figure 5: Recession Indicators

		Current	2020	2007-2009	2001	1990-1991	1981-1982	1980	1973-1975	1969-1970
Consumer	Housing Permits	✖	⬆	✖	●	✖	✖	✖	✖	✖
	Job Sentiment	●	●	✖	✖	✖	✖	●	●	●
	Jobless Claims	⬆	⬆	●	✖	✖	✖	✖	⬆	✖
	Retail Sales	✖	⬆	✖	✖	✖	✖	✖	●	✖
	Wage Growth	✖	✖	✖	✖	✖	✖	✖	✖	✖
Business Activity	Commodities	✖	⬆	✖	✖	✖	✖	●	●	●
	ISM New Orders	✖	●	✖	✖	✖	✖	✖	✖	✖
	Profit Margins	✖	✖	✖	✖	✖	✖	✖	●	✖
	Truck Shipments	⬆	⬆	●	✖	✖	✖	✖	n/a	n/a
Financial	Credit Spreads	✖	⬆	✖	✖	✖	✖	✖	⬆	●
	Money Supply	✖	⬆	✖	✖	✖	✖	✖	✖	✖
	Yield Curve	✖	✖	✖	✖	✖	✖	✖	✖	✖
	Overall Signal	✖	●	✖	✖	✖	✖	✖	●	✖

⬆ Expansion ● Caution ✖ Recession

Sources: Clearbridge Investments; TXP

Figure 6: National Forecast

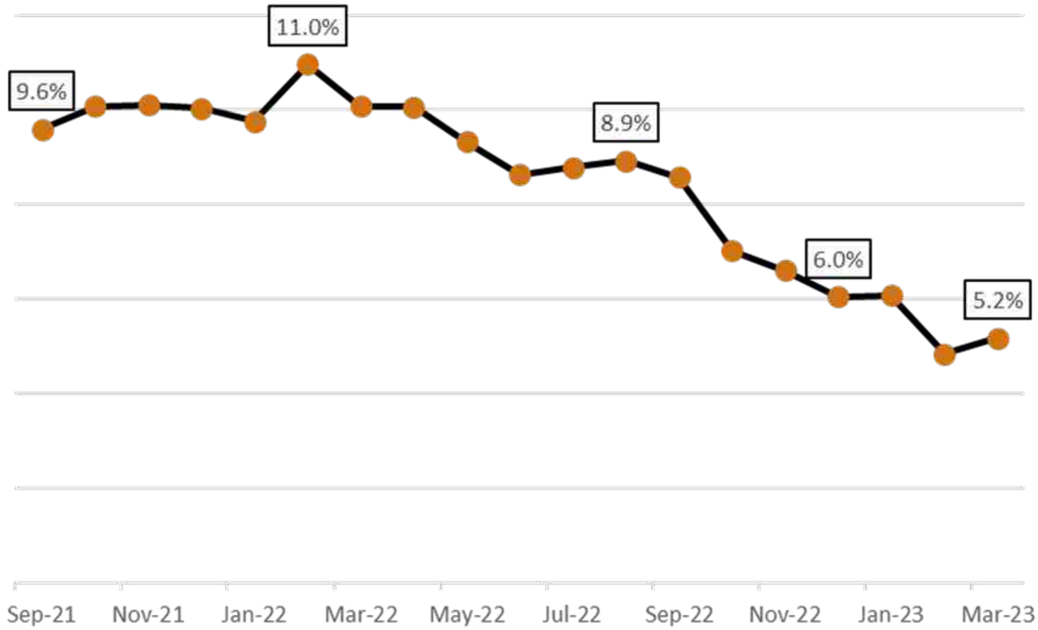
	2020	2021	2022	2023	2024
Real GDP	-2.8%	5.9%	2.1%	0.7%	0.8%
Real Consumer Spending	-3.0%	8.3%	2.7%	0.9%	0.6%
CPI Inflation	1.1%	4.0%	6.3%	3.8%	2.2%
Residential Investment	7.2%	10.7%	-10.6%	-15.7%	-1.7%
Non-Residential Investment	-4.9%	6.4%	3.9%	1.4%	1.6%
Exports	-13.2%	6.1%	7.1%	3.4%	1.4%
Imports	-9.0%	14.1%	8.1%	-1.7%	1.8%
Unemployment Rate	8.1%	5.4%	3.6%	3.8%	4.4%
Labor Force Participation Rate	61.7%	61.7%	62.2%	62.5%	62.3%
Fed Funds Rate	0.125%	0.125%	4.375%	5.375%	3.875%

- Recession, but not annual.
- Inflation begins to moderate
- Lack of workers keeps unemployment relatively low
- Interest rates peak in 2023 then fall

Sources: Conference Board; TXP

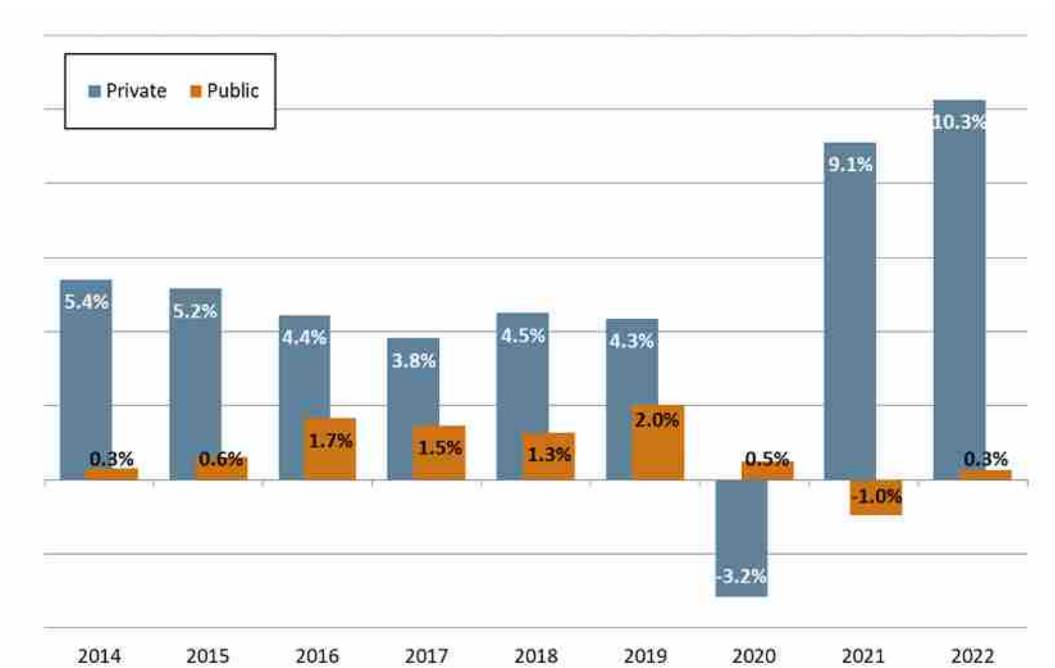
Austin Area Charts

Figure 7: Total Austin MSA Employment Growth (12-Month Change)



Sources: Texas Workforce Commission, TXP

Figure 8: Total Austin MSA Employment Growth: Public vs. Private Sector



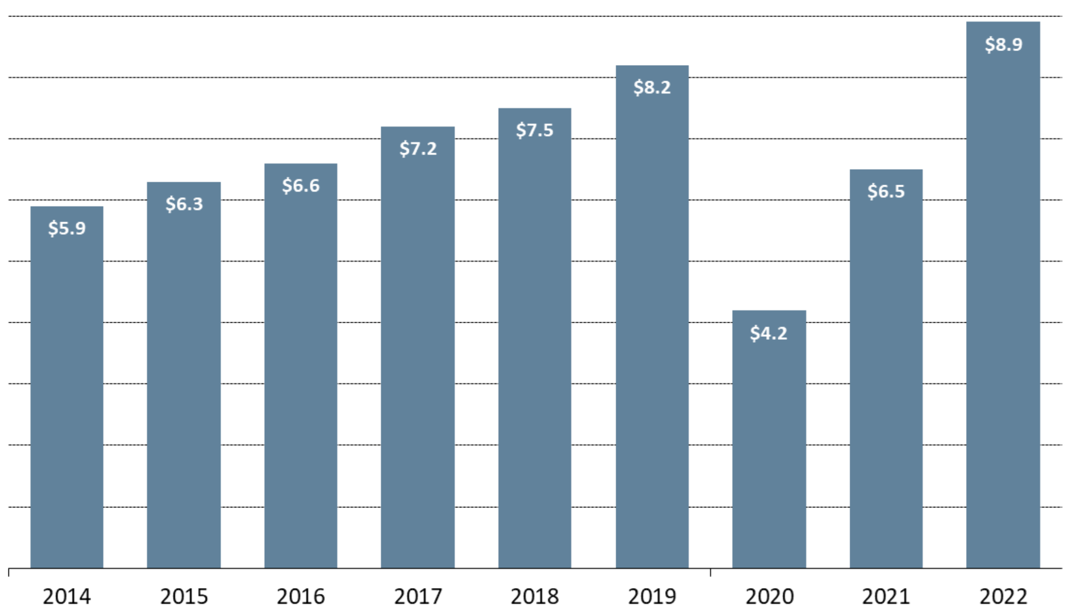
Sources: Texas Workforce Commission, TXP

Figure 9: Austin MSA Employment by Sector

Annual Averages	Employment (000s)			Change (Actual)		Change (%)	
	2017	2021	2022	'17-'22	'21-'22	'17-'22	'21-'22
Natural Resources/Construction	62.1	74.0	78.9	16.8	4.9	27.1%	6.6%
Manufacturing	57.4	65.0	70.4	13.0	5.4	22.6%	8.3%
Trade, Transportation, & Utilities	168.7	189.8	205.2	36.5	15.4	21.6%	8.1%
Information	30.8	45.6	51.9	21.1	6.3	68.5%	13.8%
Financial Activities	60.2	72.9	78.2	18.0	5.3	29.9%	7.3%
Professional & Business Services	185.8	239.8	272.9	87.1	33.1	46.9%	13.8%
Educational & Health Services	120.6	134.4	143.0	22.4	8.6	18.6%	6.4%
Leisure & Hospitality	125.7	119.9	138.5	12.8	18.6	10.2%	15.5%
Other Services	45.0	44.9	48.4	3.4	3.5	7.6%	7.8%
Total Private	856.3	986.3	1,087.4	231.1	101.1	27.0%	10.3%
Government	180.7	185.8	186.3	5.6	0.5	3.1%	0.3%
Total MSA Employment	*1,037.0*	*1,172.1*	*1,273.7*	*236.7*	*101.6*	*22.8%*	*8.7%*

Sources: Texas Workforce Commission, TXP

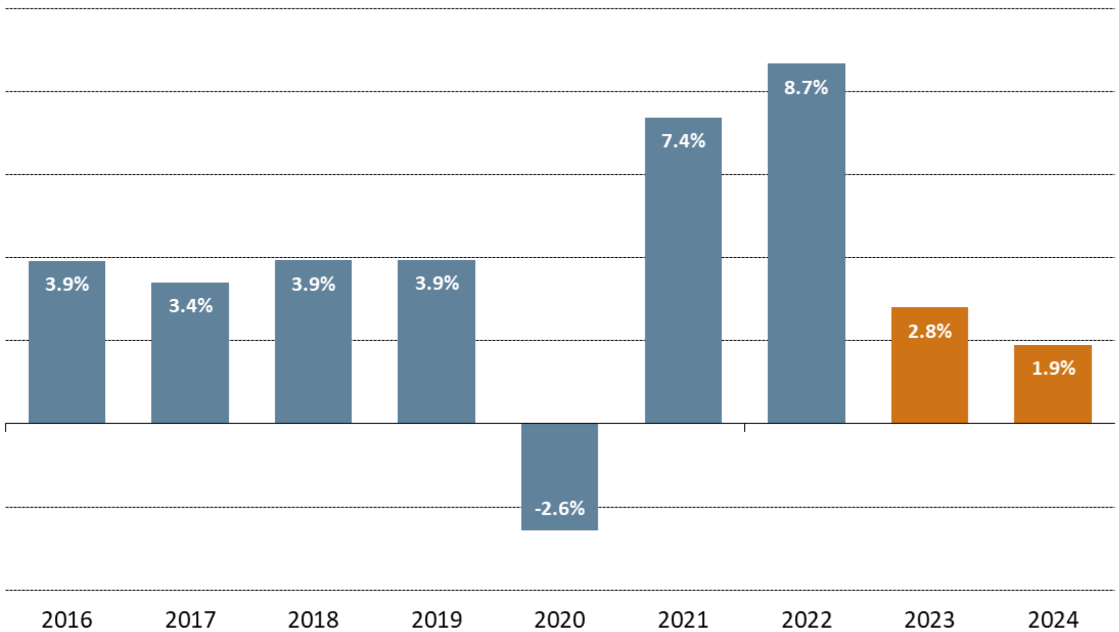
Figure 10: Tourism Spending in the City of Austin ($Billions)



Sources: Texas Governor's Office; TXP

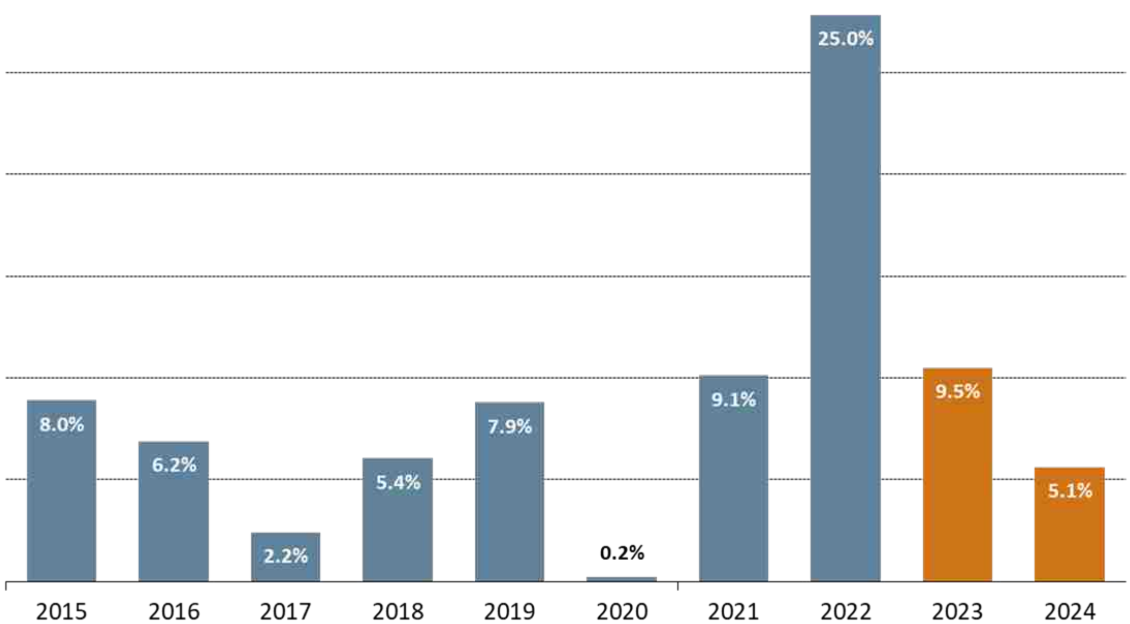
Short-Term Outlook

Figure 11: Total Austin MSA Employment Growth Forecast



Sources: Texas Workforce Commission, TXP

Figure 12: City of Austin FY Sales Tax History and Forecast



Sources: Texas Comptroller, City of Austin, TXP

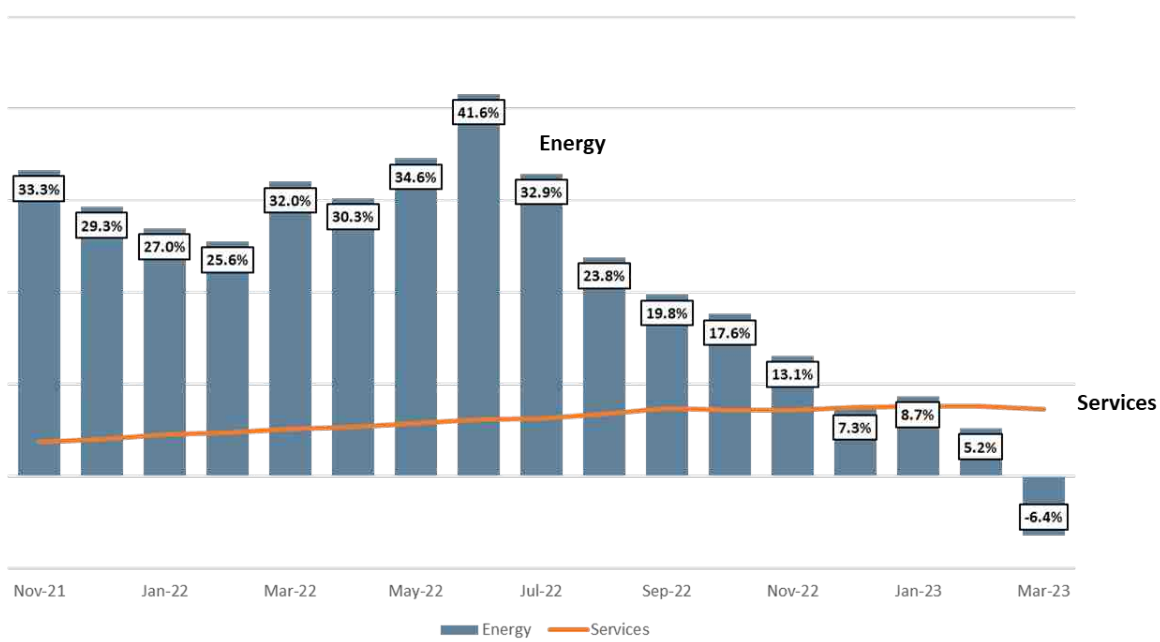
Additional Information

National

Figure A.1: Inflation (12-Month Change)

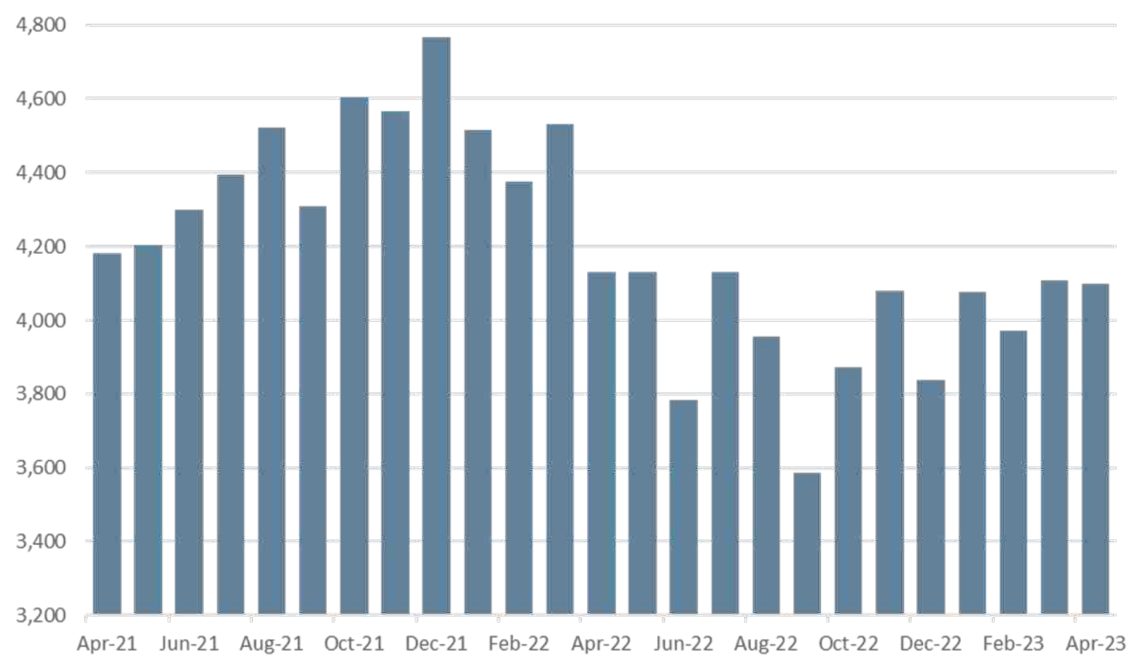
Sources: BLS; TXP

Figure A.2: Inflation: Energy vs. Services (12-Month Change)



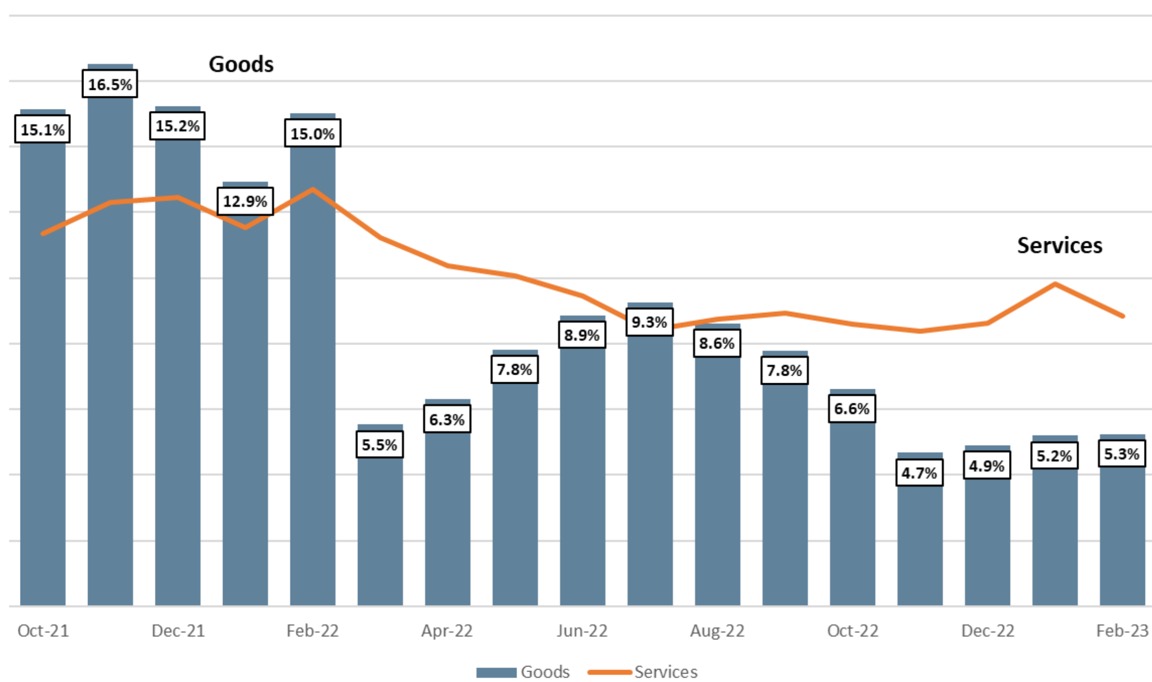
Sources: BLS; TXP

Figure A.3: S&P 500 Index Value



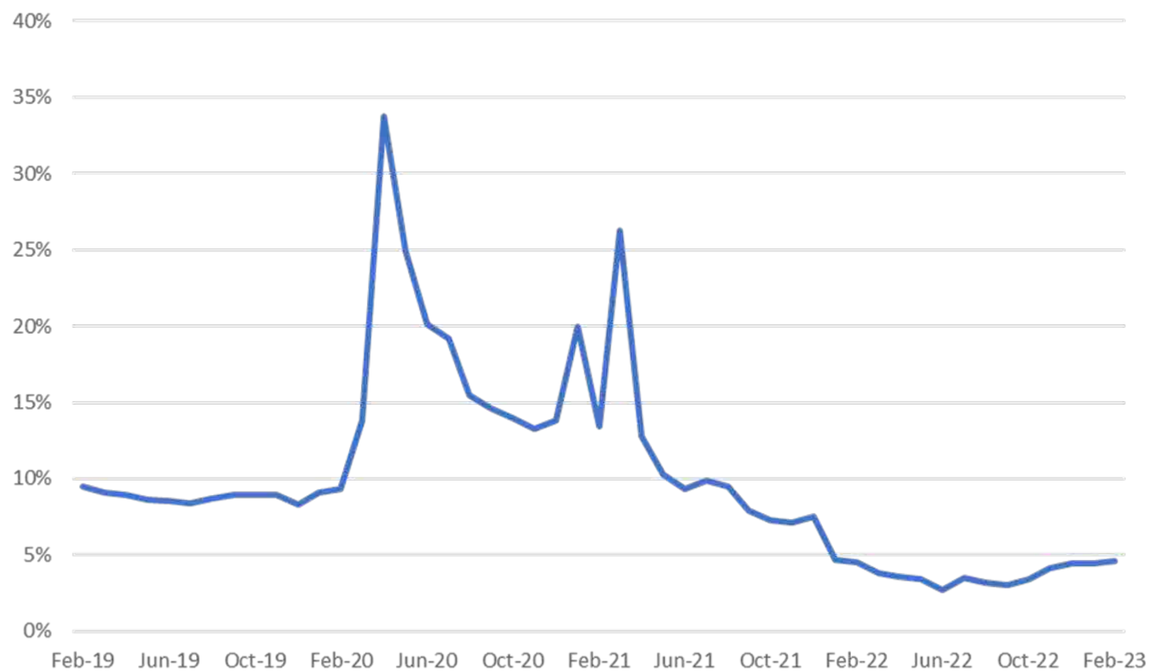
Sources: Yahoo Finance; TXP

Figure A.4: Personal Consumption Expenditures (12-Month Change)



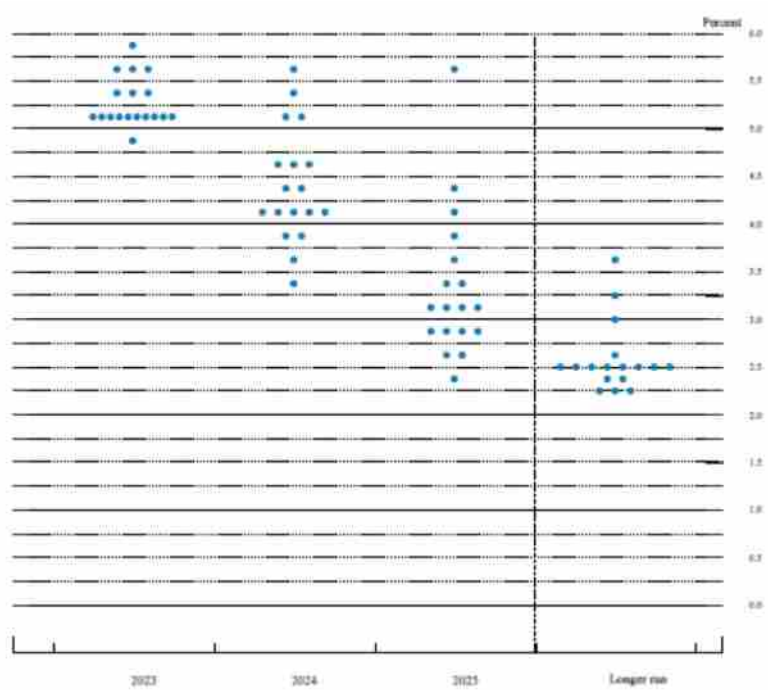
Sources: Commerce Department TXP

Figure A.5: Personal Saving Rate



Sources: Federal Reserve Bank of St. Louis, TXP

Figure A.6: Interest Rate Expectations by Fed Governor

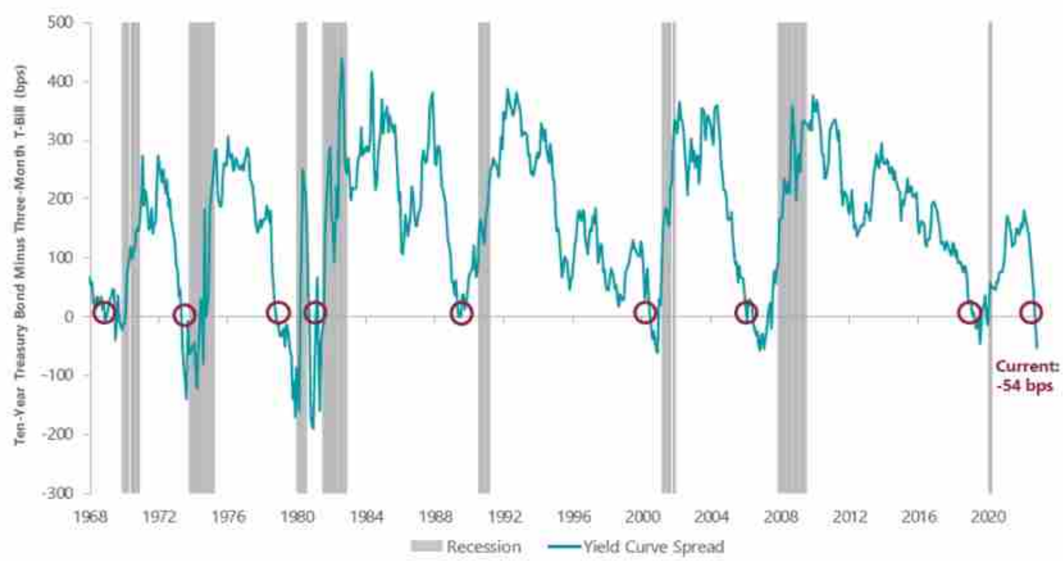


Sources: Federal Reserve Bank, TXP

Figure A.7: Recession Probability

Sources: Federal Reserve Bank of Philadelphia, TXP

Figure A.8: Yield Curve



- **The 10Y-3M yield curve (our preferred measure) is now deeply inverted, suggesting elevated recessionary risk in 2023.**
- **This portion of the yield curve has anticipated eight of the last eight recessions with no false positives.**

Sources: Clearbridge Investments, TXP

Figure A.9: Recession Indicators

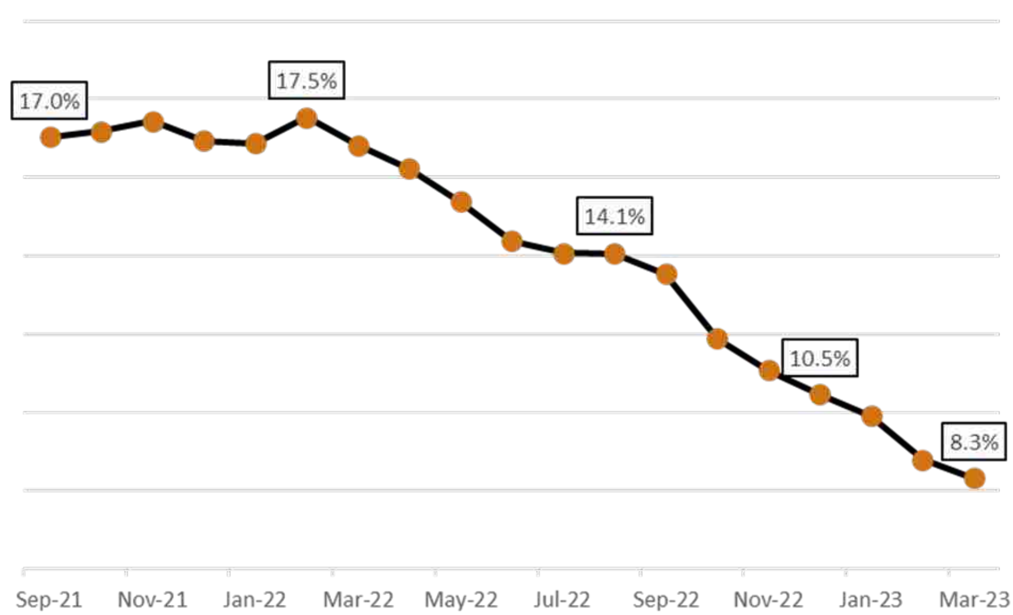
		Current	Rapid Summer Deterioration		
		February 28	August 31	July 31	June 30
Consumer	Housing Permits	✖	⬆	⬆	⬆
	Job Sentiment	●	⬆	⬆	⬆
	Jobless Claims	⬆	⬆	⬆	⬆
	Retail Sales	✖	✖	✖	●
	Wage Growth	✖	✖	✖	✖
Business Activity	Commodities	✖	✖	✖	●
	ISM New Orders	✖	●	●	●
	Profit Margins	✖	⬆	⬆	⬆
	Truck Shipments	⬆	⬆	⬆	⬆
Financial	Credit Spreads	✖	✖	✖	✖
	Money Supply	✖	✖	●	●
	Yield Curve	✖	●	●	⬆
	Overall Signal	✖	✖	●	⬆

⬆ Expansion ● Caution ✖ Recession

Sources: Clearbridge Investments, TXP

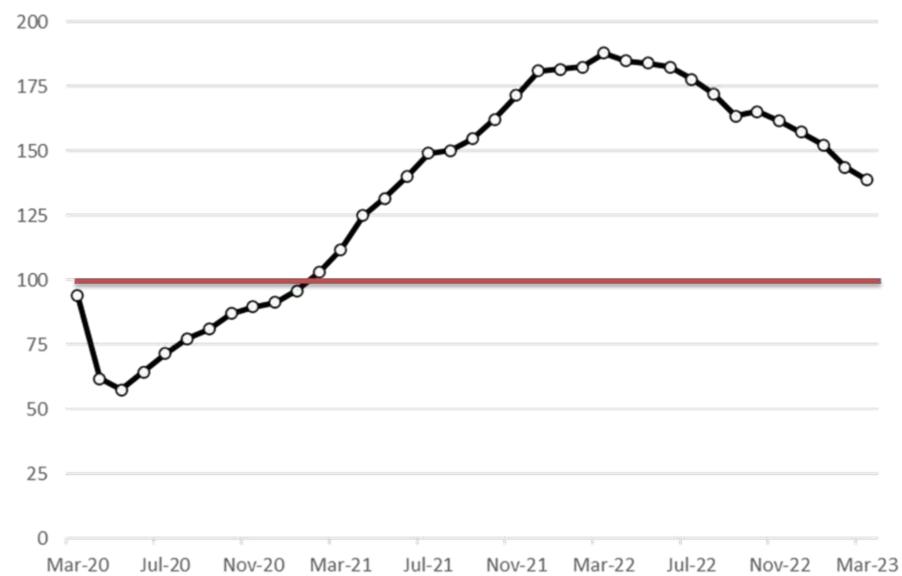
Austin

Figure A.10: Austin Business Cycle Index (12-Month Change)



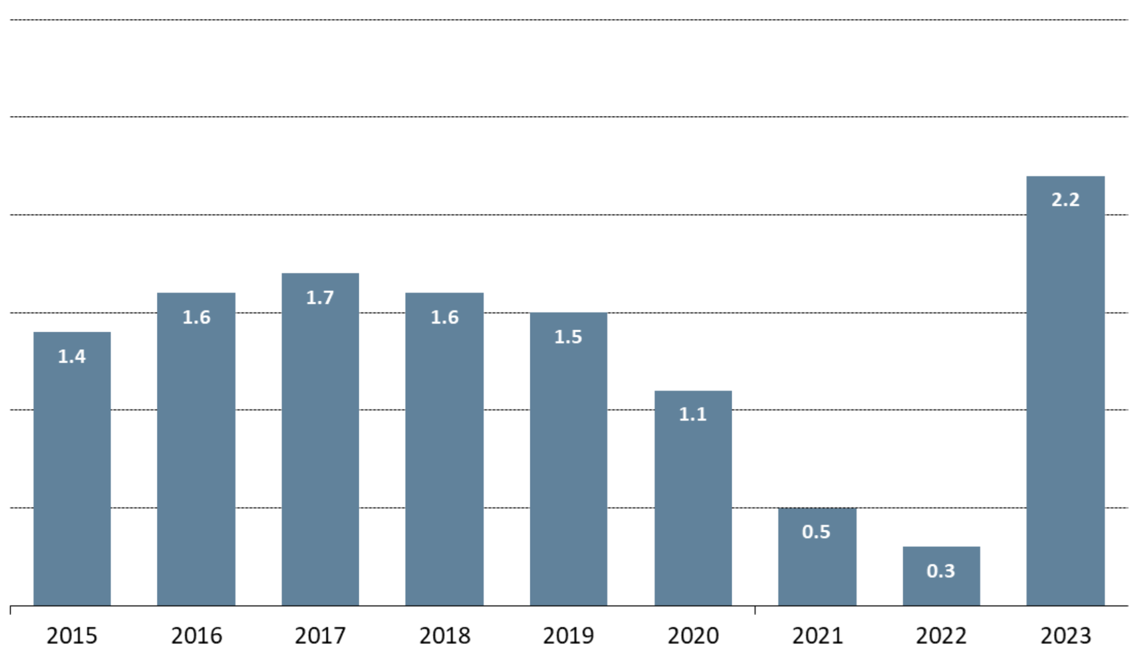
Sources: Federal Reserve Bank of Dallas, TXP

Figure A.11: Indeed Austin Hiring Index (February 2020 = 100)



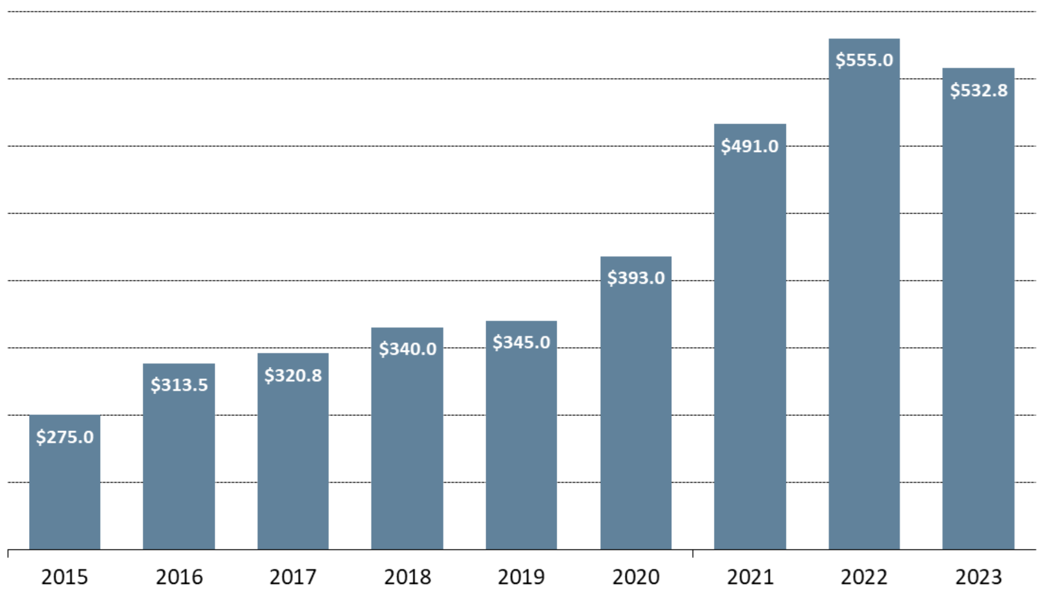
Sources: Indeed, TXP

Figure A.12: Austin BOR Months of Housing Available (February Data)



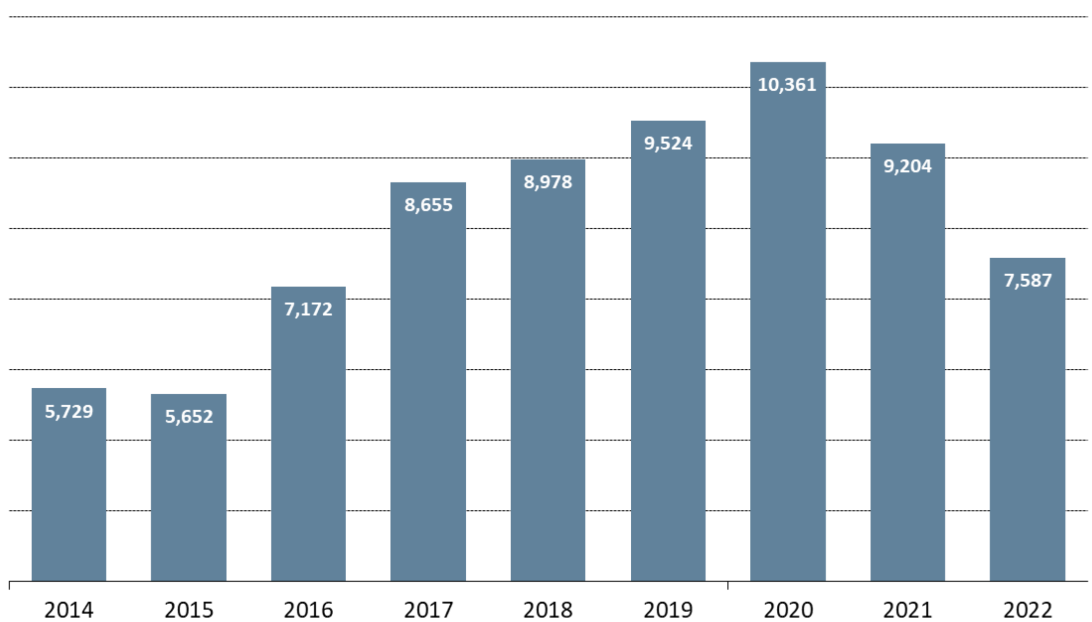
Sources: Texas A&M Real Estate Center, TXP

Figure A.13: Austin BOR Median Price (February Data - $000s)



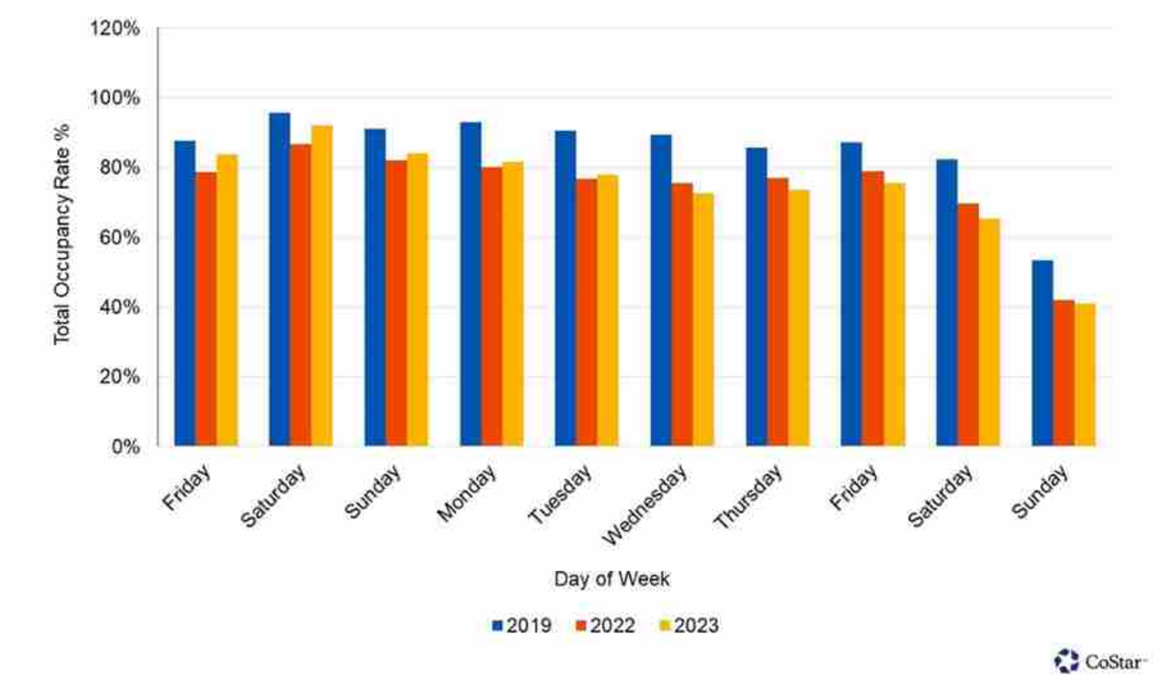
Sources: Indeed, TXP

Figure A.14: Austin BOR Units Permitted



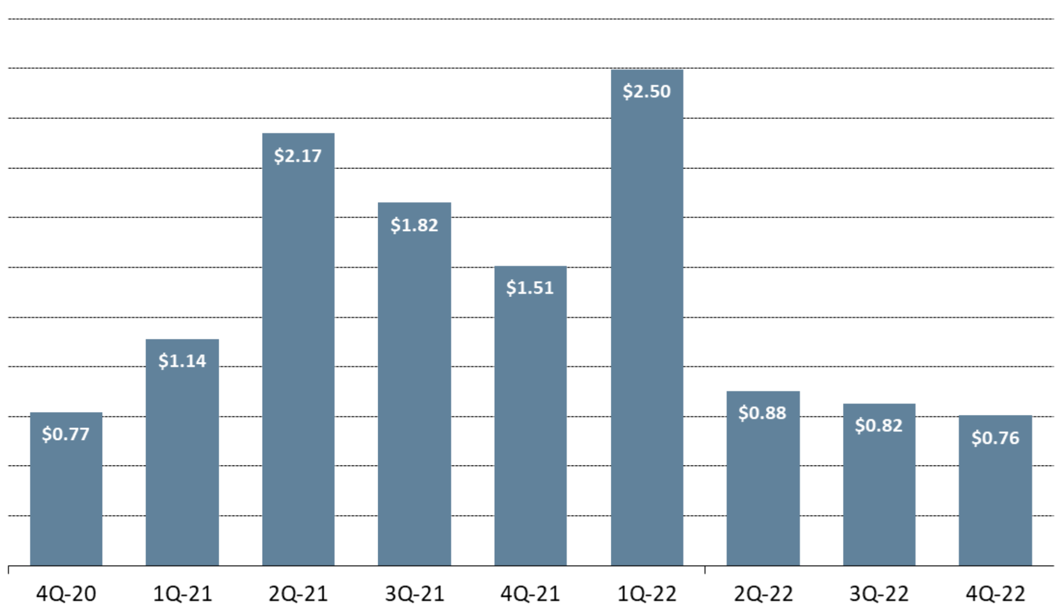
Sources: Texas A&M Real Estate Center, TXP

Figure A.15: SXSW Hotel Occupancy



Sources: Smith Travel, TXP

Figure A.16: Austin Venture Capital Investment



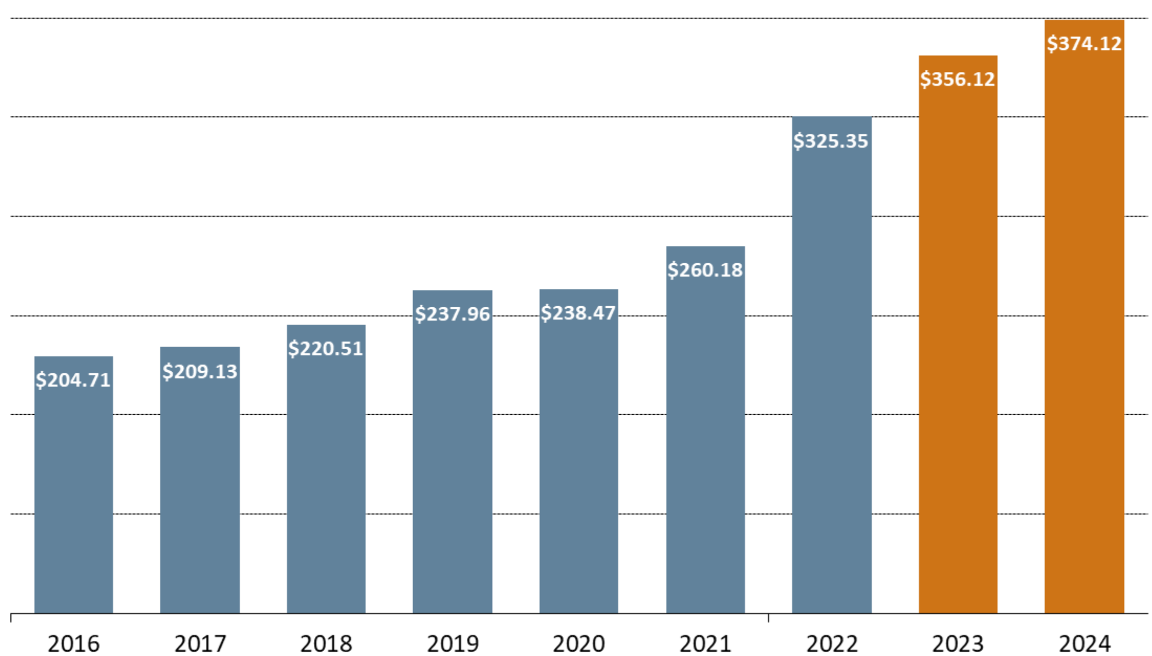
Sources: Pitchbook, TXP

Figure A.17: Austin MSA Employment Forecast

Annual Averages (000s)	2021	2022	2023	2024	2025	2026	2027
Natural Resources/Construction	74.0	78.9	78.9	77.7	80.1	81.9	84.1
Manufacturing	62.7	73.2	75.8	78.1	80.0	81.9	83.8
Trade/Transportation/Utilities	177.9	210.3	214.0	219.4	225.5	232.3	239.2
Information	39.0	54.0	55.6	57.3	59.1	61.2	63.3
Financial Activities	66.0	79.8	81.0	82.6	84.9	87.4	90.2
Professional/Business Services	207.6	285.2	292.3	301.1	311.6	323.3	336.2
Educational/Health Services	129.8	148.0	152.4	157.0	162.1	167.8	174.1
Leisure & Hospitality	134.9	142.7	146.2	149.1	152.5	156.3	160.2
Other Services	47.2	49.9	51.1	52.4	53.7	55.1	56.5
Government	186.7	187.2	188.2	190.0	191.0	192.0	193.9
Total Private	939.1	1,121.9	1,147.3	1,174.6	1,209.5	1,247.1	1,287.7
TOTAL	1,125.8	1,309.1	1,335.5	1,364.7	1,400.5	1,439.1	1,481.6

Sources: Texas Workforce Commission, TXP

Figure A.18: City of Austin Sales Tax Forecast ($Millions)



Sources: Texas Comptroller, TXP