

**MEMORANDUM**

To: Mayor and Council Members
From: John Stephens, Director of Financial Services
Date: March 15, 2002
Subject: Flow of Funds for Rental Car Tax

At the March 6, 2002 work session, Council inquired about the priorities for distribution of the rental car tax, which was authorized by ordinance, 981210-A, passed by Council on December 10, 1998. This Council action was taken following voter approval of the Town Lake Park Community Events Center Venue Project in the November 3, 1998 election. The tax was applied to motor vehicle rentals beginning January 1, 1999.

The flow of funds for the rental car tax was established by the ordinance that authorized the bonds, ordinance number 991028-88, which was approved by the City Council on October 28, 1999. This ordinance authorized the issuance of \$40 million City of Austin, Texas, Town Lake Park Community Events Center Venue Project Bonds, Series 1999. The bond issue pledged a first lien on (i) the revenue received from the motor vehicle rental tax, (ii) parking revenue, (iii) events center revenue, and (iv) interest and other income. All of the revenue received is applied in the following order of priority.

1. Debt Service Account
2. Debt Service Reserve Account
3. Repair and Replacement Account
4. Operating Account and Operating Reserve Account
5. Any lawful purpose - *Town Lake Park. This hasn't yet filled by borrowing.*

The repair and replacement account must maintain a \$1,000,000 balance, and the operating reserve account must maintain 1/12th of the prior year operating expense as a reserve.

Again, all four types of revenue listed above flow through in the priority above. After each account is funded as required by the bond ordinance (items 1 through 4), the remaining funds flow through to any lawful purpose within the venue project. Currently, all funds in category 5 have been designated by management to fund development of the Town Lake Park.

cc: Toby Futrell, Acting City Manager Designee
Bob Hodge, Convention Center
Rosie Truelove