



TO: Mayor & Council
FROM: Leslie Browder, Chief Financial Officer
DATE: December 13, 2007
SUBJECT: Town Lake Park Update

We have recently had some questions about the Town Lake Park project and would like to take this opportunity to update you on the status of the project.

Project History

The Town Lake Park project was approved by voters as part of Proposition No. 11 in the November 1998 bond election, which included a 5% short-term vehicle rental tax to “finance, construct and develop the Town Lake Park Community Event Center (Palmer Events Center) venue project, which includes parkland development and the construction of parking facilities”. The vehicle rental tax generated \$6.1 million in fiscal year 2006-07.

The original budget for conceptual park design was \$10.8 million. In July 1999, based on the results of a conceptual master plan, total City costs were increased to \$18.5 million for all four projected phases of the project. In addition to this amount, the stakeholders intended to supplement the budget with private donations.

The original timeline for park completion was 2013. In August 2000, in an effort to accelerate park construction, the City Council authorized up to \$6 million in inter-fund borrowing, which allowed the capital project fund to temporarily borrow from the City’s investment pool. Over time, annual excess revenue in the venue project fund (vehicle rental tax, PEC revenue, garage revenue) will repay the investment pool. In January 2003, it was determined that even with this borrowing limit, the venue project fund could only fund Phases I & II of the park, due to the economic downturn and declining vehicle rental tax revenue. As a result, it was concluded that additional phases should be placed on hold indefinitely pending alternate sources of revenue.

In January 2006, the City Council authorized the construction contract for Town Lake Park – Phase II. Phase I had been completed as part of the Palmer Events Center (PEC) construction. Phase II was completed this past summer. Total project costs to date have been \$12.6 million, all of which have been covered entirely by the City

from the venue project fund. To date, there have been no private donations to the project.

Final Park Build-Out

With strong vehicle rental tax revenue in recent years, as well as revenue from events at the PEC, we can now recommend beginning to move forward to complete the build-out of the park project and to fund the City's commitment to this project – earlier than the original 2013 projection. The vehicle rental tax revenue is highly correlated to Austin's economy and in the event of a decline in this revenue source, the final build-out schedule for the park might need to be reassessed.

The remaining build-out of the park would primarily consist of improvements north of Riverside Drive, such as trails, landscaping, irrigation improvements, and restrooms. It will also address items not included in Phase II – such as the children's garden area. Additionally, Austin Energy will be restoring landscaping that was impacted during its recent power line work.

This spring, the Parks & Recreation Department will be bringing forward an amendment to the design contract with TBG Partners. As in the original design process, TBG and city staff will work with Friends of the Park, the Parks Board, neighborhood groups, park users, and other stakeholders to design a build-out that all of Austin can be proud of. We anticipate that this design effort would take approximately one year, with construction starting sometime in late 2009 or early 2010.

Venue Project Funding

As you are aware, the construction and operation of the PEC, garage, and construction of Town Lake Park are funded primarily from the 5% vehicle rental tax that voters approved in November 1998. PEC operating expenses are also funded by revenue generated from use of the facility and garage.

Bond covenants currently specify that the vehicle rental tax pay for the following, in priority order:

- debt service on the bonds issued for the PEC construction to first satisfy the bondholders,
- a debt service reserve account established for the benefit of bondholders,
- a repair and replacement account for maintaining the facility in good order,
- an operating account and operating reserve account, and
- lastly, for any other lawful purpose permitted under the authorizing statute and as authorized by the passage of Proposition No. 11.

The City's bond counsel incorporated these uses of the vehicle rental tax into the bond covenants adopted by the City Council in October 1999, when the venue bonds were issued. Bond covenants, which are reflected in ordinances adopted by a governing body, are intended to meet the requirements of the bond market and provide assurances to bondholders that sufficient funds will be available to pay the debt service on the bonds. As part of the bond issuance process, both the City's bond counsel and the Attorney General reviewed the election proceedings and the bond

covenants to assure that the bonds are being issued consistent with State law, as well as the election proceedings themselves. The flow of funds outlined above is part of that analysis.

Current projections indicate that the City can fund up to \$7 million towards the design and construction of final build-out of Town Lake Park. This additional \$7 million is attainable in part by utilizing the inter-fund borrowing limit that Council has established. Based on current economic conditions, it is anticipated that this borrowing will be repaid within ten years. With improved economic conditions resulting in an increase in revenue collections, we are willing to consult with bond counsel to perhaps reduce our reliance on these funds for operations, possibly helping to free up additional funds over time to address the higher cost of construction.

Please let Greg Canally or me know if you have questions or need additional information.

A handwritten signature in black ink, appearing to read 'LB', with a long horizontal line extending to the right.

Leslie Browder
Chief Financial Officer

xc: Toby Hammett Futrell, City Manager
Bert Lumbreras, Assistant City Manager
Stuart Strong, Acting Director, Parks & Recreation
Greg Canally, Budget Officer