



City of Austin

City Manager's Office
P.O. Box 1088, Austin, Texas 78767
(512) 974-2000

May 18, 2009

Mr. Larry Akers
2311 Ridgeview St.
Austin, TX 78704

Dear Mr. Akers:

You have asked me to review the use of the Motor Vehicle Rental Tax (tax revenue) which was authorized by the voters in 1998. Specifically, you have raised a concern on the use of the tax revenue for operating costs associated with the Palmer Events Center (PEC).

As you know, the PEC was built to serve as a community center. The PEC has two exhibit halls, five meeting rooms, and no kitchen facilities or ballrooms. The limited space and configuration of the PEC make it difficult to host large conventions or conferences. In fact almost 80% of all operating revenue for PEC is generated from weekend events/shows. The tax revenue is a source necessary to operate the PEC within its current type of use. While staff is evaluating other potential uses, marketing will be difficult because of the limitations and configuration constraints. Additionally, it is not feasible to consider raising rental revenues (to the current level and type of events/shows) that would be necessary for only facility rental revenues to cover all operating costs.

Tax revenue collections over the past five years have averaged \$5.7million. The debt service on the bonds associated with the Palmer Events Center has averaged \$2.7million during this same five year period. The tax revenues provide approximately \$3million annually for PEC operations.

I asked the City Attorney's Office, as well as outside Counsel to review the use of the tax revenue. Both the City Attorney and Outside Counsel find that our current revenue utilization is within the legal and intended purposes.

The use of the tax revenue is authorized and directed by both Ordinance No. 991028-88 (Ordinance) and Section 334.042 of the Texas Local Government Code.

The Ordinance confirmed the establishment of the Venue Project Fund, established several sub accounts in the Venue Project fund, including the "Town Lake Park Community Events Center venue Project Operating Account", and provided for the flow of funds from the tax revenue.

In summary the Ordinance provided that tax revenues would flow:

- First, Payment of debt service;
- Second, Debt service reserve requirements;
- Third, Repair and Replacement Fund required;
- Fourth, Operating account, including an Operating Reserve; and
- Fifth, Any Lawful purpose

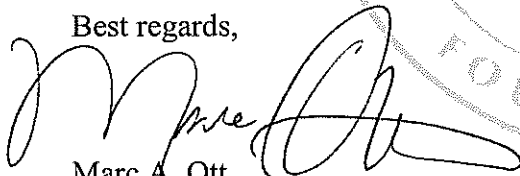
Section 334.042 of the Texas Local Government Code provides, in part, that money in a venue project fund may be used to, “pay the costs of operating or maintaining one or more approved venue projects”.

The ordinances associated with the issuance of the Series 1999 Bonds and the Series 2005 Refunding Bonds recognized and incorporated the authorization of the flow of funds provided by the Local Government Code as well as Ordinance No. 991028-88.

Finally, our outside Counsel has found that the ballot language submitted to the voters in 1998 was consistent with the statutory directive set forth in Section 334-042 (which includes funding for operations and maintenance) of the Texas Local Government Code and with the approval by the voters, the City was authorized to impose the Special Motor Vehicle Rental Tax in support of the approved venue project.

Thank you for your interest and concern for the development of Town Lake Park. As you know we are in the design phase and I am personally committed to ensuring we complete this process and proceed with the appropriate improvements.

Best regards,



Marc A. Ott
City Manager