

General Questions

What's the purpose of the Decision Tree? Will this make it harder to have a bond election?

The intent of the decision tree is to put a formal structure around future bond programs that has the appropriate level of rigor for a multi-hundred million decision. It daylights existing financial policies and staff practices to assure a transparent, understandable, disciplined approach to decision-making. It is not to prevent Council from getting to yes on whether to have a bond election.

The fact that the City has recently made some significant investments via Certificates of Obligation seems to illustrate that both capacity and need are there. Why should we consider a decision tree process for a GO Bond election?

It's true that the City Council has authorized significant investments via COs in recent years. There is also an undeniable need in our growing, successful city for increased investment. The framework for making these public investments is also important to Austin's success. If Austin considers borrowing money, plans to collect taxes to pay debt, and promises voters it will timely complete important projects, we should use transparent, understandable, and disciplined thinking about whether we need a bond election, why we need it, and what should be in it. Additionally, these investments in critically needed city facilities, along with bond elections in 2016, 2018, 2020, and 2022, have pushed the financial metrics beyond levels typically maintained with AAA-rated organizations. The City's other credit strengths (local economy, revenue diversity, financial policies, financial management team, budget flexibility), have been enough to make up for the comparatively weak financial metrics.

Questions: Decision Tree Criteria

Bond Proposal Timing Policies

Shouldn't the 2-years of voter-approved bonds remaining policy be for specific or individual programs? Doesn't it seem too broad to apply it to a department or city-wide?

The 2-year limitation & 6-year bond implementation cycle are both existing council-approved financial policies that have been in place for a long time. When both policies have been adhered to, they have worked well together to create a predictable bond planning cycle, which is beneficial to the community, city council, and city departments.

A six-year financial policy states that "bond propositions should be sized such that all projects can be delivered within six years." If this policy is adhered to, there is no need to limit the two- year policy to the program level as all bond propositions would be concluding at roughly the same time. The point is that we can and should synchronize the package we send to the voters.

Bond sales typically lag project expenditures by one year. For example, bonds sold in September 2025 were predominantly to pay for project expenditures incurred during the proceeding 12 months. This means that two years of bond sales remaining correlates to one year of project expenditures remaining. Capital Delivery Services (CDS) has informed us that they will reach 90% expended by the end of 2028, which tracks to an all but final bond issuance in 2029.

So, a 2027 bond would provide additional funding one year ahead of CDS running out of spending authority and two years before the 90% complete bond sale.

The large number of elections that were held over multiple years were not synchronized packages and violated these policies. It creates a consideration for us now.

Project Delivery/Bond Implementation Timing

Will potential projects that don't have designs or engineering reports be eligible under the 6-year bond cycle process?

Projects generally should be "shovel-ready" before they are put on a bond program to increase the likelihood they can be delivered within six years. However, in recognition that some projects may experience unanticipated delays, the professional finance and capital delivery staff have historically considered program completion occurring when 90% of bond funds are expended. They also use this definition of program completion when considering the "two-years" of bonds remaining to be issued policy.

What about construction projects that take longer than 6 years?

In a well-functioning capital improvement plan (CIP) program, this should be rare. Using "90% expended" as the definition for program completion addresses this possibility without unnecessarily delaying the subsequent bond program.

Project Delivery/Equitable Distribution

To make sure the bond package is equitably distributed across districts do we need to include a list of named projects? And if a single project potentially uses up a council district's "allowance" of bond investment, how do we reconcile this criteria with historic lack of investment in some districts?

This does not require naming projects or establishing district "allowances." The original draft proposal for the decision tree used the term "districts" instead of "City". In retrospect, using the term "City" instead of "districts" is obviously preferable.

The language of this portion of the framework has been changed based on feedback so that it refers to the City and not individual districts. However, the gist of this language—related to equitable distribution and historic investment—was originally added based upon feedback. There is nothing in the language that sets district allowances. The intent is to ensure that all areas of the City are being studied for project needs and that equity and historical levels of investment are taken into consideration.

Unspent Bond Funds/Deauthorization

Can we reallocate unspent funding from previous bonds?

One option is to review completed projects that may have been delivered below budget for the potential to reallocate those savings to other authorized projects. Another option is to reexamine prior unspent bond funds to determine if those projects should continue to be prioritized above other authorized projects. If not, those project funds could potentially be "deauthorized," which would increase future bonding capacity to address new priorities. This would need to be determined on a case-by-case basis.

Operations and Maintenance

How does the City's projected budget shortfall in the future factor into a decision on the bond?

This relates to asking about the City's ability to pay for operations and maintenance (O & M) of new facilities or parkland if the bond program builds new facilities or purchases parkland. This criterion has been revised based upon feedback received and now simply requires staff to incorporate the projected O&M cost of new projects into the 5-year financial forecast and present that forecast to City Council, so we are informed about how a bond program might impact our ability to balance future budgets.

Affordability

If we prioritize projects that have other sources of funding, what does that mean for projects without outside funding? This could be very limiting. State and federal funding sources have been hard to predict recently.

The intent of this provision is to maximize the use of local funds. If \$20 million in local funds can leverage \$20 million of non-local funds, that should be part of the prioritization process. For example, if there are two \$40 million bridge projects being considered, and only one can be part of the bond program due to funding limitations, then prioritizing the one with matching funds increases dollars available for other community priorities.

Credit Rating

Does the credit rating projections account for infrastructure that creates value and expands the tax base?

While the ratings process involves the analysis of quantifiable financial metrics, it also involves more subjective considerations. There is no formula or specific value that guarantees an AAA rating, which is why it is proposed to be left to the professional recommendation of financial staff and the City's financial advisor. Our professional staff and advisors keep pace with changes in rating methodologies and meet regularly with rating agency staff, which puts them in the best position to assess how financial decisions are likely to affect the City's credit rating.