

AGENDA



Thursday, April 24, 2008

**Austin Energy
RECOMMENDATION FOR COUNCIL ACTION****Item No. 4**

Subject: Approve an ordinance amending Ordinance 20070910-003 to the Fiscal Year 2007-2008 Performance Contracting Fund to increase expenditures by \$7,500,000 and authorize the acceptance of a low interest LoanSTAR Loan from the State Energy Conservation Office in an amount not to exceed \$5,000,000, and re-appropriate an additional \$2,500,000 in revenues from a previous LoanSTAR Loan to the Performance Contracting Fund.

Amount and Source of Funding: Revenues in the amount of \$7,500,000 are available as low interest loan proceeds through the Texas Comptroller's State Energy Conservation Office's LoanSTAR Program. \$2,500,000 is available from a prior LoanSTAR Loan and the remaining \$5,000,000 will be funded by a new loan.

Fiscal Note: A fiscal note is attached.

For More Information: Fred Yebra, Director of Demand Side Management, 482-5305 or David Kutach, Acting Director, Financial Planning & Budget, 322-6357.

Boards and Commission Action: Recommended by the Resource Management Commission.

Prior Council Action: Authorization to secure the original LoanSTAR loan was approved by Council on 6/23/05, and a budget ammendment creating the Performance Contracting Fund (7645-1100-4050) and appropriating \$5,000,000 in revenues, was approved by Council on November 17,2005.

In June of 2005, Council granted Austin Energy authorization to secure a low interest LoanSTAR Loan from the Texas Comptroller's State Energy Conservation Office (SECO) in an amount not to exceed \$5,000,000. These funds are for implementing cost-effective energy and water conservation measures in City facilities.

The initial startup phase took longer than initially anticipated, and during Fiscal Year 2006-2007, the budget for the Performance Contracting Fund was not expended but was also not reappropriated for Fiscal Year 2007-2008. The full \$5,000,000 is needed now to fund pending projects, and staff is requesting that the budget be amended to return the original \$2,500,000 not expended in Fiscal Year 2006-2007 to the Performance Contracting fund.

In November of 2005, Council authorized negotiation and execution of a contract with three (3) Energy Services Companies (ESCOs), to identify and implement cost-effective energy and water conservation measures through Performance Contracting, in an amount not to exceed \$10,000,000. Since then, projects have been identified in the Parks and Recreation Department, the Department of Aviation, the Financial Services Department / Building Services Division, and Austin Energy.

Pending performance contracting projects include over \$8,000,000 in eligible energy and water conservation measures that generate over \$1,000,000 per year in avoided operating costs, reduce the City's Carbon Footprint, and pay-back in ~7.2 years. Because only \$5,000,000 in LoanSTAR project funding was identified initially, additional funding will be required. To resolve this issue, staff is recommending that the City secure a second \$5,000,000 low interest LoanSTAR Loan from SECO.

In light of these facts, staff is requesting three actions.

1. Amend the Fiscal Year 2007-2008 budget for the Performance Contracting Fund (7645-1100-4050) to increase expenditures by \$7,500,000.
2. Authorize staff to re-appropriate \$2,500,000 in proceeds from the initial LoneSTAR Loan from SECO.
3. Amend the Fiscal Year 2007-2008 budget for the Performance Contracting Fund (7645-1100-4050) to appropriate \$5,000,000 in revenues from the second LoanSTAR Loan.