

OPERATING BUDGET FISCAL NOTE

DATE OF COUNCIL CONSIDERATION:
CONTACT DEPARTMENT(S):
FUND:

10/18/12
Telecommunications and Regulatory Affairs
Telecommunications and Regulatory Affairs

SUBJECT: Approve an increase to the franchise fee charged to Pedernales Electric Cooperative for the use of the City's rights-of-way in accordance with section 10.2 of the franchise adopted by City Ordinance No. 20081016-031, increasing the franchise fee to 6 ½ percent of gross receipts for the 12-month period beginning December 1, 2012 and 4 ½ percent of gross receipts for the following four-year period.

CURRENT YEAR IMPACT: The current franchise fee is 2% of gross revenues. This action increases the franchise fee from PEC by \$2.0 million for FY 2013.

FIVE-YEAR IMPACT:

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| Total Revenue | 2,000,000 | 1,500,000 | 1,300,000 | 1,400,000 | 1,400,000 |
| Total Expenses | 0 | 0 | 0 | 0 | 0 |
| Net Budget Impact | 2,000,000 | 1,500,000 | 1,300,000 | 1,400,000 | 1,400,000 |

ANALYSIS / ADDITIONAL INFORMATION: The five-year impact of increasing the franchise fee charged to PEC is estimated to result in \$7.6 million in additional revenue for the General Fund. Due to a renegotiated franchise, PEC's franchise fee to the City of San Marcos for a 12-month period is six and one-half percent (6 ½ %) of its gross receipts after which time it will pay four and one-half percent (4 ½%).

In accordance with Section 10.2 of PEC's Austin franchise ordinance, by this approval PEC's franchise fee will increase to 6 ½ % for a 12-month period beginning on December 1, 2012 and a 4 1/2 % of gross receipts for the following 4-year period.

The franchise fee increase to 6 ½ % is estimated to generate an additional \$2.0 million in revenue for the City in FY 2013. Thereafter, the 4 ½ % fees are estimated to generate approximately \$1.5 million in additional annual revenue for FY 2014, \$1.3 million for FY 2015, and \$1.4 million annually in FY 2016 and FY 2017.