

# AGENDA



## Recommendation for Council Action

Austin City Council	Item ID	72979	Agenda Number	2.
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Meeting Date:	8/31/2017	Department:	Austin Energy
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### Subject

Approve an ordinance amending the Fiscal Year 2016-17 Austin Energy Operating Budget (Ordinance No. 20160912-001) to increase Operating Fund revenue by \$100,000,000 and increase Operating Fund expenses by \$100,000,000 in order to provide appropriations for power supply adjustment expenses that were under-budgeted and in order to reduce the power supply expense over-recovery balance from the prior fiscal year.

### Amount and Source of Funding

Funding in the amount of \$100,000,000 is available from the working capital included in Austin Energy's ending fund balance for Fiscal Year 2016-2017. This cash was previously collected from PSA rates causing the over-collection in Fiscal Year 2015-2016.

### Fiscal Note

A fiscal note is attached.

Purchasing Language:	
Prior Council Action:	September 12, 2016 - Approved the Fiscal Year 2016-2017 Budget.
For More Information:	Mark Dombroski, Deputy General Manager and Chief Financial & Risk Officer, Finance & Corporate Services (512) 322-6148.
Council Committee, Boards and Commission Action:	August 14, 2017 - Recommended by the Electric Utility Commission on a 7-0 vote with Commissioner Wray off the dais, Commissioners Stout and Zell absent, and one vacancy.
MBE / WBE:	
Related Items:	

### Additional Backup Information

Austin Energy is seeking approval of this budget amendment to provide additional appropriations to cover the power supply actual expenditures that were not originally budgeted due to the prior year over collection of power supply revenue by \$69 million. As Austin Energy has traditionally done in the past, power supply expenses are budgeted to match power supply revenue to show the pass-through matching concept. Due to the over-collection from the prior year which resides in Austin Energy's working capital as part of the fund balance, Austin Energy lowered the power supply rate by 12% beginning January 1, 2017 to draw down the over-collection. Using the pass-through matching concept, Austin Energy's Fiscal Year 2016-2017 budget reflected the lower revenue to be collected from the lower rates and matched the budgeted power supply expenses to the lower revenue anticipated. As power supply expenses have occurred during the fiscal year, the actual expenses reflect the true cost of the power supply which is higher than the original budget amount of \$361.9 million – the amount needed in revenue to cover the power supply expenses and reduce the over-collection at the same time.

This budget amendment will not affect Austin Energy's power supply adjustment (PSA) or PSA rates which will be reviewed again in the Fiscal Year 2017-2018 proposed budget.

Illustration of Budget Amendment Calculation including over-recovery of Revenue from Prior Fiscal Year

(\$ in millions)	FY 17 Budget	FY 17 Estimated	Budget to Estimated
Power Supply Adjustment (PSA) Revenue <i>(PSA rate included adjustment for over collection)</i>	\$ 361.9	\$ 461.9	\$ 100.0
PSA Expenses <i>(Budgeted expenses set to match revenue)</i>	\$ 361.9	\$ 461.9	\$ (100.0)
Difference	\$ -	\$ -	\$ -
PSA Over Recovery at end of FY 2016 <i>(Cash held in Working Capital)</i>		\$ 69.0	
Spending Authority needed for PSA Expenses	\$ 461.9		
Current spending authority of PSA Expenses	\$ 361.9		
Difference	\$ 100.0		
Budget Amendment Needed to Cover Actual PSA Expenses	\$ 100.0		