



**RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 8
AGENDA DATE: Thu 06/24/2004
PAGE: 1 of 2**

SUBJECT: Approve an ordinance authorizing the negotiation and execution of a performance based Economic Development Agreement with Samsung Austin Semiconductor, L.P. under Chapter 380 of the Local Government Code, and creating an economic development program that facilitates the proposed expansion of its facilities located at 12100 Samsung Blvd., Austin, Texas 78754, which includes spending by Austin Energy of \$3,000,000 (including the \$1,504,000 in dual feed service fee waivers) with an additional 10% construction contingency to provide energy infrastructure improvements on the City's side of the electric meter and payment of \$1,000,000 to Samsung to be used solely for the purpose of construction, engineering and installation of energy infrastructure improvements on Samsung's side of the electric meter, for a total amount not to exceed \$4,300,000.

AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$3,300,000 is available in the 2003-2004 Approved Capital Budget of the Electric Utility Department and \$1,000,000 is available in the 2003-2004 Amended Operating Budget of Austin Energy.

FISCAL NOTE: A fiscal note is attached.

REQUESTING Economic Growth and **DIRECTOR'S**
DEPARTMENT: Redevelopment Services **AUTHORIZATION:** Sue Edwards

FOR MORE INFORMATION CONTACT: Juan Garza, 322-6015; Sue Edwards, 974-7820

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: N/A

MBE / WBE: N/A

This ordinance authorizes the City Manager to negotiate and execute the necessary documents to implement an Economic Development Agreement with Samsung Austin Semiconductor, L.P. under the authority of Chapter 380 of the Local Government Code that includes the terms outlined in Exhibit "A" together with other terms and conditions as may be negotiated between the parties.

Samsung proposes to expand its facilities located at 12100 Samsung Boulevard, Austin, Texas 78754. This expansion allows Samsung to continue its fabrication of semiconductors at Samsung Austin into the next decade, thereby providing substantial economic benefits to the City. Such City benefits include the addition of new property into the City's property tax base, the creation of at least 240 permanent positions, and an increase in the annual base rate revenues of Austin Energy of approximately \$1.6 million. These benefits will help stimulate the overall local economy. The investment by Samsung is estimated to be \$500 million and the total economic impact to the Austin area is estimated to be \$750 million.

Samsung requests the City to participate in a performance based economic development program. The Economic Development Agreement provides for economic development grants to Samsung in recognition



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of the positive economic benefits to the City through Samsung's proposal to expand its facilities. These grants would act as a catalyst for economic development in the Austin area. The main terms of the agreement are as follows:

City's Obligations

- Construction, engineering and installation of energy infrastructure improvements on the City's side of the electric meter at the Samsung facilities at a cost to the City of \$3,000,000 (which includes the \$1,504,000 in dual feed service fee waivers) with an additional construction contingency of \$300,000. All work will be performed by Austin Energy personnel or contractors with Austin Energy equipment installed.

Samsung's Obligations

- Use of the \$1,000,000 payment solely for the costs of construction, engineering and installation of energy infrastructure improvements;
- Creation and addition of at least 240 permanent jobs at the expanded facilities by July 1, 2009;
- Increase of annual energy consumption by at least 60 million kilowatt hours by July 1, 2009; and
- Reimbursement to the City of its costs and expenses if Samsung fails to fulfill its obligations.

CIP BUDGET

Fiscal Note

6/24/2004

Resolution

Electric Utility Department

SUBJECT: Approve an ordinance authorizing the negotiation and execution of a performance based Economic Development Agreement with Samsung Austin Semiconductor, L.L.C. under Chapter 380 of the Local Government Code, and creating an economic development program that facilitates the proposed expansion of its facilities located at 12100 Samsung Blvd., Austin, Texas 78754, which includes spending by Austin Energy of \$3,000,000 (including the \$1,504,000 in dual feed service fee waivers) with an additional 10% construction contingency to provide energy infrastructure improvements on the City's side of the electric meter and payment of \$1,000,000 to Samsung to be used solely for the purpose of construction, engineering and installation of energy infrastructure improvements on Samsung's side of the electric meter, for a total amount not to exceed \$4,300,000.

FINANCIAL INFORMATION:

Parent Project Name: **Distribution Substation**
Project Authorization: **2003-2004 Approved Capital Budget**

Current Appropriation	\$ 60,753,349.00	
Unencumbered Balance		\$ 15,596,890.59
Amount of This Action		<u>(2,822,000.00)</u>
Remaining Balance		\$ 12,774,890.59

Use of Remaining Balance:

Remaining funds will be used for design, construction, equipment, and material acquisition to complete the project.

Use of Any Remaining Funds After Completion of Project:

No remaining funds anticipated at this time.

Director, Planning and Budget

Signature

Date:

6/18/04

CIP BUDGET
Fiscal Note

DATE OF COUNCIL CONSIDERATION:

6/24/2004

WHERE ON AGENDA:

Resolution

DEPARTMENT:

Electric Utility Department

SUBJECT: Approve an ordinance authorizing the negotiation and execution of a performance based Economic Development Agreement with Samsung Austin Semiconductor, L.L.C. under Chapter 380 of the Local Government Code, and creating an economic development program that facilitates the proposed expansion of its facilities located at 12100 Samsung Blvd., Austin, Texas 78754, which includes spending by Austin Energy of \$3,000,000 (including the \$1,504,000 in dual feed service fee waivers) with an additional 10% construction contingency to provide energy infrastructure improvements on the City's side of the electric meter and payment of \$1,000,000 to Samsung to be used solely for the purpose of construction, engineering and installation of energy infrastructure improvements on Samsung's side of the electric meter, for a total amount not to exceed \$4,300,000.

FINANCIAL INFORMATION:

Parent Project Name: **Transmission**
Project Authorization: 2003-2004 Approved Capital Budget

Current Appropriation	\$ 127,475,734.00	
Unencumbered Balance		\$ 10,755,622.26
Amount of This Action		<u>(478,000.00)</u>
Remaining Balance		<u><u>\$ 10,277,622.26</u></u>


Use of Remaining Balance:

Remaining funds will be used for design, construction, equipment, and material acquisition to complete the project.

Use of Any Remaining Funds After Completion of Project:

No remaining funds anticipated at this time.

Director, Planning and Budget

Signature: 

Date: 6/18/04