



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

AGENDA ITEM NO.: 2
AGENDA DATE: Thu 08/26/2004
PAGE: 1 of 2

SUBJECT: Authorize negotiation and execution of the following three agreements with **DAUGHTERS OF CHARITY HEALTH SERVICES OF AUSTIN (d/b/a SETON HEALTH CARE NETWORK [Seton])** related to Austin Energy supplying the new Seton Children's Hospital with electric power, chilled water, and steam: 1) Energy Commodities Services Agreement; 2) a 30-year Ground Lease for use of land at the Robert Mueller Municipal Airport redevelopment site to locate the combined on-site generation, chilled water, and steam plant; and 3) a Building Purchase Agreement to purchase from Seton a structure to house the necessary energy production equipment and any other necessary related agreements, in an amount not to exceed \$3,000,000.

AMOUNT & SOURCE OF FUNDING: Funding is available in the Fiscal Year 2003-2004 Amended Capital Budget of the Electric Utility Department.

FISCAL NOTE: A fiscal note is attached.

REQUESTING DEPARTMENT: Austin Energy

DIRECTOR'S AUTHORIZATION: Juan Garza

FOR MORE INFORMATION CONTACT: Cliff Braddock, Director of Energy Product Sales/ 322-6302

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: N/A

MBE / WBE: N/A

Austin Energy intends to provide on-site electric power, chilled water for cooling, and steam for heating for the new Seton Children's Hospital being constructed on the Robert Mueller Municipal Airport redevelopment site by constructing, operating, and owning a Building-Cooling-Heating-Power (BCHP) total energy system to be located on land leased from Seton adjacent to the Children's Hospital. AE will provide these services to Seton through three inter-related agreements:

1. **Energy Commodities Services Agreement** – AE will design, construct, install, operate and maintain, and own equipment and facilities necessary to provide the Seton Children's Hospital with on-site electric generation, chilled water, and steam for an initial term of thirty years, and up to five renewal terms of ten years each, at agreed to prices.
2. **Ground Lease** – Seton will provide a ground lease to AE for an area adjacent to the children's Hospital where AE's BCHP system will be located for a term coincident with the term of the Energy Commodities Services for a lease payment of \$10 for the first 30-year term, with up to five renewal terms of ten years each.
3. **Building Purchase Agreement** – Seton will design and construct a structure to house the BCHP system in conjunction with the design and construction of the Children's Hospital



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and AE will acquire ownership of this structure following its completion at a *reimbursement cost not to exceed \$3,000,000.*

In related but separate items, Council approved: 1) On June 14, 2004: a reimbursement agreement with Catellus Commercial Development Corporation to install chilled water pipes in the roadway adjacent to the BCHP energy plant; and 2) On July 29, 2004: an agreement with Burns and McDonnell Engineering Co. to purchase the BCHP system for a cost not to exceed \$11,000,000.

**CIP BUDGET
Fiscal Note**

DATE OF COUNCIL CONSIDERATION: 8/26/2004
WHERE ON AGENDA: Resolution
DEPARTMENT: Electric Utility Department

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FINANCIAL INFORMATION:

Parent Project Name: **Non-Electric Plant Assets - Chillers**
Project Authorization: 2003-2004 Amended Capital Budget

Current Appropriation	\$ 88,767,916.00	
Unencumbered Balance		\$ 7,867,913.32
Amount of This Action		<u>(1,380,000.00)</u>
Remaining Balance		<u>\$ 6,487,913.32</u>

Use of Remaining Balance:

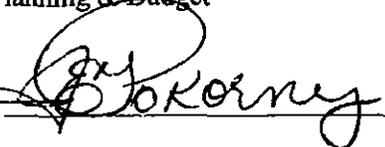
Remaining funds will be used for design, construction, equipment, and material acquisition to complete the project.

Use of Any Remaining Funds After Completion of Project:

No remaining funds anticipated at this time.

Director, Planning & Budget

Signature: _____



Date: _____

8/17/04

CIP BUDGET
Fiscal Note

DATE OF COUNCIL CONSIDERATION: 8/26/2004
WHERE ON AGENDA: Resolution
DEPARTMENT: Electric Utility Department

SUBJECT: Authorize negotiation and execution of the following three agreements with DAUGHTERS OF CHARITY HEALTH SERVICES OF AUSTIN (d/b/a SETON HEALTH CARE NETWORK [Seton]) related to Austin Energy supplying the new Seton Children's Hospital with electric power, chilled water, and steam: 1) Energy Commodities Services Agreement; 2) a 30-year Ground Lease for use of land at the Robert Mueller Municipal Airport redevelopment site to locate the combined on-site generation, chilled water, and steam plant; and 3) a Building Purchase Agreement to purchase from Seton a structure to house the necessary energy production equipment and any other necessary related agreements, in an amount not to exceed \$3,000,000.

FINANCIAL INFORMATION:

Parent Project Name: **Power Production**
Project Authorization: 2003-2004 Amended Capital Budget

Current Appropriation	\$ 351,759,850.00	
Unencumbered Balance		\$ 14,248,772.21
Amount of This Action		<u>(1,620,000.00)</u>
Remaining Balance		<u>\$ 12,628,772.21</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 & Budget

Signature:  Date: 8/17/04