

AGENDA



Thursday, June 8, 2006

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**Austin Energy
RECOMMENDATION FOR COUNCIL
ACTION**

ITEM 3

Subject: Approve an ordinance amending the Fiscal Year 2005-2006 Austin Energy Department Operating Budget of Ordinance 20050912-001 to reflect the audited Beginning Balance of the Austin Energy Department Operating Fund by increasing the Budgeted Beginning Balance by \$62,303,575 for an Amended Beginning Balance of \$200,454,126; increasing the Transfer to the Austin Energy CIP by \$20,925,000 to increase the Budgeted Ending Balance by \$41,378,575 for an Amended Ending Balance of \$179,623,066 and amending the Fiscal Year 2005-2006 Austin Energy Department Capital Budget of Ordinance No. 20050912-002 to appropriate \$51,961,000 for system improvements. Approve an ordinance amending the Fiscal Year 2005-2006 Austin Energy Department Operating Budget of Ordinance 20050912-001 to reflect the audited Beginning Balance of the Austin Energy Department Operating Fund by increasing the Budgeted Beginning Balance by \$62,303,575 for an Amended Beginning Balance of \$200,454,126; increasing the Transfer to the Austin Energy CIP by \$20,925,000 to increase the Budgeted Ending Balance by \$41,378,575 for an Amended Ending Balance of \$179,623,066 and amending the Fiscal Year 2005-2006 Austin Energy Department Capital Budget of Ordinance No. 20050912-002 to appropriate \$51,961,000 for system improvements.

Amount and Source of Funding:

Cash Transfer Fiscal Year 2005-2006 \$20,925,000; Fiscal Year 2006-2007 \$5,347,000; Debt issuance Fiscal Year 2005-2006 \$10,043,000; Fiscal Year 2006-2007 \$9,496,000; Taxable debt for Fiscal Year 2005-2006 of \$4,000,000; and Contributions in Aid of Construction in Fiscal Year 2006-2007 of \$2,150,000.

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Fiscal Note: A fiscal note is attached. A fiscal note is attached.

Additional Backup Material

(click to open)

☐ [AE Budget Amendment
Fiscal Notes](#)
☐ [Ordinance](#)
☐ [AE Budget Amendment
Fiscal Notes](#)

For More Information: Juan Garza, General Manager,
322-6002 Juan Garza, General Manager, 322-6002

Prior Council Action:

Boards and Commission Action: Recommended by the
Electric Utility Commission. Recommended by the Electric
Utility Commission.

Ordinance

In FY 2005 Austin Energy experienced positive operating results both from warmer weather in the last month of the fiscal year and the sales and services provided to the hurricane stricken TexasCoast. These results were also helped by lower than expected operations and maintenance expenditures, excluding fuel, of about \$18 million. The net increase to the Austin Energy ending balance was \$62,303,575.

Since last summer Austin Energy has experienced the impact of unanticipated raw materials cost increases, increases in contract labor for overhead electric service delivery projects and has/or expects to execute additional economic development agreements. These items are affecting project costs for the current year.

This budget amendment is intended to capture the additional requirements of the cost increases and new projects to carry the Utility through the summer months and into the next budget year. We are also requesting the Council recognize the FY 2005 results to fund these projects for the current fiscal year. We are requesting a total of \$51,961,000 in appropriation to accommodate the additional spending in FY 2006 of \$34,968,000 and \$16,993,000 in FY 2007. The projects are detailed below.

\$11,777,000 for the Samsung Economic Development agreement approved by Council August 18, 2005 and recently executed. This agreement with Samsung requires the purchase of transformers, switchgear, and feeder cable to be installed at the Dessau Substation by June 2007. In order to facilitate the procurement of the equipment and meet the customer's phased energization plan beginning in February 2007 this budget authority is requested. The FY 2006 spending plan increase for this project is \$545,000 and \$11,232,000 in FY 2007. Normal lead time for the equipment is approximately 18 months.

\$6,084,000 for the Hewlett Packard construction agreement to allow procurement of transformers, switchgear, and feeder cable for the HP project is included in the amendment. This new project is for the construction of a new substation in the dually certified territory. Austin Energy will construct the substation on the HP site. HP has agreed to Contribution in Aid of Construction for dual feed costs of \$2.15 million. The spending plan is expected to increase in FY 2006 by \$323,000 due to procurement lead time. The FY 2007 spending plan for this project would be \$5,761,000 .

Create a new project called EnergyControlCenter replacement and appropriate \$1,500,000 to allow the purchase of property for the move from the Austin Energy West Avenue facility as requested by City Council. This project was in the approved CIP plan to begin in FY 2008, the Utility is requesting that the Council allow the Utility to accelerate this project to facilitate the move of the EnergyControlCenter. The building located on West Avenue was built in 1966. The building condition is poor and needs re-roofing, elevator upgrades, new HVAC and boiler improvements. The building is located too closely to Shoal Creek and is not compatible with surrounding development. Security required for a ControlCenter is not easily provided because of the location. The spending plan for FY 2006 would be \$1,500,000 for the location and purchase of a site suitable for a EnergyControlCenter operation.

\$4,000,000 for Non-electric Plant piping increases for the Downtown, Domain, and Robert Mueller Energy Center (RMEC) are included in this amendment. RMEC requires an additional \$800,000 for chilled water services at the new Robert Mueller site in FY 2006. The downtown plant is expecting several services not anticipated for a total of \$2,179,000. An additional \$1,021,000 is needed at the Domain to provide new customer connections.

\$7,300,000 for the Fayette Power Plant (FPP) for expenditures for the new FPP Scrubber Project due to accelerated payments for materials and equipment related to the scrubber project. Austin Energy would like to contractually establish prices for steel needed for the project to prevent delays during construction from commodity price uncertainty in the market.

\$6,700,000 for the South Texas Project including the Turbine Low Pressure (LP) Rotor Upgrade and Reactor Vessel Head Replacement at the facility are requested in this amendment. In the current fiscal year the Low Pressure (LP) Turbine Rotor Replacement project was budgeted at 50% O&M and 50% CIP. A subsequent accounting review by the project participants determined that all expenses should be CIP. This amounts to a \$4.1 million of the \$6.7 million. The remainder of the Current Year increase is due to the acceleration of the Reactor Vessel Head (RVH) replacement project from FY 2009 to FY 2006 and will require \$1.9 million in FY 2006. A financial analysis indicated that initiating the project earlier than originally planned was more cost effective than extensive RVH inspections that would be required if the replacement were postponed. There are an additional \$0.7 million in equipment and security upgrades included in FY 2006 estimate that was not included in the original budget.

\$12,800,000 for distribution expenditures and \$1,800,000 for distribution substation expenditures in the current fiscal year are included in this request due to increases in commodity and contractual prices since the summer and higher than anticipated growth in infrastructure projects. Over the past twelve months the Utility has experienced numerous cost increases, such as steel for poles and other equipment, copper for wire and internal electric equipment and the contracted labor for overhead construction and civil construction. These increases, seen globally, began in FY 2005 and are continuing into the current fiscal year. As more development occurs in the service territory, more infrastructure projects will be needed to facilitate the serving of our customers and load. The increase to the FY 2006 spending plan is \$14,600,000. In FY 2005 Austin Energy experienced positive operating results both from warmer weather in the last month of the fiscal year and the sales and services provided to the hurricane stricken TexasCoast. These results were also helped by lower than expected operations and maintenance expenditures, excluding fuel, of about \$18 million. The net increase to the Austin Energy ending balance was \$62,303,575.

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CIP BUDGET FISCAL NOTE

DATE OF COUNCIL CONSIDERATION:
VOTE ON AGENDA:
DEPARTMENT:

6/8/2006
Ordinance
Capital Budget

Description: Amend the Fiscal Year 2005-2006 Electric Utility Department Operating Budget Ordinance 20050912-001 by recognizing the audited Beginning Balance of the Austin Energy Operating Fund by increasing the Budgeted Beginning Balance by \$62,303,575 for an Amended Beginning Balance of \$200,454,126. Increasing the Transfer to the Austin Energy CIP by \$20,925,000 and increasing the Budgeted Ending Balance by \$41,378,575 for an Amended Ending Balance of \$179,623,066. Of the \$179,623,066 balance, over \$133,000,000 represents year end accounts receivables.

Amend the Fiscal Year 2005-2006 Electric Utility Department Capital Budget Ordinance 20050912-002 to appropriate \$51,961,000 for the following; o \$11,777,000 for the Samsung Economic Development agreement approved by Council and executed in December 2005; o \$6,084,000 for the Hewlett Packard construction agreement to allow procurement of transformers, switchgear, and feeder cable for the HP project; o \$12,800,000 for distribution expenditures and \$1,800,000 for distribution substation expenditures which were unanticipated in the current fiscal year due to increases in commodity and contractual prices since the summer and higher than anticipated subdivision growth; o Create a new project called Energy Control Center replacement and appropriate \$1,500,000 to allow the purchase of property for the move from the Austin Energy West Avenue facility as requested by City Council to facilitate the Seaholm redevelopment project; o \$4,000,000 for Non-electric Plant piping for the Downtown, Domain and Robert Mueller Chilled Water systems; o \$7,300,000 for the Fayette Power Plant (FPP) for expenditures for the new FPP Scrubber Project; o \$6,700,000 for the South Texas Project including the Turbine Low Pressure (LP) Rotor Upgrade and Reactor Vessel Head Replacement at the facility.

FINANCIAL INFORMATION:

Austin Energy Capital Budget - 2005-2006

Project #	Project Name	Approved Budget	This Action	Amended Budget	Funding Source
3230 117 NEW	Samsung Agreement Transmission	\$0	\$409,600	\$409,600	Current Revenue
		\$0	\$614,400	\$614,400	Commercial Paper
		\$0	\$1,024,000	\$1,024,000	
3240 117 NEW	Samsung Agreement Distribution Substation	\$0	\$3,763,550	\$3,763,550	Current Revenue
		\$0	\$6,989,450	\$6,989,450	Commercial Paper
		\$0	\$10,753,000	\$10,753,000	
3230 117 NEW	Hewlett Packard Agreement Transmission	\$0	\$1,344,600	\$1,344,600	Current Revenue
		\$0	\$896,400	\$896,400	Commercial Paper
		\$0	\$2,241,000	\$2,241,000	
3240 117 NEW	Hewlett Packard Agreement Distribution Substation	\$0	\$592,550	\$592,550	Current Revenue
		\$0	\$1,100,450	\$1,100,450	Commercial Paper
		\$0	\$2,150,000	\$2,150,000	Customer Contribution
		\$0	\$3,843,000	\$3,843,000	
3250 117 3101	Distribution	\$92,259,105	\$4,480,000	\$96,739,105	Current Revenue
		\$171,338,339	\$8,320,000	\$179,658,339	Commercial Paper
		\$263,597,444	\$12,800,000	\$276,397,444	
3240 117 4000	Distribution Substation	\$24,063,672	\$630,000	\$24,693,672	Current Revenue
		\$44,689,677	\$1,170,000	\$45,859,677	Commercial Paper
		\$68,753,349	\$1,800,000	\$70,553,349	
3060 117 0100	Non Electric Plant Asset	\$112,067,916	\$4,000,000	\$116,067,916	Taxable Debt
3220 117 7101	Power Production	\$346,172,850	\$14,000,000	\$360,172,850	Current Revenue
3290 117 5101	Support Services	\$58,812,222	\$1,500,000	\$60,312,222	Current Revenue

Director of Financial Planning and Budget, Austin Energy J.E. Pokorny Date: 5/10/2006

OPERATING BUDGET FISCAL NOTE

DATE OF COUNCIL CONSIDERATION:
HERE ON AGENDA:
DEPARTMENT:

6/8/2006
Ordinance
Electric Utility Operating Fund

Description: Amend the Fiscal Year 2005-2006 Electric Utility Department Operating Budget Ordinance 20050912-001 by recognizing the audited Beginning Balance of the Austin Energy Operating Fund by increasing the Budgeted Beginning Balance by \$62,303,575 for an Amended Beginning Balance of \$200,454,126. Increasing the Transfer to the Austin Energy CIP by \$20,925,000 and increasing the Budgeted Ending Balance by \$41,378,575 for an Amended Ending Balance of \$179,623,066. Of the \$179,623,066 balance, over \$133,000,000 represents year end accounts receivables.

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FINANCIAL INFORMATION:

Electric Utility Operating Fund

	2005-2006 Approved Budget	This Action	2005-2006 Amended Budget
Beginning Balance	\$138,150,551	\$62,303,575	\$200,454,126
Total Revenue	\$945,742,357	\$0	\$945,742,357
Transfer From Strategic Reserve Fund	\$7,500,000		\$7,500,000
Total Available Funds	\$953,242,357	\$0	\$953,242,357
Total Operating Requirements	\$596,616,836	\$0	\$596,616,836
Total Other Requirements	\$13,884,248	\$0	\$13,884,248
Transfers Out			
General Fund	\$77,419,798	\$0	\$77,419,798
Electric CIP	\$84,413,650	\$20,925,000	\$105,338,650
Repair and Replacement Fund	\$13,209,071	\$0	\$13,209,071
Trunked Radio	\$261,053	\$0	\$261,053
General Obligation Debt Service	\$456,931	\$0	\$456,931
Utility Debt Service	\$166,886,830	\$0	\$166,886,830
Total Transfers Out	\$342,647,333	\$20,925,000	\$363,572,333
Total Requirements	\$953,148,417	\$20,925,000	\$974,073,417
Excess/(Deficit) of Available Funds Over Requirements	\$93,940	\$41,378,575	(\$20,831,060)
Ending Balance	\$138,244,491	\$41,378,575	\$179,623,066
Full Time Equivalents (FTE)	1,560.50	-	1,560.50

Director of Financial Planning and Budget, Austin Energy J.E. Pokorny Date: 5/10/2006

ORDINANCE NO.

AN ORDINANCE AMENDING THE FISCAL YEAR 2005-2006 AUSTIN ENERGY DEPARTMENT OPERATING BUDGET OF ORDINANCE NO. 20050912-001 AND CAPITAL BUDGET OF ORDINANCE NO. 20050912-002 TO INCREASE TRANSFERS AND APPROPRIATIONS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

PART 1. The Council amends the Fiscal Year 2005-2006 Austin Energy Department Operating Budget of Ordinance No. 20050912-001 increase the Ending Balance by \$41,378,575 and increase the Total Transfers Out to the Capital Improvement Project fund in the amount of \$20,925,000.

PART 2. The Council amends the Fiscal Year 2005-2006 Austin Energy Department Capital Budget of Ordinance No. 20050912-002 to appropriate \$51,961,000 for system improvements.

PART 3. This ordinance takes effect on _____, 2006.

PASSED AND APPROVED

_____, 2006

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§
§

Will Wynn
Mayor

APPROVED:

David Allan Smith
City Attorney

ATTEST:

Shirley A. Gentry
City Clerk