



**Recommendation for Council Action**

Austin City Council	Item ID	18592	Agenda Number	61.
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Meeting Date:	10/18/2012	Department:	Telecommunications and Reg Affairs
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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.

Amount and Source of Funding

Additional \$2.0 million in franchise fee revenue for FY13 General Fund.

Fiscal Note

A fiscal note is attached.

Purchasing Language:	
Prior Council Action:	Council approved ordinance granting Company a franchise on October 18, 2008.
For More Information:	Rondella M. Hawkins, Officer, 512-974-2422
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

Pedernales Electric Cooperative (PEC) holds a franchise from the City of Austin for the maintenance of an electric power utility system within the City by Ordinance No. 20081016-031. Section 10.2 of the franchise ordinance requires PEC to pay the City two percent (2%) of its gross receipts received from retail services provided within the City, provided that the fee will increase to match any higher percentage paid by PEC under a franchise with any other Texas municipality.

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

13. Thereafter, the 4 ½ % fees are estimated to generate approximately \$1.5 million in additional annual revenue for FY 14, \$1.3 million for FY 15, and \$1.4 million annually in FY 16 & FY 17.

PEC noted that the amount of the fee increased over the current two percent (2%) will be stated as a separate line item on the customer bills. PEC serves approximately 20, 000 customers in the city limits.

## 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:**

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
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.