



Austin Energy

General Fund Transfer (GFT) and Payments for Services

Financial Services Department
Austin Energy Utility Oversight Committee
February 25, 2016





Agenda

- Utility – Value to Community
- General Fund Transfer
- Payment for Services and Reimbursements of Expenditures
- Economic Development
- Community Programs
- City Payments to Austin Energy

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Utility – Value to Community

- Local ownership and control to meet community needs, priorities
- Policy makers work to balance community needs and priorities
 - Clean, **affordable**, reliable energy and excellent customer service
 - Assistance programs for low-income customers
 - Return on risk of ownership - General Fund Transfer
 - Utility like any local business benefits from local government services (public safety, general and administrative services)
- Utility General Fund Transfer (GFT)
 - Common for a city owned Utility, but no “*right*” method or amount
 - City has long record of complying with established Council Transfer Policy; **not** looking annually to Utility to balance City budget needs



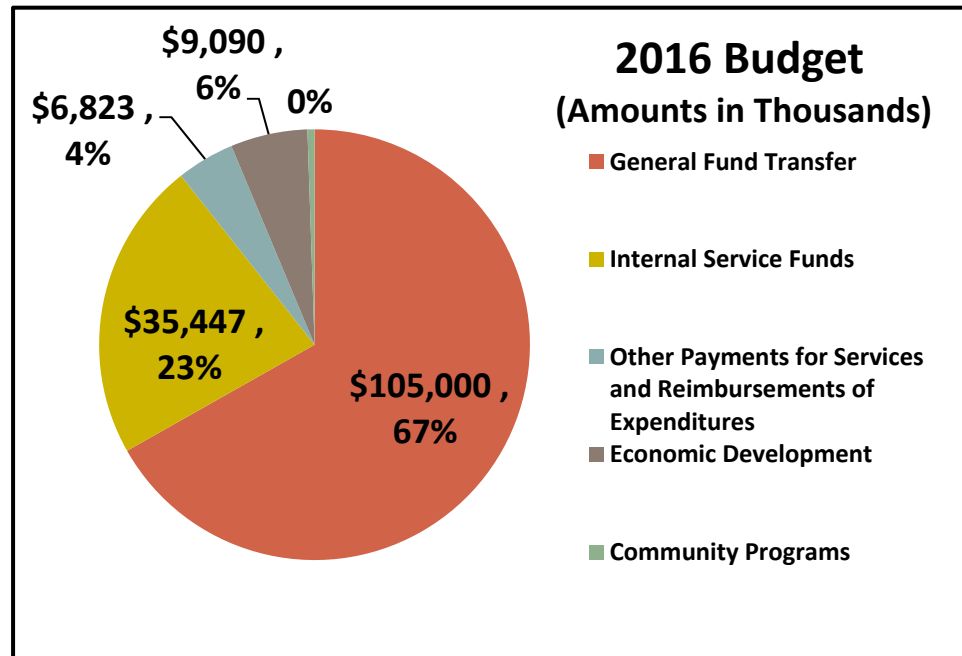
Utility – Transfers and Payments

- Utility General Fund Transfer
- Payment for Services and Reimbursements of Expenditures
 - Internal Service Funds
 - Goods or services provided to another City department on a cost-reimbursement basis based upon demand based fees and annually updated cost allocation plans
 - Includes City-wide Allocated Costs for Corporate Services (Support Services Fund)
 - Other payments or reimbursements of expenditures
- Economic Development
- Community Programs



Utility – Transfers and Payments

- General Fund Transfer is 67% of total
- Payment for Services and Reimbursements of Expenditures = 27%
 - Internal Service Funds
 - Other Payments



Austin Energy

(Amounts in Thousands)	2010	2011	2012	2013	2014	2015	2016 Budget
General Fund Transfer	\$ 101,000	103,000	105,000	105,000	105,000	105,000	105,000
Internal Service Funds	26,690	28,838	28,612	31,312	35,179	33,485	35,447
Other Payments for Services and Reimbursements of Expenditures	15,462	11,344	12,574	6,879	5,502	6,420	6,823
Economic Development	8,478	10,445	9,855	10,123	11,770	8,770	9,090
Community Programs	2,503	1,602	1,452	691	1,394	821	829
TOTAL	\$ 154,133	155,230	157,494	154,004	158,846	154,496	157,189



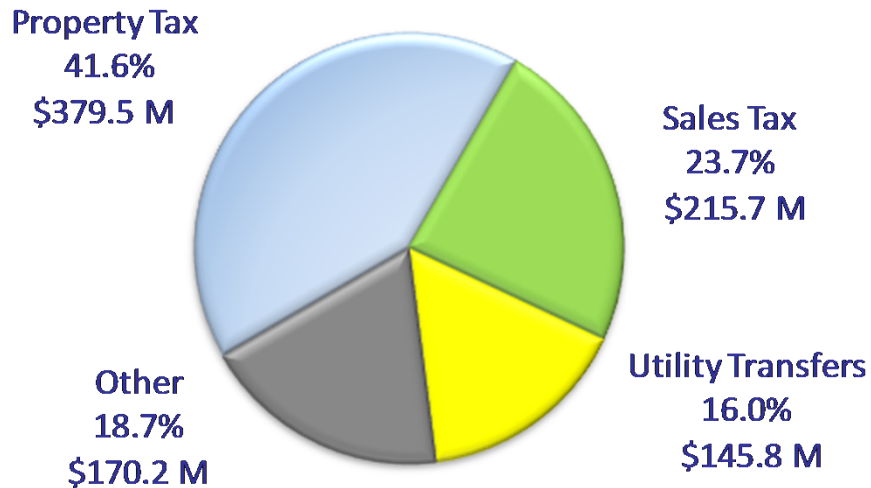
Utility General Fund Transfer

- Utility provides direct benefits to their communities through transfers and payments to local government
- General Fund Transfer - authorized transfer of portion of Utility's return on its assets
 - Return on investment to City owner of Utility
 - Natural result of City's ownership risk related to Utility operations
- Utility General Fund Transfer began 1946
 - Council approved Financial Policy or Ordinance sets calculation
 - Historically calculated based on percentage of applicable revenue
 - Transfer Policy may impact credit rating of City and Utility



General Fund Revenue

FY 2016 Projected General Fund Revenue \$911.2 Million (M)



**General Fund Revenue
FY 2015 Estimated and
FY 2016 Approved Budget (millions)**

Source	FY 2015 Est.	FY 2016 Budget	Change
Property Tax	\$357.8	\$379.5	\$21.7
Sales Tax	\$200.4	\$215.7	\$15.3
Utility Transfers	\$143.8	\$145.8	\$ 2.0
Other Revenue	\$164.3	\$170.2	\$ 5.9
TOTAL	\$866.3	\$911.2	\$44.9

- Utility transfers total \$145.8 million, 16.0% of total General Fund revenue
- General Fund reliance on utility transfers as a revenue source decreased from 24.0% in FY 1997 to 16.0% in FY 2016
 - CPS Energy Transfer of \$336 million, 31% of San Antonio General Fund Budget



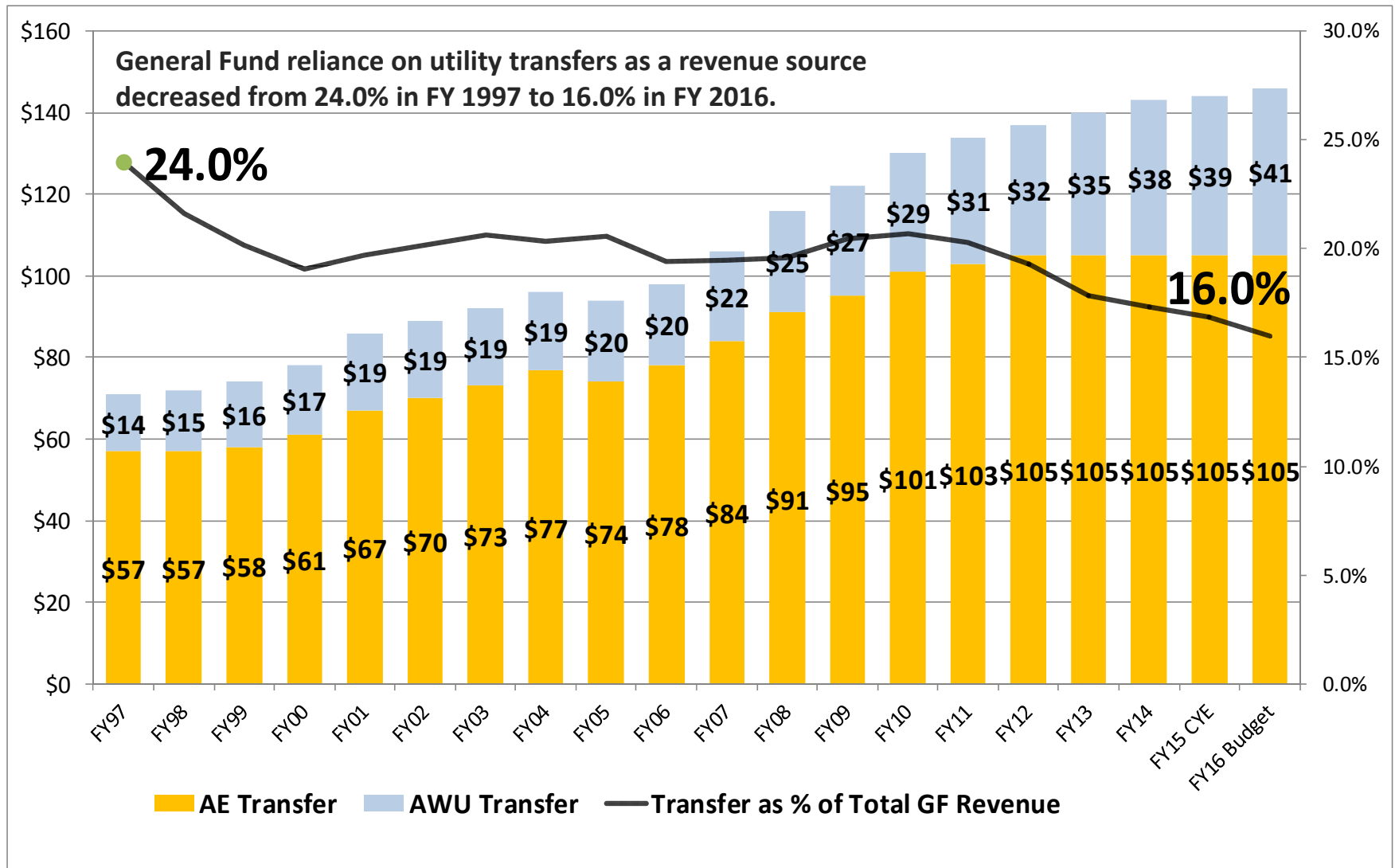
Council Approved Transfer Policies

Fiscal Year	AE Transfer	AW Transfer	Total Increase
FY 2010	\$ 101.0 m	\$ 29.0 m	-----
FY 2011	\$ 103.0 m	\$ 31.3 m	\$ 4.3 m
FY 2012	\$ 105.0 m	\$ 31.9 m	\$ 2.6 m
FY 2013	\$ 105.0 m	\$ 34.5 m	\$ 2.6 m
FY 2014	\$ 105.0 m	\$ 37.9 m	\$ 3.4 m
FY 2015	\$ 105.0 m	\$ 38.8 m	\$ 0.8 m
FY 2016	\$ 105.0 m	\$ 40.8 m	\$ 2.0 m

- Austin Energy – Set in FY 2012 at 12% of three-year average of **non-power supply** revenue, with a floor of \$105 million
 - Fifth consecutive year at \$105 million
- Austin Water - Continued at 8.2% of three-year average of gross revenue since FY 2000



General Fund Reliance on Transfer Decreased



Amounts in Millions



AE General Fund Transfer Policy

- FY 2012 - set at 12% of three-year average of **non-power supply** revenue, with a floor of \$105 million
 - Met Utility business model needs and Financial Policy 12% maximum AE Transfer rate
 - GFT based on non-power supply revenue allows AE 100% cost recovery
 - GFT increase reflects Utility growth in # of customers and usage
 - Floor of \$105 M to mitigate impact on General Fund
 - Fifth consecutive year at \$105 million
- **Prior Policy** FY 1999 - FY 2012, maintained transfer at 9.1% of three year average of **total** revenue, except 8.9% FY 2002
 - Three year average of two prior years and current year estimate
 - FY 2012-2016 Forecast projected FY 2016 GFT \$116 M vs. \$105 M, a single year savings of \$11 M to Austin Energy due to Policy change

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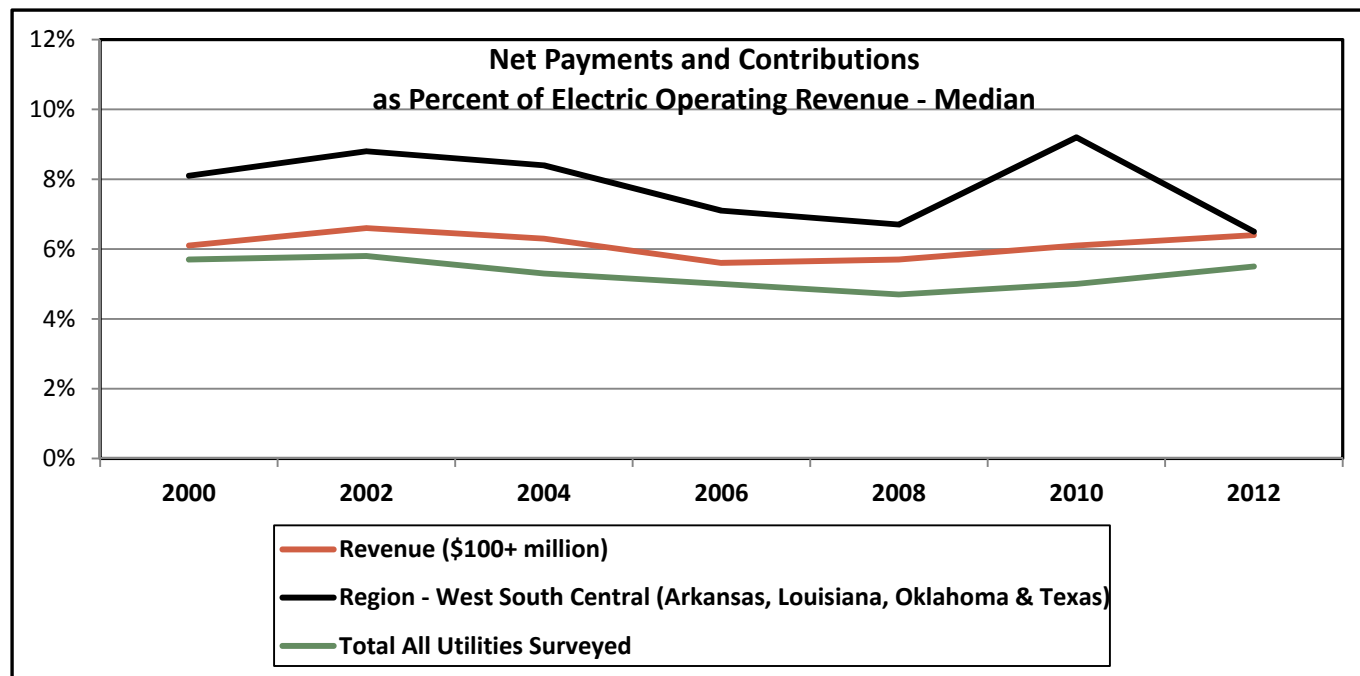
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M = Millions



American Public Power Association (APPA)

- **APPA April 2014 Report** - *“Payments & Contributions by Public Power Distribution Systems to State & Local Governments, 2012 Data”*
 - 210 public power systems completed survey
 - Median 5.5% and 50% transfer between 3.3% - 7.8%
 - 34 public power systems with revenue of \$100+ million
 - Median 6.4% and 50% transfer between 5.0% - 10.1%
 - **15 public systems in West South Central region (Arkansas, Louisiana, Oklahoma, Texas)**
 - Median 6.5% and 50% transfer between 5.5% - 10.7%





General Fund - Potential Impact

- General Fund has limited ability to generate additional revenue sources to replace Utility transfer if reduced or eliminated
 - Most controllable revenue source is property tax, but limited
- Property tax rate over rollback likely needed to offset General Fund revenue loss if eliminate or substantially reduce Utility transfer
 - Utility GFT totals \$145.8 million, 16.0% of General Fund revenue
 - Voters may petition for an election on tax increase and if successful election, taxing unit's current tax rate limited to rollback tax rate
- 13.37 cent property tax increase to replace Utility GFT
 - \$290.62 annual impact on owner of median value home (\$217,400)

NON-SENIOR HOMESTEADS (Reflects adoption of 6% General Homestead Exemption)						
Property Valuation		Property Tax Bill				
FY 2016	Percent	Current	Approved Tax Rate	Dollar Change from	Effective Tax Rate	Rollback Tax Rate
Assessed Value	Growth	Tax Bill	\$0.4589	Previous Year	\$0.4295	\$0.4609



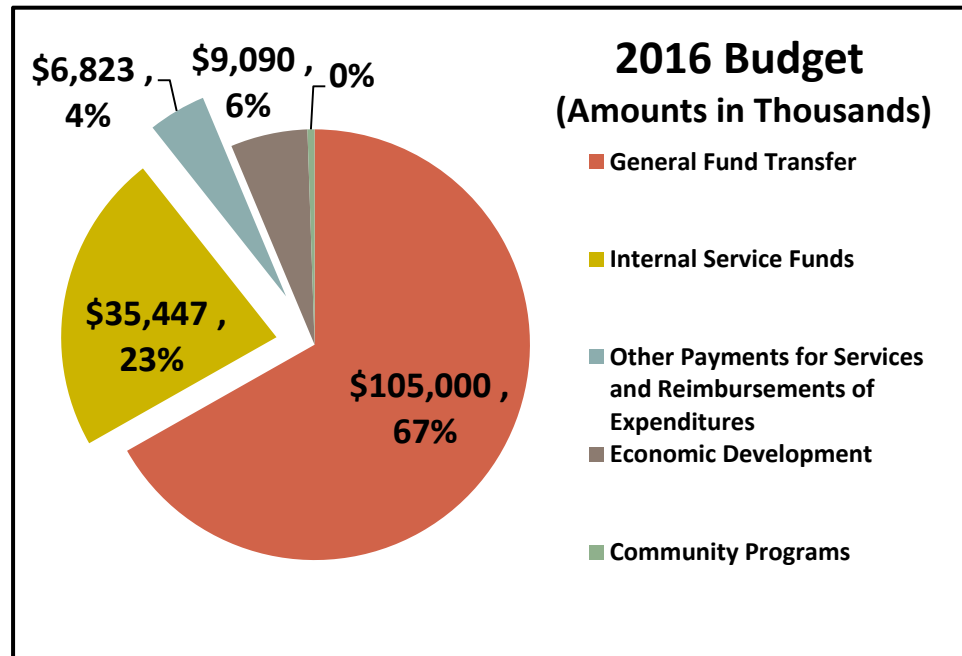
Utility - Potential Impact

- Rate covenant in bond ordinance requires City to collect revenues sufficient to maintain adequate debt service coverage
 - Limits ability to significantly reduce rates if Utility's General Fund Transfer were eliminated or substantially reduced
- Potential Utility rate impact if General Fund Transfer reduced
 - No immediate equivalent reduction in Utility rates for full amount of reduced Transfer due to debt service coverage requirements
 - Utility overall cash and reserves would increase; could use to cash fund capital infrastructure to avoid debt issuance
 - Less debt issuance will over time reduce debt service requirements allowing for rate reductions while still meeting debt service coverage requirements



Utility – Payments for Services

- General Fund Transfer is 67% of total
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 - Internal Service Funds
 - Other Payments



Austin Energy

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Utility – Payment for Services

Internal Service Funds	Capital Projects Management	Combined Transportation, Emergency & Communications Ctr	Communications and Technology Management	Employee Benefits	Fleet Services
	Liability Reserve	Support Services	Vehicle Acquisition	Wireless Communication Services	Workers' Compensation

- Internal Service Funds – Goods or services provided to another City department on a cost-reimbursement basis
 - Recover costs through transfers based on combination of service demand based fees and annual cost allocation plan
 - If service not provided by a City department, Utility may self perform or purchase service from a vendor



Utility – Payment for Services

(Amounts in Thousands)	2010	2011	2012	2013	2014	2015
Combined Transportation, Emergency & Communications Ctr (CTECC)	\$ -	8	5	7	9	11
Communications and Technology Management (CTM)	5,644	6,443	5,182	5,839	7,038	5,986
Fleet Services	4,062	4,651	4,035	4,433	4,214	4,334
Liability Reserve	594	550	500	500	400	400
Support Services	14,523	15,190	16,990	18,365	21,003	20,132
Vehicle Acquisition	-	-	-	-	-	-
Wireless Communication Services	304	331	300	312	328	283
Workers' Compensation	1,563	1,666	1,600	1,856	2,188	2,339
Internal Service Funds Total	\$ 26,690	28,838	28,612	31,312	35,179	33,485

- Internal Service Funds – Goods or services provided to another City department on a cost-reimbursement basis
- Increases due to city-wide cost drivers such as compensation adjustments, health benefits as well as vehicle usage and fuel prices



Utility – Payment for Services

Support Services Fund - City-wide Allocated Costs for corporate services provided to all City departments

- **INCLUDES:** Mayor and Council, City Clerk, Audit, Law, Financial Services, Human Resources, Management Services, Building Services, etc.
- Recover costs of administrative services provided by service departments through allocation of costs to user departments based on annually updated cost allocation plan
 - Best practice - used by City for at least 30 years
- Support Services Fund FY 2016 budget = \$116.0 million
 - General Fund allocation = \$50.0 million (43.1% of total)
 - Austin Energy allocation = \$22.4 million (19.3% of total)
 - Austin Water allocation = \$12.4 million (10.7% of total)



Utility – Payment for Services

Combined Communications and Technology Management (CTM)

- **INCLUDES:** Communications and Technology Management (CTM); Combined Transportation, Emergency, and Communication Center (CTECC); Wireless Communication Services
- Cost of providing services to all City departments allocated based on annually updated cost allocation plan
- Combined CTM FY 2016 budget \$87.9 million

	General Fund	Austin Energy	Austin Water	Total Requirement
Communications and Technology Management (CTM)	\$26,669,094	\$ 6,946,625	\$ 3,871,271	\$54,059,384
Combined Transportation, Emergency, and Communication Center (CTECC)	\$12,668,646	\$ 9,925	\$ 9,925	\$18,361,368
Wireless Communication Services	\$ 6,752,504	\$ 366,816	\$ 283,472	\$15,475,384
	\$46,090,244	\$ 7,323,366	\$ 4,164,668	\$87,896,136
	52.4%	8.3%	4.7%	100.0%



Utility – Payment for Services

Fleet Services Fund

- Provides full range of services to all City departments by managing lifecycle of all vehicles and equipment including acquisitions, fueling, maintenance, repair, and disposition
- Fleet FY 2016 Projected Revenue \$42.5 million with 93.2% related to providing maintenance service and fuel
 - Austin Energy FY 2016 budgeted fleet cost \$3.4 million
- **Fleet maintenance and repair costs** recovered for maintenance and repair services through a maintenance rate and direct charge for services rendered
- **Fleet fuel costs** recovered based upon actual fuel usage at cost per gallon price determined and updated annually



Utility – Payment for Services

- **Employee Benefits**
 - Funding for employee health benefits program
 - City-wide funded at \$13,140 per full time equivalent for FY 2016
- **Liability Reserve**
 - Funding for settled liability claims/losses allocated based on experience
- **Workers' Compensation**
 - Funding for medical expenses for job-related injuries allocated based on number of employees

	General Fund	Austin Energy	Austin Water	FY 2016 Total Transfers In
Liability Reserve FY 2016	\$ 2,862,000 61.1%	\$ 400,000 8.5%	\$ 400,000 8.5%	\$ 4,686,000 100.0%
Workers' Compensation FY 2016	\$ 6,440,294 51.7%	\$ 1,875,196 15.1%	\$ 1,286,210 10.3%	\$ 12,453,031 100.0%



AE Other Payments for Services

- Other payments for services or reimbursements of expenditures
- Other payments have decreased over time
 - \$15.5 M FY 2010
 - \$ 6.8 M FY 2016
- FY 2016 AE Other Payments – Significant items
 - 311 Call Center \$2.7 M
 - Purchasing staff onsite at AE working directly on AE procurement \$1.5 M
 - Sustainability Office \$1.0 M
 - Building Services Janitorial Services \$0.9 M



FY 2014 Funding Models Revised

- FY 2014 Budget approved revisions to cost sharing funding models
 - Economic Development Department (EDD)
 - 311 Call Center - Allocation basis revised to # of service calls
- Economic Development Department (EDD)
 - Economic Growth and Redevelopment Services Office moved out of Austin Energy and EDD established as stand alone department
 - Costs shared by General Fund, Austin Energy, Austin Water, Austin Resource Recovery based on percentage of gross revenues
 - Phased-in over four years; FY 2017 is last year of transition

Economic Development Fund - Created in FY 2014							
Transfers In	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	2016 Budget
Austin Energy	\$ 8,478,000	9,687,000	9,522,000	9,790,000	11,437,520	8,770,183	9,090,429
General Fund	-	-	-	-	1,280,445	2,098,596	3,396,673
Austin Water	-	-	-	-	614,875	1,148,827	2,011,254
Austin Resource Recovery	-	-	-	-	88,250	159,630	305,689
Critical One-Time	-	-	-	-	-	190,754	-
	\$ 8,478,000	9,687,000	9,522,000	9,790,000	13,421,090	12,367,990	14,804,045



AE Community Programs

- Payments to support various community programs
- Annual total has decreased over time

Austin Energy

(Amount in thousands)

Community Programs (000's)

	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual Close II 2015	Budget 2016
Holly Good Neighbor Program	1,456	918	929	0	0	0	0
Community Programs Unspecified	375	249	52	238	319	296	255
Banquets (booths/tables) for conservation & renewables programs paid to Outside Organizations	121	0	0	0	0	0	0
Grants for Technology Opportunities	150	125	175	175	175	175	175
Clean Air Force (AE)	90	90	90	50	90	90	90
Harvest Foundation African American Boys Conf.	75	75	75	75	75	75	75
African Men & Boys Conference AISD	25	25	0	0	0	0	0
Hispanic Futures Conference	50	0	15	23	0	45	50
Christmas Lighting, Service drops for sponsored events and banner installation	46	29	18	28	23	27	67
Community Mentor Initiative	9	14	15	11	13	11	17
Juneteenth	20	24	29	37	14	16	14
LEAPS - City-wide HRD program for Leadership Education and Public Service	32	0	0	0	32	0	32
Sickle Cell	54	54	54	54	54	86	54
Volunteer Assistance Program per Council Direction	0	0	0	0	600	0	0
Total Community Programs	2,503	1,602	1,452	691	1,394	821	829



City Payments to AE

- City departments pay Austin Energy for services based on cost allocation plans updated annually
 - Billing and collection services
 - 311 call center services - allocation model based on # of service calls
- City departments are 100% **GreenChoice®**
 - **GreenChoice®** Batch 6.21, most expensive batch at \$0.057 per kilowatt (kWh) with end date of December 31, 2021
 - AE's current **GreenChoice®** commercial customer rate of \$0.04695 per kWh is adjusted upon change in Power Supply Adjustment
 - No free electric service for City departments



Appendix

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CPS Energy (San Antonio)



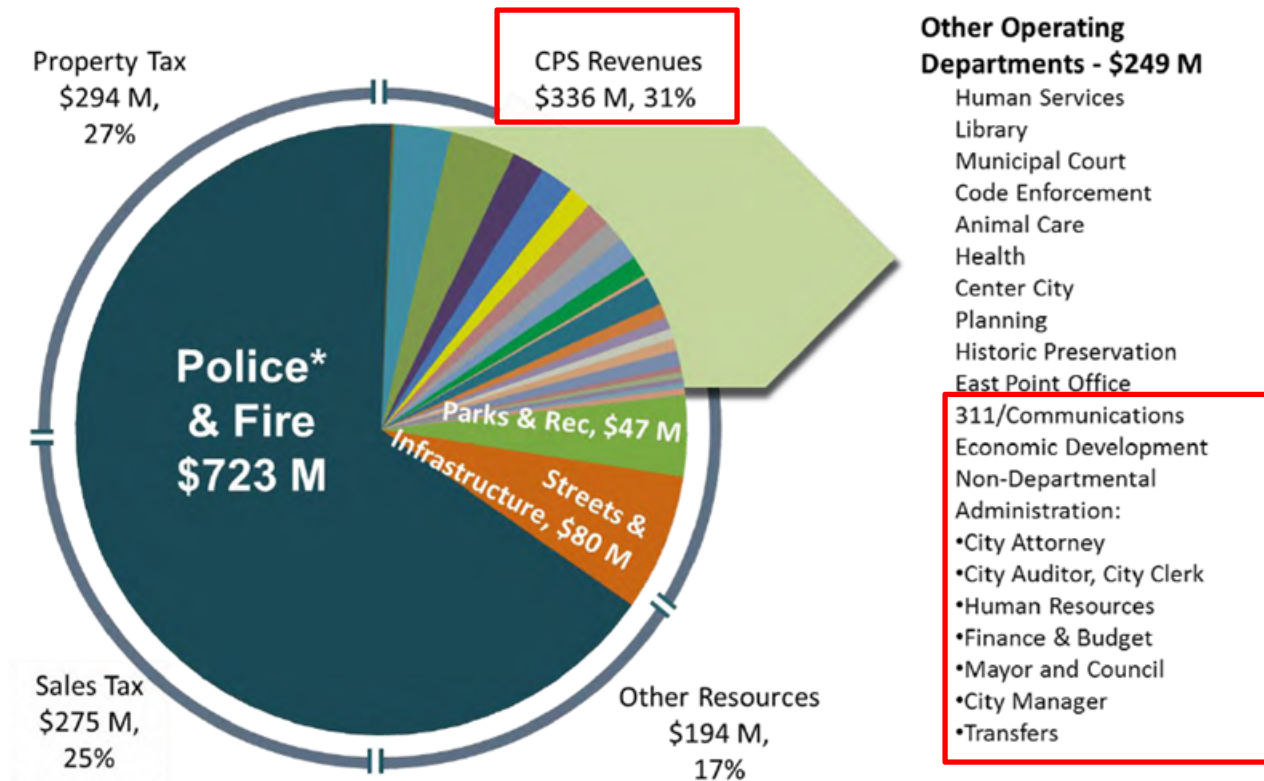
- City acquired electric and natural gas utilities in 1942 with revenue bonds to provide service to San Antonio and surrounding areas
- City Council has authority over utility rates, condemnations, debt
- Utility Revenue Bond Ordinance
 - 6% of Utility gross revenue annually to CPS Energy Repair and Replacement Account
 - **Cash payment and benefits to City of San Antonio General Fund not to exceed 14% of Utility gross revenue**
- City of San Antonio's comprehensive annual financial report (CAFR) includes CPS Energy's financial results
- CPS Energy Transfer to City of San Antonio of \$336 million, 31% of total General Fund Budget for FY 2016



City of San Antonio General Fund Transfer from CPS Energy \$336 M, 31%

FY 2016 Total General Fund Budget

Total General Fund: \$1,098,678,289



* Police Budget includes Parks Police