



MEMORANDUM

TO: Mayor and City Council

CC: Marc A. Ott, City Manager

FROM: Roger Duncan, General Manager

DATE: January 29, 2010

SUBJECT: EUC Resolution regarding the General Fund transfer

As requested by the Electric Utility Commission, I am forwarding to you the following documents related to the General Fund transfer:

1. A resolution drafted and adopted by the Electric Utility Commission on January 25, 2010;
2. A chart created by Austin Energy staff, at the request of the Electric Utility Commission; and
3. A related resolution drafted and adopted by the Electric Utility Commission on February 21, 2009.

Please let me know if you have questions. I can be reached at 322-6157.

A handwritten signature in black ink, appearing to be "RD", is located below the text of the memorandum.

Roger Duncan
General Manager



**A Resolution by the Electric Utility Commission
Regarding the City of Austin's General Fund Transfer Policy
January 25, 2010**

BE IT RESOLVED BY THE ELECTRIC UTILITY COMMISSION:

That the Electric Utility Commission recommends that the City Council direct the City Manager to develop a plan for implementing a new formula for the calculation of the General Fund transfer for the fiscal year beginning October 1, 2010, which meets the following criteria:

1. Substitutes "non-fuel revenues" for "gross revenues" in the current General Fund transfer formula;
2. Is made revenue neutral to the maximum extent feasible by selecting the percentage of non-fuel revenues for the minimum and maximum General Fund transfer that will create the identical range of the minimum and maximum amounts of the General Fund transfer as was created under the current formula in the prior three (3) years; and
3. Will have no adverse impact on Austin Energy's bond rating.

Approved unanimously on January 25, 2010 by members of the Electric Utility Commission:

Phillip Schmandt, Chair
Linda Shaw, Vice Chair
Gary "Bernie" Bernfeld
Shudde Fath
Steve Smaha
Steve Taylor
Dr. Michael Webber

Austin Energy - General Fund Transfer

EUC - January 25, 2010

LEGEND	Actual History	SCENARIO GFT @ % Gross Revenue (Non-fuel)	SCENARIO GFT at 6.6% of Revenue (Gross & Non-Fuel)	SCENARIO GFT as Fixed Rate per kWh	SCENARIO GFT as % Net Income before Transfers
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General Fund Transfer (GFT) (in 000s)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 Budget
GFT % of Revenue	9.1%	9.1%	8.9%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
GFT Amount	\$61,200	\$67,283	\$69,584	\$72,864	\$76,674	\$74,520	\$77,420	\$84,500	\$91,000	\$95,000	\$101,000
GFT - Non-Fuel Revenue	\$50,200	\$53,283	\$53,584	\$55,864	\$57,674	\$55,520	\$55,420	\$58,500	\$60,000	\$63,000	\$66,000
GFT - Fuel Revenue	\$11,000	\$14,000	\$16,000	\$17,000	\$19,000	\$19,000	\$22,000	\$26,000	\$31,000	\$32,000	\$35,000
Fuel as % of Total Revenue	18.4%	20.4%	23.6%	22.9%	25.2%	25.5%	28.3%	31.0%	33.9%	34.3%	34.7%
General Fund Revenue & Transfers In	\$398,097	\$429,685	\$482,844	\$453,596	\$474,292	\$457,825	\$503,977	\$547,780	\$584,877	\$592,373	\$614,915
GFT as % of General Fund Revenue	15.4%	15.7%	14.4%	16.1%	16.2%	16.3%	15.4%	15.4%	15.6%	16.0%	16.4%
SCENARIO GFT based on % of Gross Revenue (Non-Fuel)											
GFT % of Revenue	9.1%	9.1%	8.9%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
GFT Amount	\$61,200	\$67,283	\$69,584	\$72,864	\$76,674	\$74,520	\$77,420	\$84,500	\$91,000	\$95,000	\$101,000
GFT as % of Gross Revenue (Non-Fuel)	11.2%	11.4%	11.6%	11.8%	12.2%	12.2%	12.7%	13.2%	13.7%	13.8%	13.9%
Adjustment to GFT %	2.1%	2.3%	2.7%	2.7%	3.1%	3.1%	3.6%	4.1%	4.6%	4.7%	4.8%
SCENARIO GFT % of Revenue = 6.6%											
SCENARIO GFT % of Revenue = 6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
SCENARIO GFT Amount 6.6% of Gross Revenue	\$ 44,387	\$ 48,799	\$ 51,602	\$ 52,846	\$ 55,610	\$ 54,048	\$ 56,151	\$ 61,286	\$ 66,000	\$ 68,901	\$ 73,253
SCENARIO (6.6%) - GFT based on % of Non-Fuel Revenue	8.1%	8.3%	8.6%	8.6%	8.8%	8.9%	9.2%	9.5%	10.0%	10.0%	10.1%
Adjustment to GFT %	1.5%	1.7%	2.0%	2.0%	2.2%	2.3%	2.6%	2.9%	3.4%	3.4%	3.5%
SCENARIO GFT as Rate per kWh											
GFT Amount	\$61,200	\$67,283	\$69,584	\$72,864	\$76,674	\$74,520	\$77,420	\$84,500	\$91,000	\$95,000	\$101,000
Mwh Sales	10,370,099	10,441,352	10,152,740	10,321,398	10,262,130	10,865,396	11,296,880	11,325,069	12,184,240	12,103,140	12,039,495
GFT Rate per kWh	\$ 0.00590	\$ 0.00644	\$ 0.00685	\$ 0.00706	\$ 0.00747	\$ 0.00686	\$ 0.00685	\$ 0.00746	\$ 0.00747	\$ 0.00785	\$ 0.00839
SCENARIO GFT as % of Income (loss) before contributions & transfers											
GFT Amount	\$61,200	\$67,283	\$69,584	\$72,864	\$76,674	\$74,520	\$77,420	\$84,500	\$91,000	\$95,000	\$101,000
Income (loss) before contributions & transfers	\$197,423	\$170,841	\$171,840	\$189,267	\$66,100	\$184,357	\$185,746	\$166,980	\$189,074	\$100,885	n/a
GFT as % of Income (loss) before contributions & transfers	31.0%	39.4%	40.5%	38.5%	116.0%	40.4%	41.7%	50.6%	48.1%	94.2%	n/a

Austin Energy
Transfers, EGRSO, City Support, Purchases & Payments for Services, Community Programs
Unaudited

January 25, 2010	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009 CI II	Approved 2010
Transfers and Program Funding (000s)																
General Fund Transfer	\$ 57,937	59,937	57,180	57,410	57,991	61,200	67,283	68,933	72,864	76,674	74,520	77,420	84,500	91,000	95,000	101,000
Transfer to GO Debt Service	0	0	0	130	247	411	469	478	489	568	602	457	337	295	293	320
Transfer to Wireless Communication Services Fund (Radio Communication) and Trunked Radio	95	92	85	50	72	82	98	94	49	138	0	82	0	0	0	0
311 Call Center - O&M								0	132	990	1,005	906	3,086	3,673	4,287	5,632
Transfer to Genl Govt CIP Fund	0	407	600	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer to Genl Govt CIP Fund - AE's share of new City-wide Accounting System	0	0	0	0	0	0	0	0	0	0	4,625	0	0	0	0	0
Transfer to Genl Govt CIP Fund - Metz Recreation Center in Holly Neighborhood	0	0	0	0	0	0	0	0	1,000	0	0	0	0	0	0	0
Transfer to Austin Water CIP for SHEC/SAR Levee Cost Reimbursement	0	0	0	0	0	0	0	0	0	0	1,046	0	0	0	0	0
Austin City Hall Conservation Services	0	0	0	0	0	0	0	0	500	1,300	0	0	0	0	0	0
Minority Chambers of Commerce	0	0	0	0	133	133	133	490	133	0	0	0	0	0	0	0
Total Transfers	\$ 58,032	60,436	57,865	57,590	58,443	61,826	67,983	69,995	74,938	79,670	81,798	78,865	87,923	94,968	99,580	106,934
Economic Development (EGRSO) (000s)																
EGRSO - Transfer to Economic Development Fund	\$ 0	0	0	0	0	0	4,239	3,512	3,704	0	0	0	0	0	0	0
EGRSO - Economic Development	0	0	0	0	0	0	0	0	0	3,482	4,824	3,313	3,730	4,080	6,085	6,633
EGRSO - Eco Devel Cultural Arts	0	0	0	0	0	0	0	0	352	668	1,010	761	891	1,113	1,152	1,396
EGRSO - Legal Contracts City-wide	0	0	0	0	0	0	0	0	0	0	330	110	287	169	500	500
EGRSO - RMMA Contingency Catellus	0	0	0	0	0	0	0	0	0	0	320	0	0	0	0	0
Total Economic Development	\$ 0	0	0	0	0	0	4,239	3,512	4,056	4,150	6,484	4,184	4,908	5,362	7,737	8,529
City Support, Purchases & Payments for Services (000s)																
Administrative Support	\$ 5,106	7,425	6,164	5,741	5,889	6,302	6,856	7,972	10,081	10,200	10,507	10,860	12,130	12,755	13,876	14,523
Information System Department	582	612	612	902	5,207	6,574	3,633	3,096	3,547	3,547	3,547	5,738	5,946	6,197	6,053	5,643
Vehicle fuel and maintenance	2,567	2,193	2,233	2,202	2,646	2,837	2,849	2,592	2,687	2,906	3,044	3,317	3,693	3,599	3,947	4,105
Green Choice Conversion Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,000
Liability Reserve	1,405	2,059	2,900	1,065	26	600	600	300	566	677	650	615	597	594	594	594
Workers' Compensation	577	342	311	360	462	522	792	653	673	789	787	534	534	534	534	1,563
Code Red - Emergency Management System													300	0	0	0
Other City Support - Tuition Reimbursement	0	0	0	0	0	0	0	85	85	85	85	85	85	85	0	0
Other City Support - DSMBR Staff Support	0	0	0	0	40	21	30	29	12	0	0	0	0	0	0	0
Other City Support - DSMBR FTE on Loan	0	0	0	0	0	0	0	0	161	101	14	0	0	0	0	0
Other City Support - DSMBR Grants and Contracts for EGRSO	0	0	0	0	0	0	0	0	0	0	0	0	167	0	0	0
Other City Support - One Stop Support	0	0	0	0	0	0	0	0	0	187	183	161	193	157	214	212
Other City Support - Community Mentorship Program	0	0	0	0	0	0	0	0	0	0	0	0	17	0	0	0
Other City Support - Clean Air Force (PECSD)	0	0	0	0	50	50	50	90	0	0	0	0	0	0	0	0
Other City Support - Oak Wilt FTE Back charge to Watershed	0	0	0	0	0	0	0	0	0	0	15	25	0	0	0	0
Employee Bus Pass Program	0	0	0	0	0	0	0	0	0	0	110	110	110	110	110	0
Street Lighting - Public Works	0	0	0	0	0	5,271	5,644	5,650	5,578	5,669	5,740	5,958	6,001	6,165	7,423	6,125
Consolidated operations of Organizational Development and Learning Resource Center - HRD	0	0	0	0	0	0	0	0	1,211	1,131	1,064	1,159	1,118	1,295	1,310	0
Consolidated operations TARA - AE related claims processing support	0	0	0	0	0	0	0	0	1,752	10	8	9	10	0	0	0
Consolidated operations Additional GIS services for AE - CTM	0	0	0	0	0	0	0	0	337	337	103	115	0	0	0	115
Purchasing Back charge for staff dedicated strictly to AE needs	0	0	0	0	748	752	780	1,008	1,048	1,022	919	1,015	1,016	1,084	1,833	1,336

Austin Energy
Transfers, EGRSO, City Support, Purchases & Payments for Services, Community Programs
Unaudited

January 25, 2010	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009 CI II	Approved 2010
APD - Homeland Security Services at power plants	0	0	0	0	0	0	0	904	828	828	904	904	678	906	911	886
Office of City Auditor (OCA) - staff working directly on AE related projects	100	100	100	100	100	100	100	200	200	200	200	240	200	200	200	200
Library - Cards for Outside City Electric Customers	0	0	0	0	0	19	19	14	13	18	6	6	7	13	0	18
Property Rent Kramer Lane Service Center (\$500)	0	0	0	0	0	0	0	0		500	0	500	500	500	0	500
Property Rent Two Commodore (\$114)	0	0	0	0	0	0	0	0		0	114	0	0	0	0	0
Other City Support - Krieg Ball Field Lights	0	0	0	0	0	0	0	0	25	0	0	0	0	0	0	0
Other City Support - Fleet/APD Relocation to Hargrave	0	0	0	0	0	0	0	0	216	8	0	0	0	0	0	0
Other City Support - Fleet Costs: Conversion to Bio-diesel						0	0	0	0	0	0	0	0	0	0	0
Other Purchases - ISD GIS Geographic Info System	0	0	0	87	87	87	0	0	0	0	0	0	0	0	0	0
Other Purchases - DSMBR Bonding & Technical					95	191	200	200	0	0	0	0	0	0	0	0
Other Purchases - APD Current Diversion Investigations	0	0	0	0	0	0	0	0	0	81	82	83	82	82	82	131
Other Purchases - Fixed Assets FTE Back charge	0	0	0	0	0	0	0	0	35	54	56	47	48	0	0	0
Other Purchases - Fixed Assets FTE/eCOMBS Support Back charge	0	0	0	0	0	0	0	0	0	0	0	0	0	295	442	400
Other Purchases - HRD Succession Planning Assistant Director (partial)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7
Other Purchases - Maximo Back charge - CTM 3 FTEs -108177,107182,111997	0	0	0	0	0	0	0	0	0	0	0	160	0	0	0	0
Other Purchases - Building Services (Janitorial Svcs)	0	0	0	0	0	0	0	0	31	26	22	35	23	30	22	0
Other Purchases - CTM Rebate Check processing	0	0	0	0	0	0	0	0	32	32	32	32	0	0	0	0
Other Purchases - Green Building Program Energy Inspections	0	0	0	0	0	0	0	0	125	125	125	184	184	184	171	180
Other Purchases - Lobbyist Paid to Outside Organization	0	0	0	0	0	0	0	0	189	249	248	150	121	90	90	206
Other Purchases - Voice of the Citizen Survey	0	0	0	0	0	0	0	0	0	0	21	25	14	20	42	0
Other Purchases - Legal Dept Continuing Education for Law Dept Attorneys	0	0	0	0	0	0	0	0	0	0	12	12	12	12	0	12
Mail Distribution	37	31	43	42	43	20	23	31	23	32	0	10	0	1	0	0
Records Retention	2	0	0	0	15	20	19	16	29	30	28	22	25	22	32	38
Reorganization - Clean Air Program	0	0	0	0	0	0	0	0	0	0	275	261	306	333	340	208
Other - FLEXTRA Administration				24	25	26	26	26	23	23	26	27	0	0	30	0
Other - Drug/Alcohol Testing									7	11	5	5	5	5	5	11
Other - Unspecified	0	0	0	0	0	0	0	0	0	0	169	190	605	0	0	0
Total City Support, Purchases & Payments for Services	\$ 10,377	12,762	12,363	10,523	15,433	23,392	21,621	22,866	29,514	28,878	29,101	32,594	34,727	35,268	38,259	38,013

Community Programs (000s)

Austin Music Network	\$ 0	0	0	0	0	0	130	130	130	0	0	0	0	0	0	0
LEAPS - City-wide HRD program for Leadership Education and Public Service	0	0	0	0	0	0	0	33	30	30	30	30	30	30	32	32
Mexico Trade Center - Paid to Outside Organization	0	0	0	0	0	0	0	0	44	0	0	0	0	0	0	0
Sickle Cell	0	0	0	0	0	0	0	34	50	50	63	50	36	50	53	54
ACEEE - Americorp Program														0	0	0
Grants for Technology Opportunities	0	0	0	0	0	0	0	100	100	90	90	90	90	90	150	150
Jump On It								72	0	0	0	0	0	0	0	0
Farmers Market								32	0	0	0	0	0	0	0	0
PARD program - Jump On It	0	0	0	0	0	0	0	72	0	0	0	0	0	0	0	0
Farmers Market - Not monetary. Supplies only.	0	0	0	0	0	0	0	32	0	0	0	0	0	0	0	0

Austin Energy

Transfers, EGRSO, City Support, Purchases & Payments for Services, Community Programs

Unaudited

January 25, 2010	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009 CI II	Approved 2010
Christmas Lighting, Service drops for sponsored events and banner installation								0	44	50	137	97	112	80	199	67
Physical Education - City Race Sponsorship	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0
AMX Musicians - sponsorship for City Employee																
Organization - African American Heritage Network	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0
Clear Air Force (AE)	0	0	0	0	0	0	0	0	90	90	90	90	90	90	0	90
MLK Parade - Paid to Outside Organization	0	0	0	0	0	0	0	0	5	7	5	3	0	0	0	5
Juneteenth - Paid to Outside Organization	0	0	0	0	0	0	0	0	0	0	5	1	8	7	13	7
Renewable Roundup - Paid to Outside Organization for Banquet Table	0	0	0	0	0	0	0	0	5	5	0	5	3	0	0	5
Fine Arts Fest - Paid to Outside Organization	0	0	0	0	0	0	0	0	5	5	8	0	0	0	0	0
Banquets (booths/tables) for conservation and renewables program Paid to Outside Organization (Renewable ASE)	0	0	0	0	0	0	0	0	15	8	0	0	0	0	15	0
Blue Santa - APD	0	0	0	0	0	0	0	0	0	6	0	0	0	0	0	0
6th St. Public Improvement Dist.	0	0	0	0	0	0	0	0	0	0	44	44	44	44	44	44
Children's Museum - Paid to Outside Organization	0	0	0	0	0	0	0	0	0	0	0	25	25	0	0	25
Chamber of Commerce "Opportunity Austin" Program	0	0	0	0	0	0	0	0	0	0	288	234	139	207	305	350
Community Programs Unspecified	0	0	0	0	0	0	0	90	10	32	160	279	194	210	217	127
Total Community Programs	\$ 0	0	0	0	0	0	130	595	528	373	920	961	771	808	1,027	956
CIP Projects (Non-transfers) (000s)																
311 Call Center - CIP	0	0	0	0	0	0	0	0	0	0	0	1,401	1,380	0	0	0
CIP Reimbursement (SH45/Loop1)	0	0	0	0	0	0	0	0	0	0	2,196	0	0	0	0	0
Total CIP Projects (Non-transfers)	\$ 0	0	0	0	0	0	0	0	0	0	2,196	1,401	1,380	0	0	0
Grand Total including GFT (000s)	\$ 68,409	73,197	70,228	68,113	73,876	85,218	93,973	96,968	109,036	113,071	120,499	118,005	129,709	136,406	146,603	153,107

Payments for Services are not unique to Austin Energy. For many of them, all departments are charged according to usage or a predetermined allocation formula. For example (Liability Reserve, Workers' Compensation, Administrative Support, Information Systems, Vehicle fuel and maintenance, Mail distribution, etc.)

**Resolution of the Electric Utility Commission
Regarding the General Fund Transfer
February 21, 2009**

The Electric Utility Commission makes the following findings:

- A.** Every year Austin Energy transfers to the City of Austin's general fund a percentage equal to between 6.6% and 9.1% of Austin Energy's gross revenues, with the City Council establishing the exact percentage each year as part of the annual budget process;
- B.** Since 1999 Austin Energy has transferred 9.1% of its gross revenues to the City of Austin General Fund every year, except 2002 when the transfer was 8.2% of gross revenues;
- C.** The General Fund Transfer from Austin Energy to the City of Austin has risen from almost \$58 million in 1999 to an estimated \$95 million in 2009, an increase of 63%;
- D.** Much of the growth in the amount of the General Fund Transfer has been due to rising fuel costs, which are treated as revenue even though Austin Energy makes no profit on fuel;
- E.** Austin Energy does not earn a profit on fuel revenues, but instead passes through its fuel costs without mark up to customers;
- F.** Fuel revenues have grown from 18% of Austin Energy's annual gross revenues in 1999 to an estimated 35% of gross revenues in 2009;
- G.** in 1999 the general fund transfer represented 33.3% of Austin Energy's net income before transfers and in 2007 that percentage had risen to 47.7% of Austin Energy's net income before transfers;
- H.** It is not sustainable that Austin Energy continue to transfer close to one half of its net income before transfers to the City of Austin;
- I.** There is a structural problem in calculating the amount of money to be transferred from Austin Energy to the City of Austin by including fuel revenues on which Austin Energy earns no profit, which will be exacerbated in the future by further volatility or increases in fuel costs;
- J.** Including fuel revenues in the formula to determine the General Fund Transfer may expose the City to reductions in the General Fund Transfer in times of declining fuel prices;
- K.** If this structural problem is not resolved soon enough, it may lead to Austin Energy being required to increase its utility rates prematurely to cover the cost of the General Fund Transfer and thereby making Austin less affordable for home owners and businesses alike;
- L.** If this structural problem is not resolved soon enough, it may lead to reduced external ratings of Austin Energy's long-term viability as a utility for purposes of borrowing money;
- M.** This structural problem could be eliminated by calculating the General Fund Transfer on the basis of non-fuel revenues received by Austin Energy;

N. if the General Fund Transfer had been calculated on the basis of non-fuel revenues between the years 1999 – 2009, then the percent of non-fuel revenues that would have achieved the equivalent transfer as 6.6% of gross revenues (the minimum transfer allowed under today's ordinances) would have averaged 8.5 % of annual non-fuel revenues and the percent of non-fuel revenues that would have achieved the equivalent transfer as 9.1% of annual gross revenues (the maximum transfer allowed under today's ordinances) would have averaged 12.5% of non-fuel revenues.

Based on the findings above, the EUC recommends that for the 2011 Fiscal Year the City Council adopt a General Fund Transfer formula that:

1. substitutes “non fuel revenues” for “gross revenues” in the current General Fund Transfer formula;
2. Specifies that the annual minimum General Fund Transfer be set at 8.5% of annual non fuel revenues; and
3. Specifies that the annual maximum General Fund Transfer be set at 12.5% of annual non fuel revenues.