



**Council Audit and Finance Committee Meeting  
Wednesday, January 25, 2012  
MINUTES**

**Minutes were approved at the February 23, 2012 Meeting**

THE AUSTIN CITY COUNCIL AUDIT AND FINANCE COMMITTEE CONVENED ON WEDNESDAY, JANUARY 25, 2012 AT 10:00 A.M. IN CITY HALL COUNCIL CHAMBERS, FIRST FLOOR, ROOM 1001, CITY HALL, 301 W. 2<sup>nd</sup> STREET.

The meeting was called to order at 10:08 a.m. by Chair Sheryl Cole. In attendance were Council Member Bill Spelman, Council Member Laura Morrison, and Council Member Kathie Tovo.

**Agenda Item #1:** Citizen Communication

*Lanetta Cooper, representing the Texas Legal Service Center, stated that she hoped the Office of the City Auditor presented a range of rate effects as part of their audit of the Austin Energy Rate Proposal. Also, that such an audit should have looked at the time value of the possible outcomes; how the reserve funds were spent, including those that should be spent on specific purposes; whether the rate proposal followed standards such as the principal of matching revenues to expenditures, and also the effects of other revenues due to their customers.*

*Several Council Members had specific questions for Ms. Cooper, and Chair Cole stated that the Office of the City Auditor's audit of the Rate Proposal was not complete. She explained that Council would use all of its resources to ensure that all elements of the Rate Proposal are reviewed, including an overview of Austin Energy's financial policies, including those covering the Debt Service Coverage; Capital Expenditures, and the matching of revenues and expenditures.*

**Agenda Item #2:** Approval of the October 25, 2011 minutes

*The minutes of the December 6, 2011 meeting of the Audit & Finance Committee were approved on Council Member Morrison's motion, seconded by Council Member Tovo, with a 4-0 vote.*

**Agenda Item #3:** Presentation of the City Auditor's 2011 Accomplishments Report (City Auditor's Office)

*Ken Mory, City Auditor, presented the Office of the City Auditor's FY 2011 Accomplishments Report.*

*Council Members Morrison and Spelman and Mayor Pro Tem Cole thanked the City Auditor and his Staff for their work during FY 2011. Mayor Pro Tem Cole added that she anticipates more work on the Austin Energy Rate Proposal, and that while she cannot define the scope of that work yet, she wanted the public to know that there is a process to adjust the OCA's service plan in order to accommodate the additional work to be performed.*

**Agenda Item #4:** Presentation of the Quarterly Financial Reports (Financial and Administrative Services Department)

*Ed Van Eenoo, the City's Budget Officer, presented the City's General Fund Update for FY 2011, noting that the FY ended with a surplus of \$13.2 million better than estimated. That surplus, he noted, would go towards increasing the General Fund reserves as well as purchasing replacement vehicles. He also noted that the FY 2012 Budget is "balanced without tapping into reserves for operations".*

*Council Members Spelman, Morrison, and Tovo asked about reserve levels and their affect on the City's bond ratings.*

*Elaine Hart, Austin Energy's CFO, presented the Austin Energy Financial Update for the FY 2011, highlighting the fact that AE was able to maintain their credit ratings for the year, and that actual revenues exceeded requirements by about \$2.8 million.*

*Council Members Tovo, Spelman, and Morrison asked about their reserve levels and asked for a chart showing AE's reserve funds, matched to policies, targets, actual, uses, and some basic facts as well when the individual policies were adopted and the rationale for the policies set for each reserve fund.*

*Chair Cole asked that the Austin Water Financial Update for FY 2011 be postponed until the next meeting in order to allow time for presentation of Agenda Item #5.*

**Agenda Item #5:** Presentation and acceptance of the Austin Energy Rate Proposal\* Audit (City Auditor's Office)

Note: Although this item was original posted as "Presentation and acceptance of the Austin Energy Rate Case Audit", Chair Cole explained that the audit was of the "Rate Proposal" because at this point a "Rate Case" has not been presented to the Public Utility Commission of Texas.

*Walt Persons, Assistant City Auditor, presented the results of the Austin Energy Rate Proposal Audit.*

*Council Member Spelman had several questions regarding the Debt Service Ratio, bond rating agency criteria, and reserve funds. However, based on the time, Mayor Pro Tem Cole recommended a Council Worksession to work through the elements of the Rate Proposal with Austin Energy and City Auditor personnel.*

*The meeting was adjourned at 12:01 p.m. on Council Member Morrison's motion, seconded by Council Member Tovo, with a 4-0 vote.*

*However, noting that the public has already asked for the information from the City Auditor's report on the Austin Energy Rate Proposal Audit, Chair Cole reconvened the meeting at 12:04 pm and explained that a vote to accept the Audit Report was necessary in order to release the report to the public. On Council Member Morrison's motion, seconded by Chair Cole, the report was accepted with a 4-0 vote.*

**Agenda Item #6:** Presentation and acceptance of Austin Energy Customer Assistance Program Audit (City Auditor's Office)

*Chair Cole tabled this item until the next meeting. However, upon reconvening, the report was accepted by Council Member Spelman's motion; seconded by Council Member Tovo with a 4-0 vote, in order to release the report to the public.*

*The meeting was adjourned at 12:07 p.m. on Council Member Spelman's motion, seconded by Council Member Morrison, with a 4-0 vote.*