

A G E N D A



Recommendation for Council Action

Austin City Council Special Called Meeting	Item ID	35514	Agenda Number	1.
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Meeting Date:	8/14/2014	Department:	Austin Energy
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Subject

Approve an ordinance amending the Fiscal Year 2013-2014 Austin Energy Operating Budget (Ordinance No. 20130909-001) to transfer \$30,000,000 from the Austin Energy Operating Fund to the Austin Energy Strategic Reserve Fund; increasing the Strategic Reserve Fund's contingency balance and moving the balance closer to complying with Austin Energy's financial policies for reserves.

Amount and Source of Funding

Funding in the amount of \$30,000,000 is available from the ending balance of the Fiscal Year 2013-2014 Operating Budget of Austin Energy.

Fiscal Note

A fiscal note is attached.

Purchasing Language:	
Prior Council Action:	September 9, 2013 - Approved the Fiscal Year 2013-2014 Operating Budget of Austin Energy, Ordinance No. 20130909-001. August 7, 2014 - Council postponed this item to the August 14 th Council Committee on Austin Energy and Austin City Council Special Called Meeting.
For More Information:	Jeff Vice, Director, Local Government Issues (512) 322-6087; Ann Little, Sr. Vice President, Finance and Corporate Services (512) 322-6148.
Boards and Commission Action:	July 21, 2014 - Recommended by the Electric Utility Commission on a vote of 6-0-1 with Commissioner Fath abstaining.
MBE / WBE:	
Related Items:	

Additional Backup Information

Austin Energy is seeking approval of this budget amendment to transfer cash resources from the Operating Fund to the Strategic Reserve Fund to move closer to complying with financial policies for adequate reserves.

In order to ensure financial stability, Austin Energy implemented in FY 2012-13 its first base rate increase and restructuring of rates in over 18 years. Austin Energy's goal was to keep rates affordable while ensuring the continued financial health of the utility.

Restructuring of long-term outstanding debt occurred in early FY 2013 when Austin Energy sold bonds in the financial market and was upgraded by Standard & Poor's from A+ to AA- with a Stable outlook. This restructuring saved the utility over \$40 million in debt service payments during the fiscal year. The restructuring combined with tighter controls on spending and more adequate recovery of costs through the new rates allowed Austin Energy to finish the year with a positive cash balance that will enable the requested transfer to the Strategic Reserve Fund.

Austin Energy is currently not in compliance with financial policies regarding reserves. The contingency portion of the Strategic Reserve should have a minimum of 60 days of operations and maintenance costs less fuel and purchased power. The reserve currently is short of meeting this requirement by over \$50 million. This budget amendment will move the utility closer to meeting this financial policy minimum and continue to strengthen the financial health of the utility.