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TO: JERR VICE, FAX 512-322-6295
FROM: SHULDE FATH, 512-442-2718
DATE: AUGUST 12, 2014
SUBJECT: EUC'S AUGUST 18, 2014 AGENDA

PLEASE INCLUDE THE FOLLOWING ITEMS
AS BACKUP TO THE BUDGET AGENDA ITEM
ON AUGUST 18, 2014:

AUGUST 15, 2011 EUC RESOLUTION

AUGUST 20, 2012 EUC RESOLUTION

AUGUST 21, 2012 IN FACT DAILY ARTICLE

COUNCIL MEMBERS DEBATE AUSTIN

ENERGY'S ECONOMIC DEVELOPMENT
FUNDING

**Electric Utility Commission
Resolution
August 15, 2011**

WHEREAS, the Electric Utility Commission is concerned that using Austin Energy monies to pay for the Economic Growth & Redevelopment Services Office's (EGRSO) budget may increase the likelihood that Austin Energy's new rates are appealed to the Public Utility Commission (PUC);

WHEREAS, the Electric Utility Commission is concerned that using Austin Energy monies to pay for EGRSO's budget may weaken Austin Energy's ability to defend its new rates if Austin Energy's new rates are appealed to the PUC;

WHEREAS, the Electric Utility Commission has recommended for several consecutive years that requiring Austin Energy to fund a department, such as EGRSO, that Austin Energy does not oversee is a bad business practice that leads to waste;

WHEREAS, inadequately funding energy efficiency is poor planning for the utility;

WHEREAS, having a Repair and Replacement Fund for the utility with close to zero dollars is not prudent planning;

THEREFORE, the Electric Utility Commission recommends approving the proposed FY 2012 Budget, subject to eliminating Austin Energy's funding of EGRSO and applying those funds to restore Austin Energy's energy efficiency programs to last year's levels and the remainder applied to Austin Energy's Repair and Replacement Fund.

This resolution was unanimously approved by the members of the Electric Utility Commission at their regularly-scheduled meeting on August 15, 2011.

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

**A Resolution by the Electric Utility Commission
August 20, 2012**

WHEREAS, since at least 2007 the Electric Utility Commission (EUC) has annually recommended that ratepayers not be required to fund the Economic Growth and Redevelopment Services Office (EGRSO), particularly if Austin Energy is unable to control the spending of money it contributes to that office;

WHEREAS, Austin Energy's transfer to EGRSO has grown from \$4.2 Million in 2001 to \$8.5 Million in 2009; to \$9.8 Million in 2010 – 2011 and is projected to be 11.4 Million in 2012-2013;

WHEREAS, the City Manager has instructed staff to include 100% funding of EGRSO within Austin Energy's proposed budget without seeking or allowing input from the public;

WHEREAS, Austin Energy has taken great strides in increasing transparency in decision making in the last several years;

WHEREAS, requiring Austin Energy to fund a City department that is not controlled by Austin Energy does not promote transparency and does not promote Austin Energy's mission to "deliver clean, affordable, reliable energy and customer service";

WHEREAS Austin Energy's Repair and Replacement Fund has been reduced to zero contrary to prudent management as reflected in the City's Financial Policies;

WHEREAS, Austin Energy was required to transfer \$25 Million from its Strategic Reserve Fund in 2011-2012 to overcome operating deficits and projects to transfer an additional \$10 Million from the Strategic Reserve Fund in 2012-2013 for the same reason;

THEREFORE, BE IT RESOLVED, that the proposed 2012 – 2013 budget for Austin Energy is NOT APPROVED unless the approximately \$11.4 million allocated for EGRSO be DELETED and those monies be spent on either replenishing the Repair and Replacement Fund or the Strategic Reserve Fund.

This resolution was unanimously approved by the Electric Utility Commission on August 20, 2012, on a motion by Chair Phillip Schmandt and seconded by Commissioner Shudde Fath, with affirmative votes by Vice-Chair Linda Shaw and Commissioners Gary 'Bernie' Bernfeld and Steve Smaha.

Council members debate Austin Energy's economic development funding

By Mike Kanin

Austin City Council members continued to push city staff and Austin Energy officials on the substantial size of the utility's contribution to the budget of the city's Economic Growth and Redevelopment Services Office (EGRSO).

The discussion reflected a bit of *sturm und drang* over how best to use the revenue streams collected by Austin's enterprise entities.

During the afternoon portion of Wednesday's budget hearings, Council Members Chris Riley, Laura Morrison, and Kathie Tovo renewed concerns repeatedly expressed by Council members and the city's Electric Utility Commission that Austin Energy's contribution to funding EGRSO is outsized. In the city's proposed fiscal year 2013 budget, Austin Energy is slated to take care of just over 98 percent of the office's funding.

"Every time we've raised this issue for years, we've been told, 'Oh we'll work on that,' and for years it was 'Oh we'll get to that during the rate case.' So we raise it during the rate case and here we are after the rate case. And still, no change," said Riley, referring to Austin Energy's rate hike slated to go into effect in Oct. 1. "Can we just get a straight answer as to what we expect to be doing with EGRSO?"

Wednesday's discussion comes in the wake of Monday's Council debate over the shrinking of the city's Sustainability Fund. That reserve account was originally intended to provide fiscal support for a host of city efforts. However, the city's FY2013 budget begins to remove contributions from city departments previously committed to backing the Sustainability Fund.

On Monday, City Manager Marc Ott told Council members that changes in the Sustainability Fund were a reflection of the discussion they engaged in during Austin Energy's rate increase hearings about the utility-supporting programs that might be better funded through the city's General Fund. Tovo and Morrison worried that the fiscal shift might represent a policy decision made without Council input (see *In Fact Daily*, August 21, 2012).

Council members also seemed unclear as to whether the issue of Austin Energy serving as EGRSO's prime fiscal backer had been resolved. Those questions carried over into Wednesday's hearing.

After implying that he'd have to turn the answer over to City management, Austin Energy General Manager Larry Weis offered Riley an indirect response. "It is very normal for a utility, particularly the size of Austin Energy, to work very closely with economic development organizations to help grow our business," he said.

Riley noted that he was fine Austin Energy contributing to EGRSO's budget, but he asked that the other city enterprise funds also kick in a proportionally fair amount.

After acknowledging Council members' discussion of EGRSO funding during the rate case, Ott stepped in with a cryptic response to Riley's question. "It's not that it was not talked about in the course of the budget development process," he said. "We did talk about it. In fact, we talked about various scenarios, some that were ... substantial."

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Ott continued: "But it is, in our view, complicated by the prospect of the rate case – and it's hard for me to really talk about it beyond that. But our decision in that regard was complicated by that issue. I'm feeling really compelled to stop there."

Later, Mayor Lee Leffingwell took a stab at decoding Ott's response. "I respect the city manager's concerns that we are in a different circumstance right now given legal concerns with Austin Energy's rates," he said.

Ott and Leffingwell may be hinting at the substantial challenge Austin Energy faces in light of its recent rate increase at both the **Texas Public Utility Commission** and the state Legislature. Out-of-city ratepayers, who've complained they lack representation in Austin Energy's governance structure, have submitted petitions that could pit them against the utility in front of the commission in an appeal of the rate hike.

Worse, storm clouds continue to gather at the Capitol over another potential attempt to deregulate Austin's electric market.

For his part, the city's **Budget Director Ed Van Eenoo** said he wants to explore the funding status of both EGRSO and the Sustainability Fund "holistically." He echoed Ott's statement that staff had begun to move a relatively small portion of money from the Sustainability Fund back to the General Fund as "really a first step at trying to take this broader look at what do enterprise operations fund and what makes sense."

Despite OK from city, couple's new duplex stymied by neighborhood group

By Elizabeth Pagano

An oversight by the city, an unaware property owner and a watchful neighborhood created the perfect storm, putting a halt to the construction of a couple's home.

The result? A retired couple hoping to build a duplex in Cherrywood were shocked when, after moving forward with city-approved plans, their permit was suspended following a complaint from the neighborhood. They went to the **Board of Adjustment** last week to plead their case.

John Kinney, who owns the property at 3305 Dayzette Avenue, was startled by the complaint by neighbors, who noticed the planned garages ran afoul of the **Upper Boggy Creek Neighborhood Plan**.

"We were stunned," Kinney said. "We had no idea that anybody could come in and trump a city-issued building permit at any time during the construction."

The city issued the Kinneys a permit in May, and they proceeded with construction. The foundation for the project was completed on June 14.

However, a June 11 complaint by **Girard Kinney** (no relation) on behalf of the **Cherrywood Neighborhood Association** instigated an investigation of the parking and garage placement of the duplex. The city ordered a halt to the construction – the same day that the Kinneys completed the foundation.

Though John Kinney believes he has since brought the parking issue into compliance, problems with the garages remain. He is seeking a variance to allow the garage to be constructed as planned, citing economic disaster for him, and an abandoned foundation for the neighborhood, as hardships. He also argued that the slope of the lot, which places the majority of the garages below street level, mitigated the impact of the design.

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