



Austin Energy

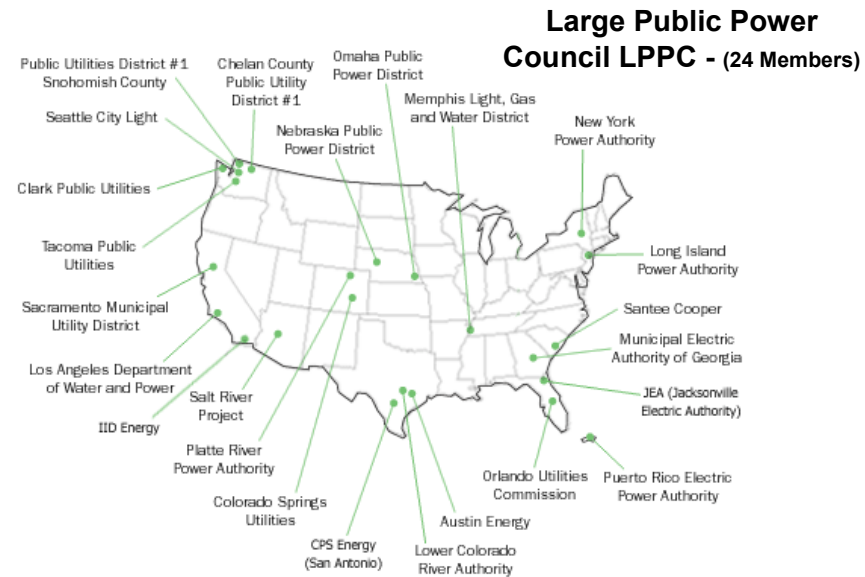
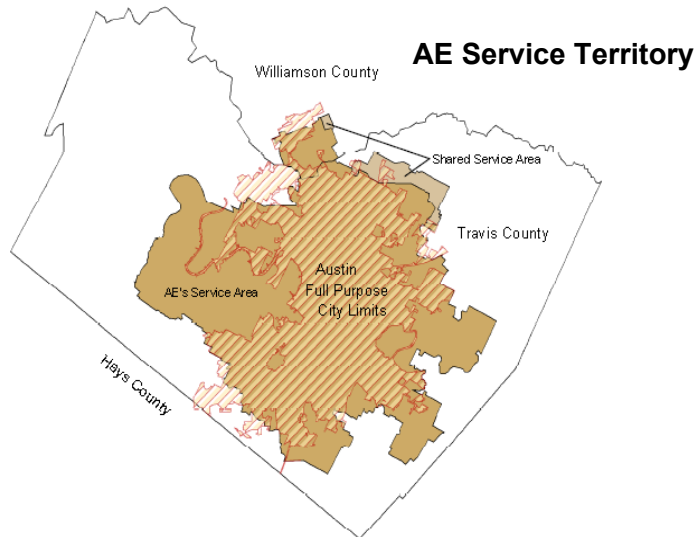
Fiscal Year 2008-09 Proposed Budget

Roger Duncan
General Manager



Overview

- ▶ 9th largest public power electric utility in U.S.
- ▶ Over \$3.5 billion assets
- ▶ Over \$1.0 billion annual revenue
- ▶ 437.06 square mile service territory
 - ▶ City of Austin and parts of Travis & Williamson Counties
- ▶ Electric provider for 390,000+ customers
- ▶ 1,716.75 full time employees





Budget Highlights

Proposed Budget \$1,379.7M

OPERATING

- ▶ \$1.3 billion revenue
 - ▶ 89% service area sales
 - ▶ No base electric rate increase since 1994
- ▶ Cost increases reflect higher fuel & commodity prices
 - ▶ Natural gas
 - ▶ Transportation of coal to Fayette Power Plant
- ▶ 37.5 new FTEs
 - ▶ Customer demand (26.5)
 - ▶ Implement technology improvements (11.0)

CAPITAL

- ▶ 1.0 billion 5-year plan
 - ▶ \$347.5 million in 2009
- ▶ Supports energy delivery, power production & customer service
 - ▶ Distribution, distribution substations & transmission
 - ▶ 100 MW generation peaking capacity at Sand Hill Energy Center
 - ▶ Customer Information System replacement

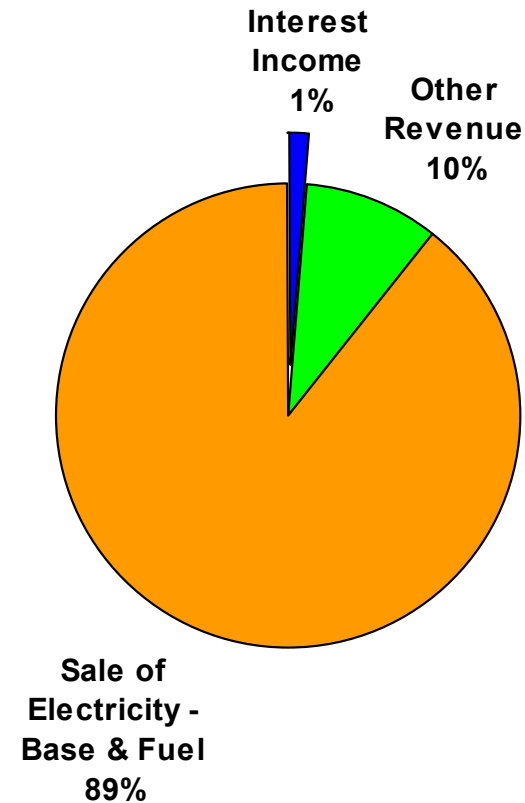


AE 2009 Sources

- ▶ Base rate
 - ▶ In place since 1994
 - ▶ No rate increase
 - ▶ 2.2% annual growth in base revenue
- ▶ Fuel rate
 - ▶ Expect increases for rising fuel costs

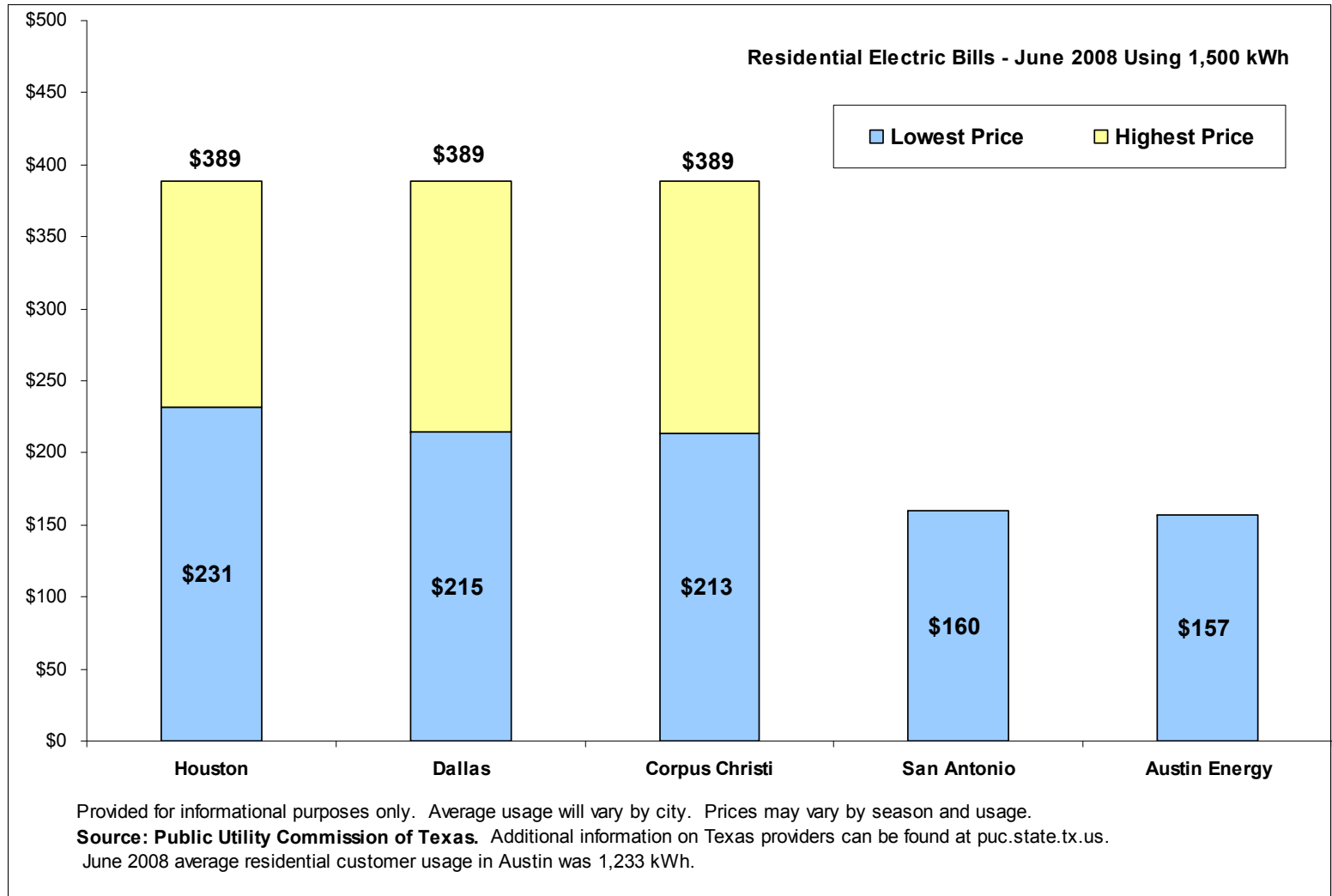
2009 Revenue \$1,276.5 M

Excludes Transfers In \$43.2 M





Rate Comparison- Major Texas Cities

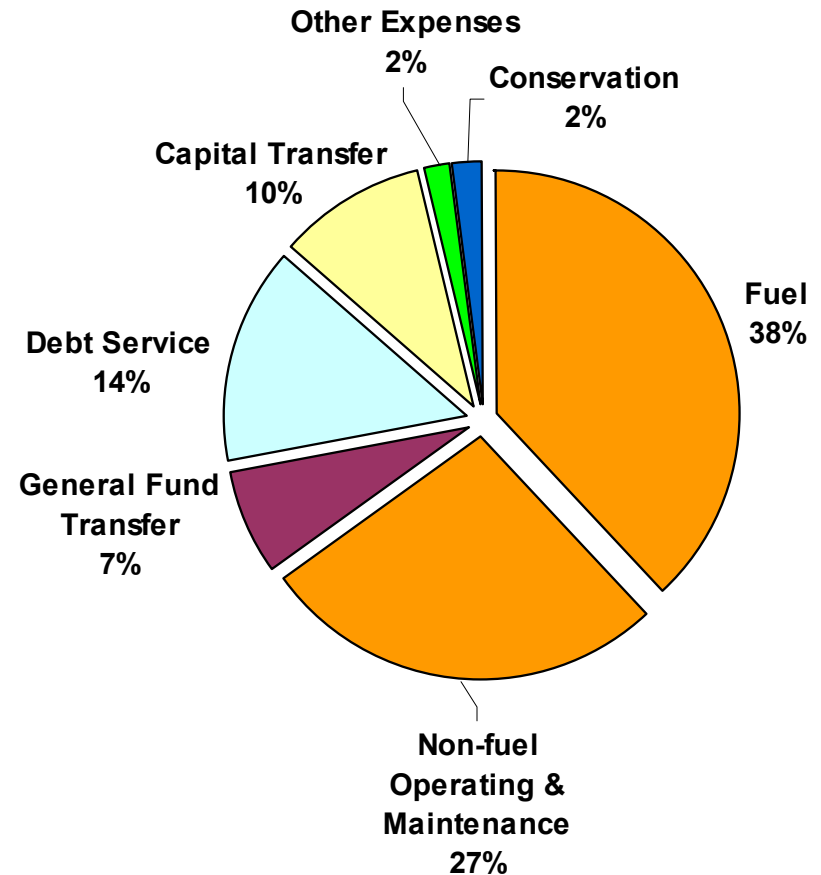




AE 2009 Requirements

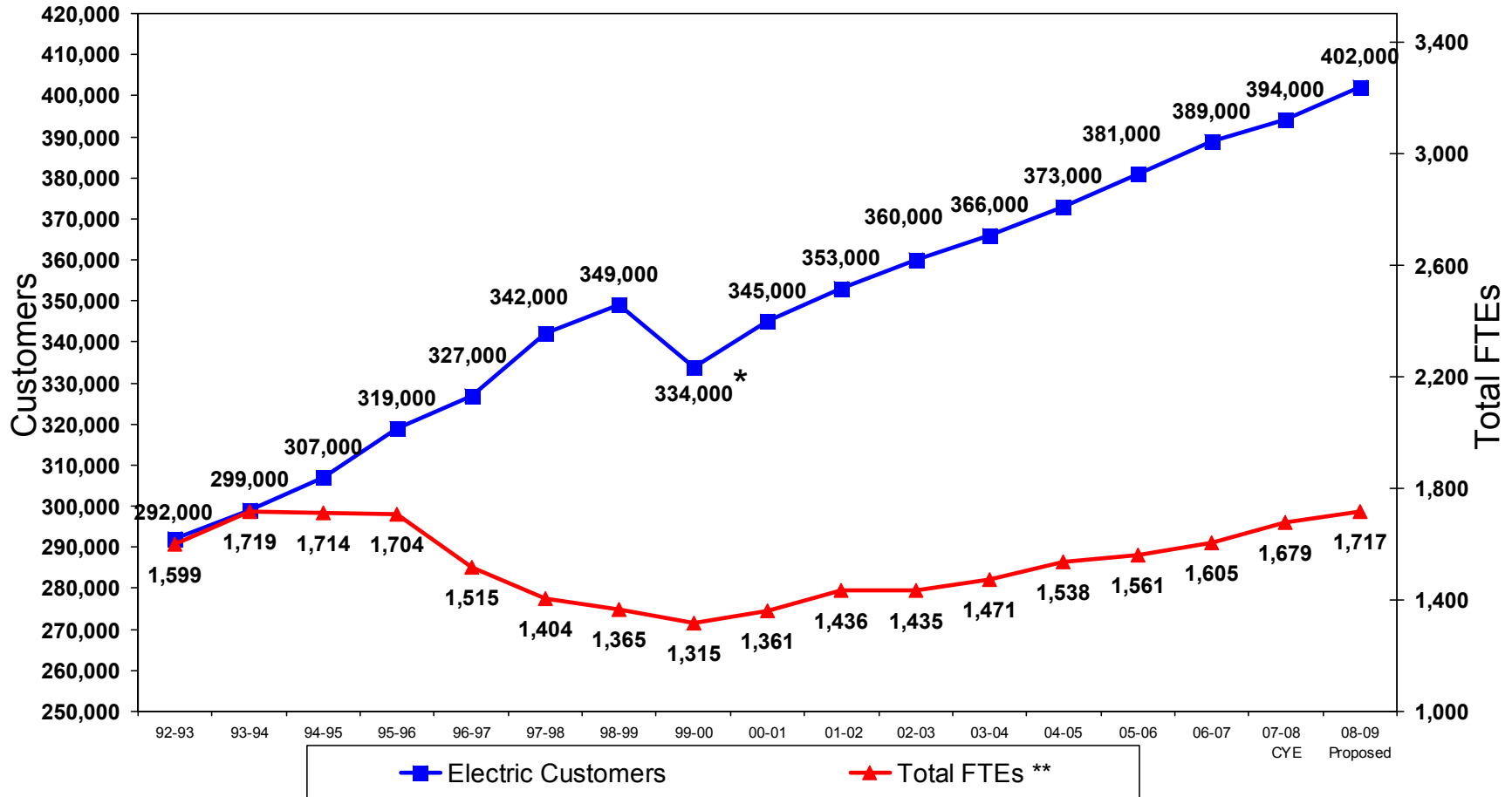
- ▶ Operating
 - ▶ Fuel
 - ▶ Non-fuel
- ▶ Capital improvements
 - ▶ Debt service
 - ▶ CIP transfer
- ▶ General Fund transfer

2009 Requirements **\$1,379.7 M**





Customers & Employees (FTEs)



* 2000 restatement of customers during billing system conversion.

** FTE count history adjusted for Utility Customer Service Office & Environmental/Conservation Services now consolidated with Austin Energy.



Budget Highlights New FTEs

FTE Request - FY2009	37.50	\$	2,809,101
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Amount includes salary and benefits.

- ▶ Total proposed FTEs 1,716.75
- ▶ 36.5 new FTEs, 1 transfer from Human Resources
Focus on service investments
 - ▶ Customer demand (26.5)
 - ▶ Electric Service Delivery (8.5)
 - ▶ Customer Care & Marketing (7)
 - ▶ Distributed Energy Services (4)
 - ▶ Corporate Communications (3)
 - ▶ Workforce Development (1)
 - ▶ Environmental Care & Protection (1)
 - ▶ Economic Growth & Redevelopment Services Office (EGRSO) (2)
 - ▶ Implement technology improvements (11.0)
 - ▶ Information Technology (8)
 - ▶ Electric Service Delivery (2)
 - ▶ Workforce Development (1)



5-Year Capital Spending Plan

Austin Energy Capital Program	FY 2009-2013 Spending (in Millions)	%
Customer Service, Billing & Meters	\$40.9	4%
Electric Service Delivery	\$521.1	51%
Power Production	\$334.6	32%
Other *	\$136.5	13%
TOTAL	\$1,033.1	100%

*Other includes Alternate Energy, Distributed Energy, District Cooling, Facilities & Security



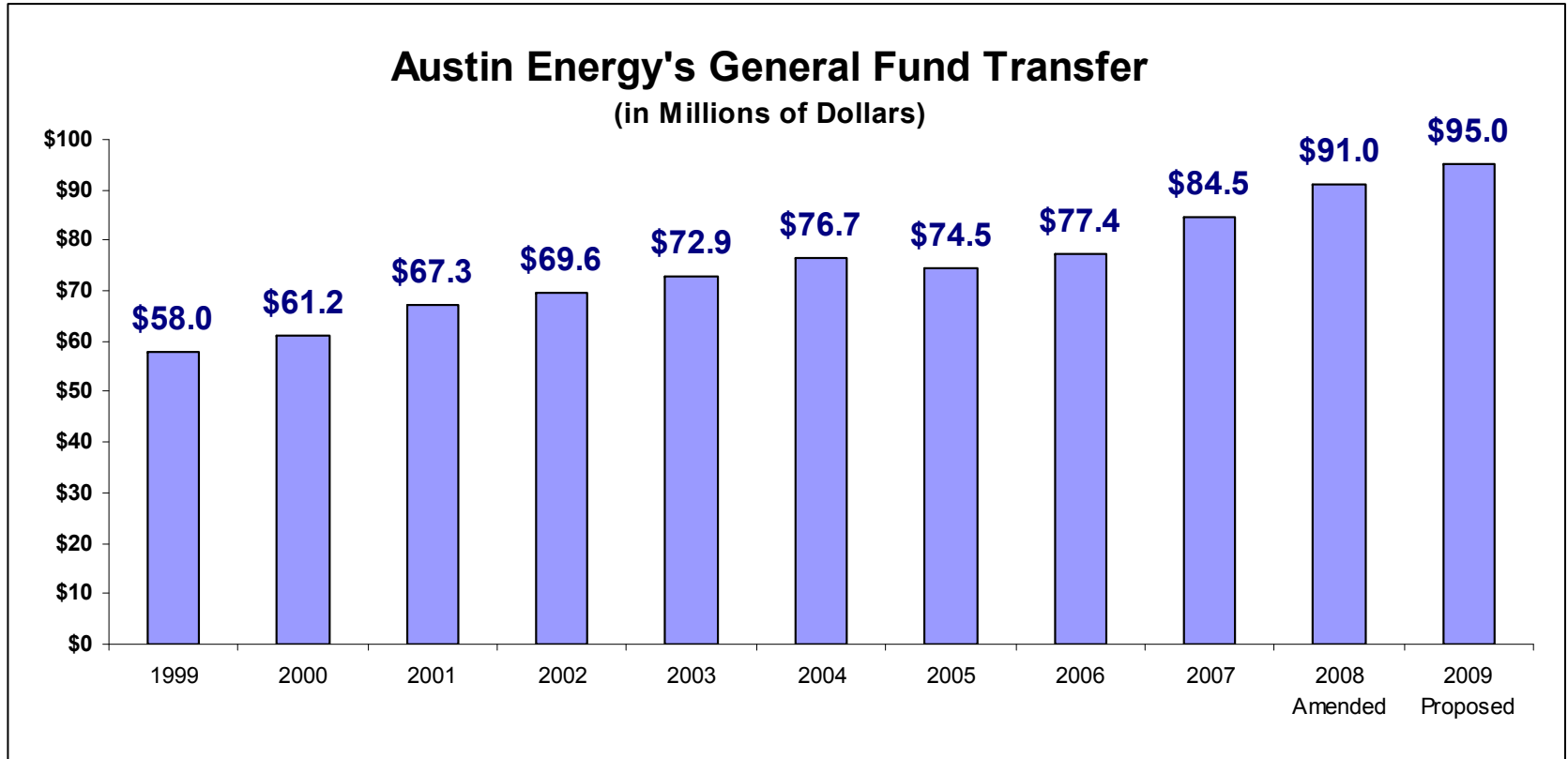
Capital Spending Plan Highlights

Austin Energy 5-Year Capital Spending Plan - \$1.0 Billion

- ▶ Fayette Power Project Scrubbers
 - ▶ Total cost \$233.1M
 - ▶ Complete by 2011
- ▶ Sand Hill Energy Center (100 MW generation peaking capacity)
 - ▶ Total cost \$66.9M
 - ▶ On line by late summer 2009
- ▶ Customer Information System replacement
 - ▶ Total cost \$19.5M
 - ▶ Multi-department project in service by 2012
- ▶ Relocate Energy Control Center \$27.7M
- ▶ Distribution System improvements \$70M/yr



General Fund Transfer – 9.1%



- ▶ Maintained at 9.1% since 1999, except 8.9% in 2002
- ▶ Transfer % of Gross Revenue
 - ▶ Three year average of two prior years & current year estimate



Challenges

- ▶ Texas electric market
 - ▶ ERCOT State-wide Nodal Market
 - ▶ Congestion costs
- ▶ Increasing & volatile fuel/energy prices
 - ▶ Natural gas & transportation of coal to Fayette
- ▶ Capital intensive industry with rising construction costs
- ▶ Rising commodity prices
- ▶ Industry workforce
 - ▶ Retirements, retention, recruiting
- ▶ National energy & climate change legislation



Strategic Initiatives

- ▶ Customer service
 - ▶ Automated meter infrastructure expansion
 - ▶ Customer information system replacement start-up
- ▶ Natural gas fuel supply
 - ▶ Price hedging program to reduce volatility
 - ▶ Pre-pay strategy to secure supply & reduce cost
- ▶ Austin Climate Protection Plan – Utility Plan
 - ▶ Future energy resource plan
 - ▶ FY2009 Public participation
 - ▶ Renewable energy goals
 - ▶ AE CO2 Plan
- ▶ Workforce development
- ▶ Active participation in national energy issues



Strategic Plan

Mission - Deliver clean, affordable, reliable energy and excellent customer service.

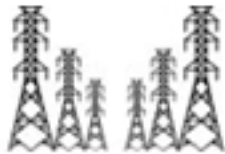
Austin Energy's Strategic Plan
Risk Management



*Energy Resource
(non-traditional energy)*



*Excellent Customer Service
(deregulation)*



Objectives:

- **Financial Integrity**
 - “AA” Credit Rating by 2010
- **Renewable Portfolio Standard**
 - 30% Renewable by 2020
 - 15% DSM by 2020
 - 100 MW Solar by 2020
- **Customer Satisfaction**
 - Employee Satisfaction Index 10% improvement in Listening to Workforce (LTW) Survey by 2010
 - Customer Satisfaction Index of 83/100 by 2010
- **Economic Development**
 - Exceed City's MWBE Goals by 2008
- **System Reliability**
 - System SAIDI @ 60 minutes
 - System SAIFI @ 0.8 occurrences
 - SATLPI @ 4.1 per year
 - Intermediate/Peak EAF @ 95%



Summary

- ▶ Continue achievement of strategic goals
- ▶ Maintain strong financial position
- ▶ Public participation on energy resource plan



Photo credit: Cielo Wind Power





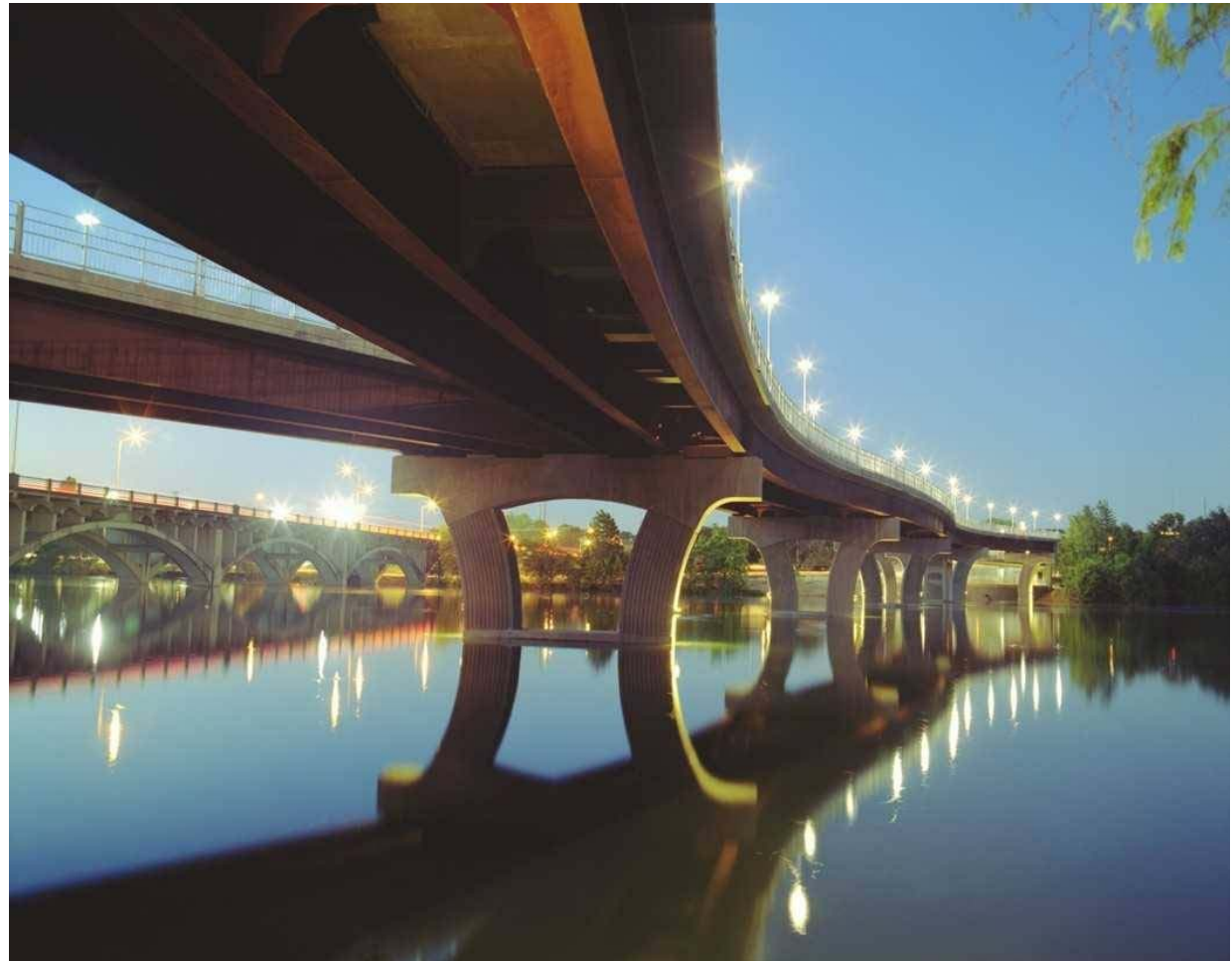
Fiscal Year 2008-09 Proposed Budget

Public Works Department

Robert Goode
Assistant City Manager



Public Works Department





Primary Responsibilities

- ▶ **Pavement Management**
- ▶ **Bridge Repair and Maintenance**
- ▶ **Bicycle and Pedestrian Infrastructure**
- ▶ **Traffic Signals and Markings**
- ▶ **Traffic Calming**



Operational Challenges

- ▶ Aging infrastructure
- ▶ Growing Inventory
- ▶ Increasing costs of materials (particularly petroleum-based products such as asphalt)
- ▶ Increased demand for traffic calming as a result of congestion

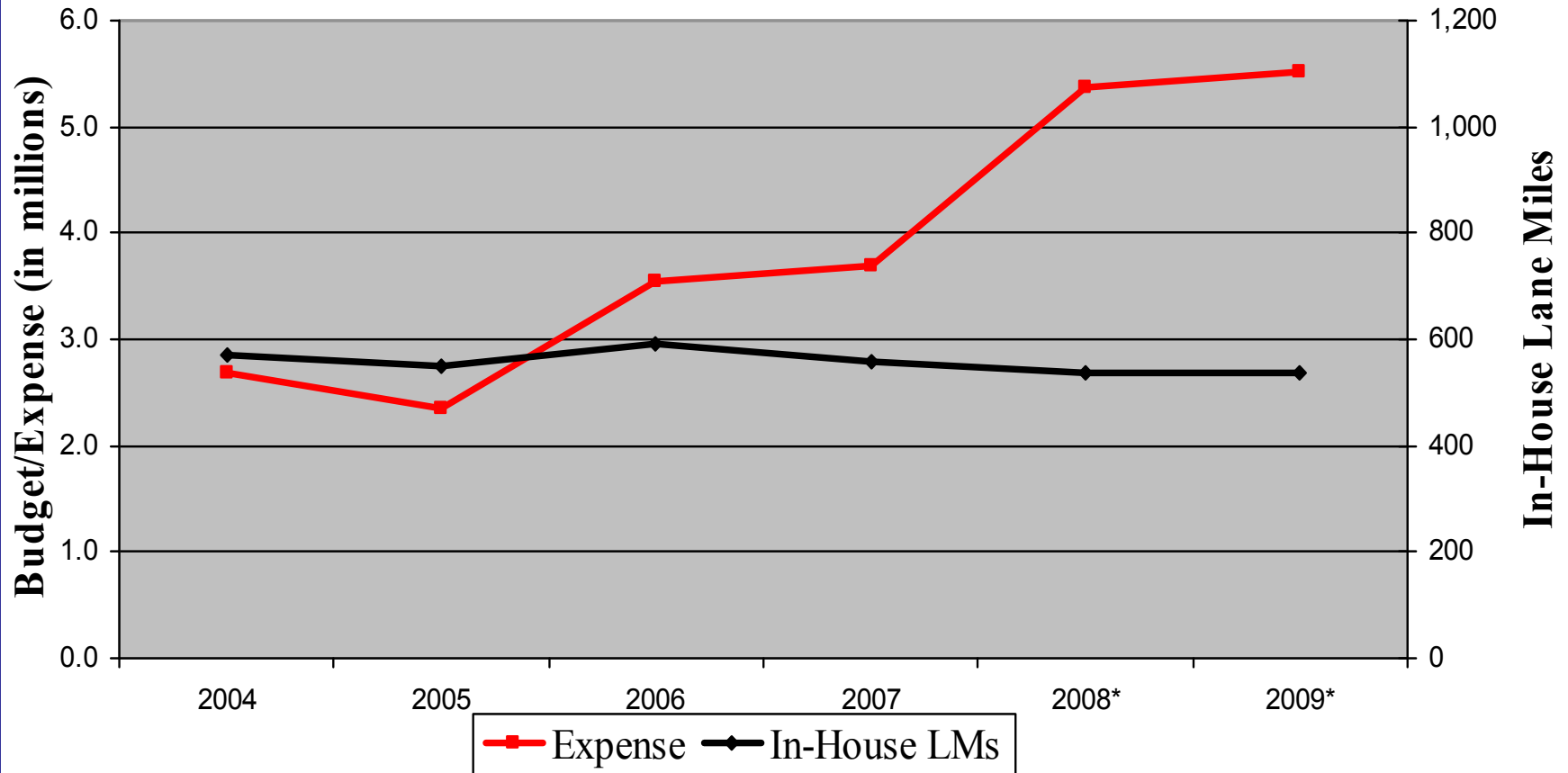


Infrastructure needs and maintenance costs are growing at a greater rate than the supporting revenue (sidewalks, streets, traffic signals, etc.)



Asphalt Expense vs. In-House Street Preventative Maintenance Lane Miles

(* 2008 figures estimated, 2009 figures budgeted)



Proposed Budget FY 2008 - 09



Transportation Fund Budget Facts

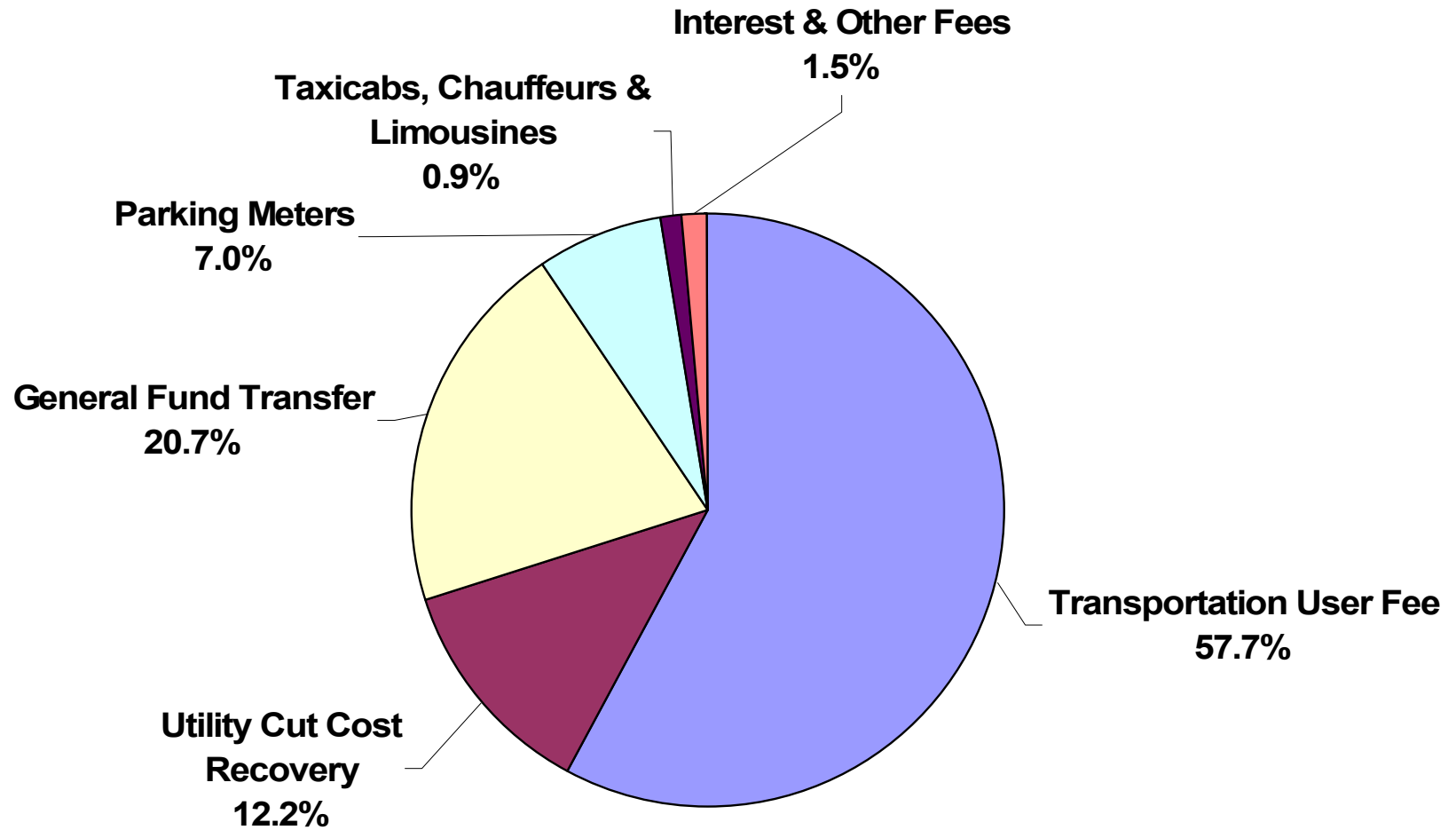
(Millions)

	FY 2008 Estimate	FY 2009 Proposed	Difference	
Beginning Balance	\$5.59	\$2.23	(\$3.36)	-60.1%
Revenue	\$32.22	\$32.79	\$0.57	1.8%
Transfers In	\$8.57	\$8.57	\$0	-
Expenditures	\$44.15	\$43.19	(\$0.96)	-2.2%
Ending Balance	\$2.23	\$0.39	(\$1.84)	-82.5%

► FY 09 Total Proposed FTEs: 361.00, FY 08: 360 FTEs



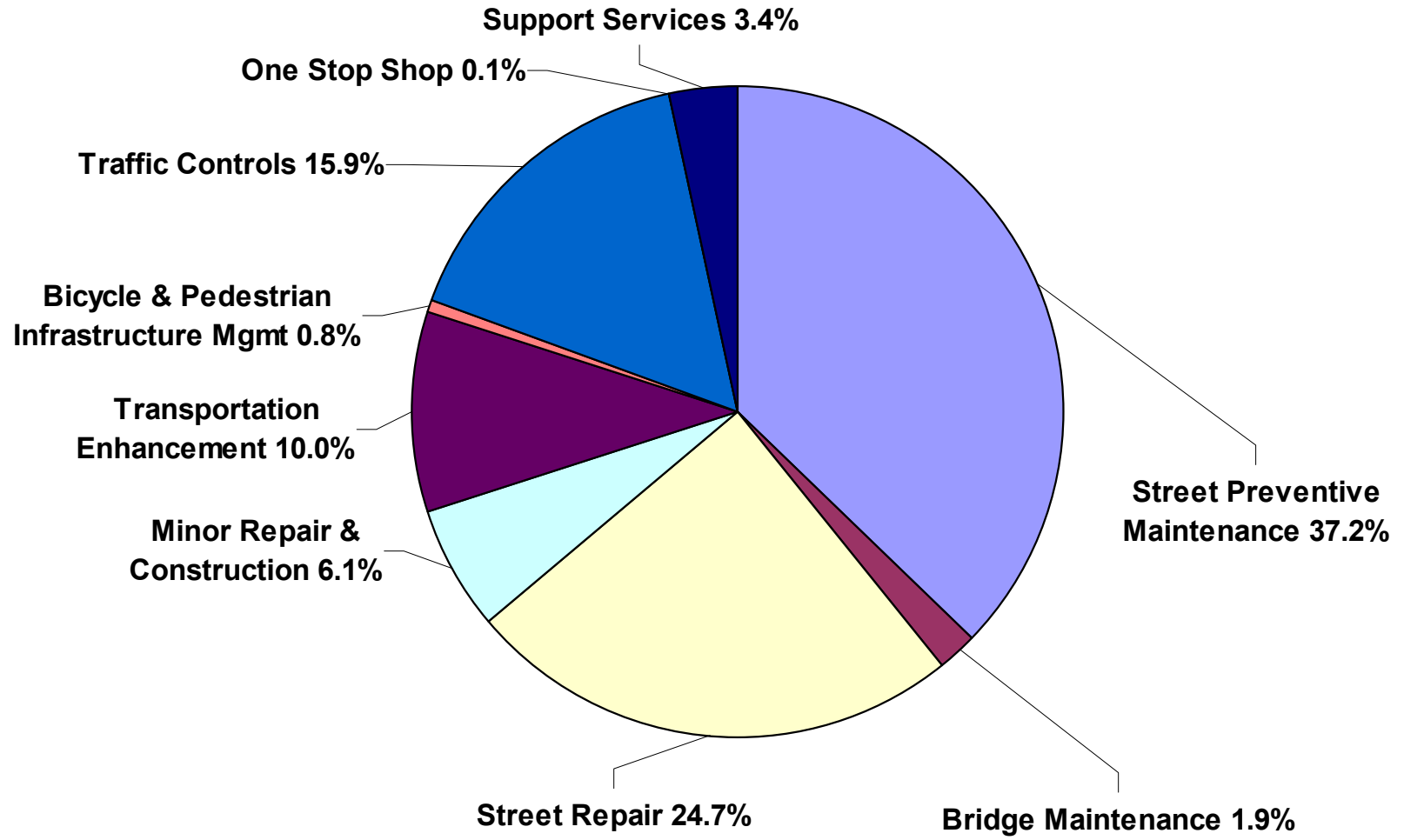
Revenue



Proposed Budget FY 2008 - 09



Expenditures

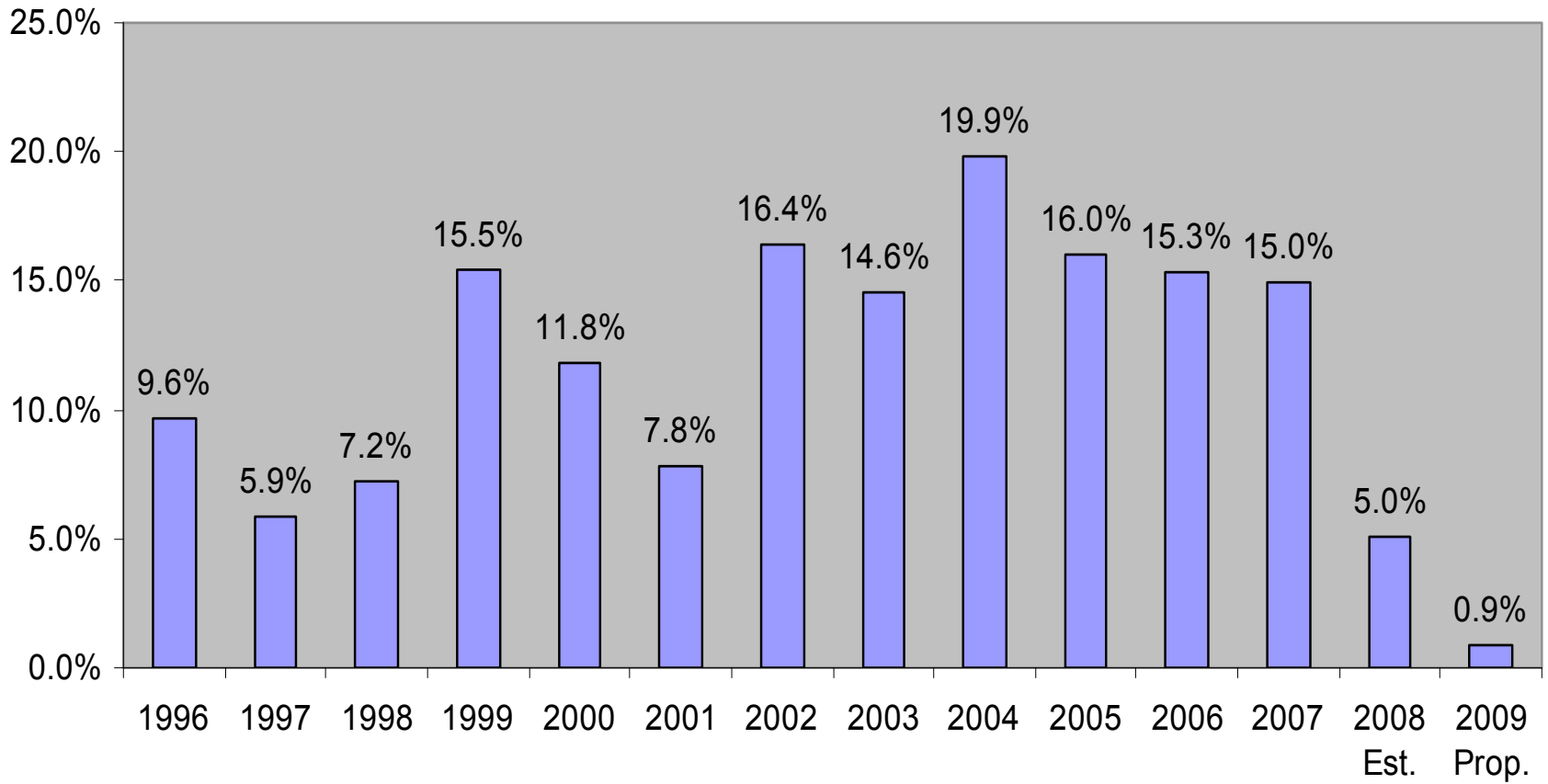


Proposed Budget FY 2008 - 09



Transportation Fund

Ending Balance as a Percent of Operating Expenses



Proposed Budget FY 2008 - 09



Pavement Management Program

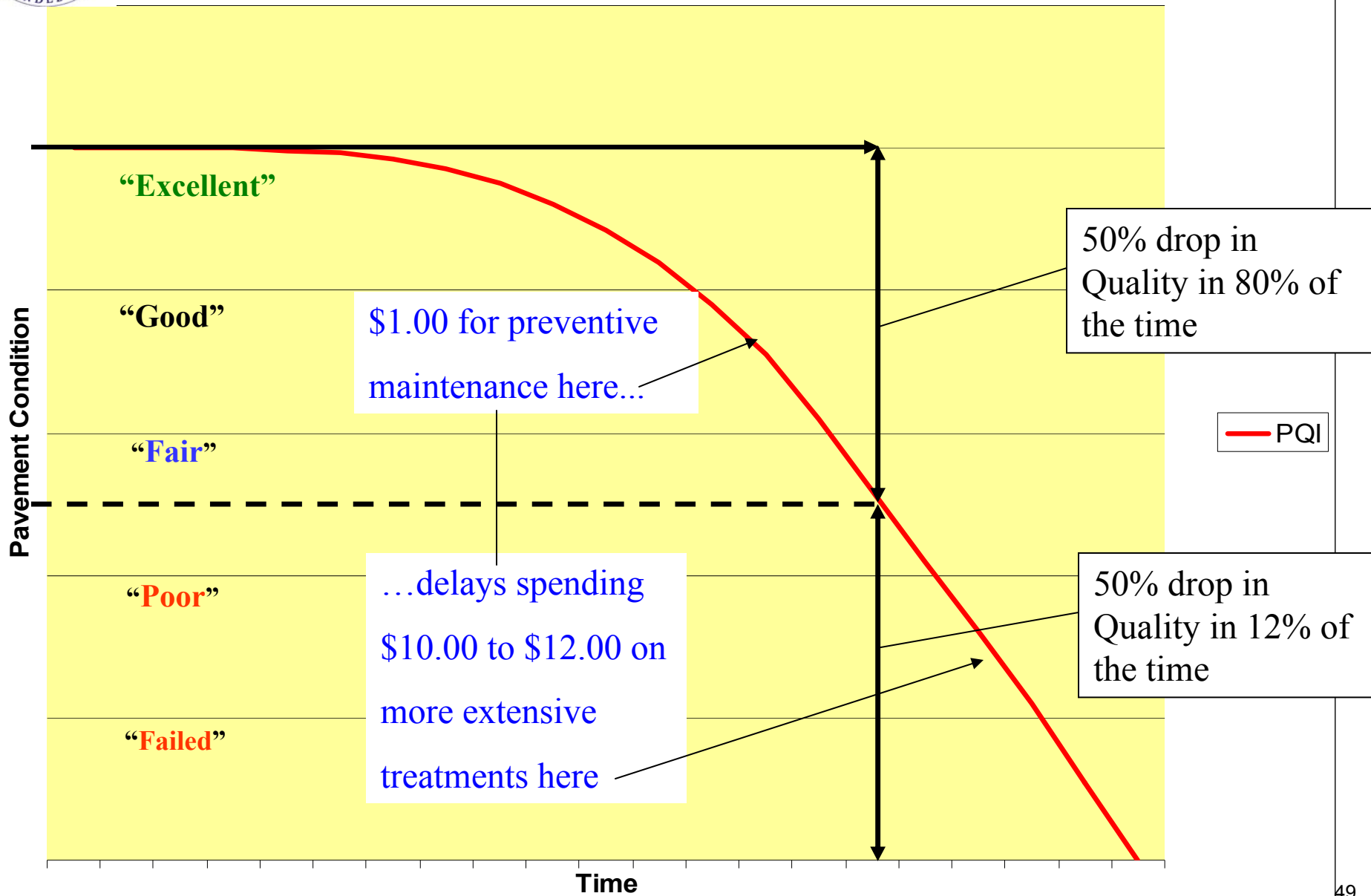


Pavement Management Program

- ▶ Public Works maintains the street infrastructure using a variety of techniques falling into three general categories:
1. **Maintenance** – intended to preserve pavement (Crack Sealing \$1,500/lane mile – Overlay \$61,000/lane mile)
 2. **Rehabilitation** – resurface pavement (Structural Overlay \$80,000/lane mile – Major Rehab \$300,000/lane mile)
 3. **Reconstruction** – completely reconstruct the roadway (Residential \$400,000/lane mile – Major Arterial \$1,000,000/lane mile)



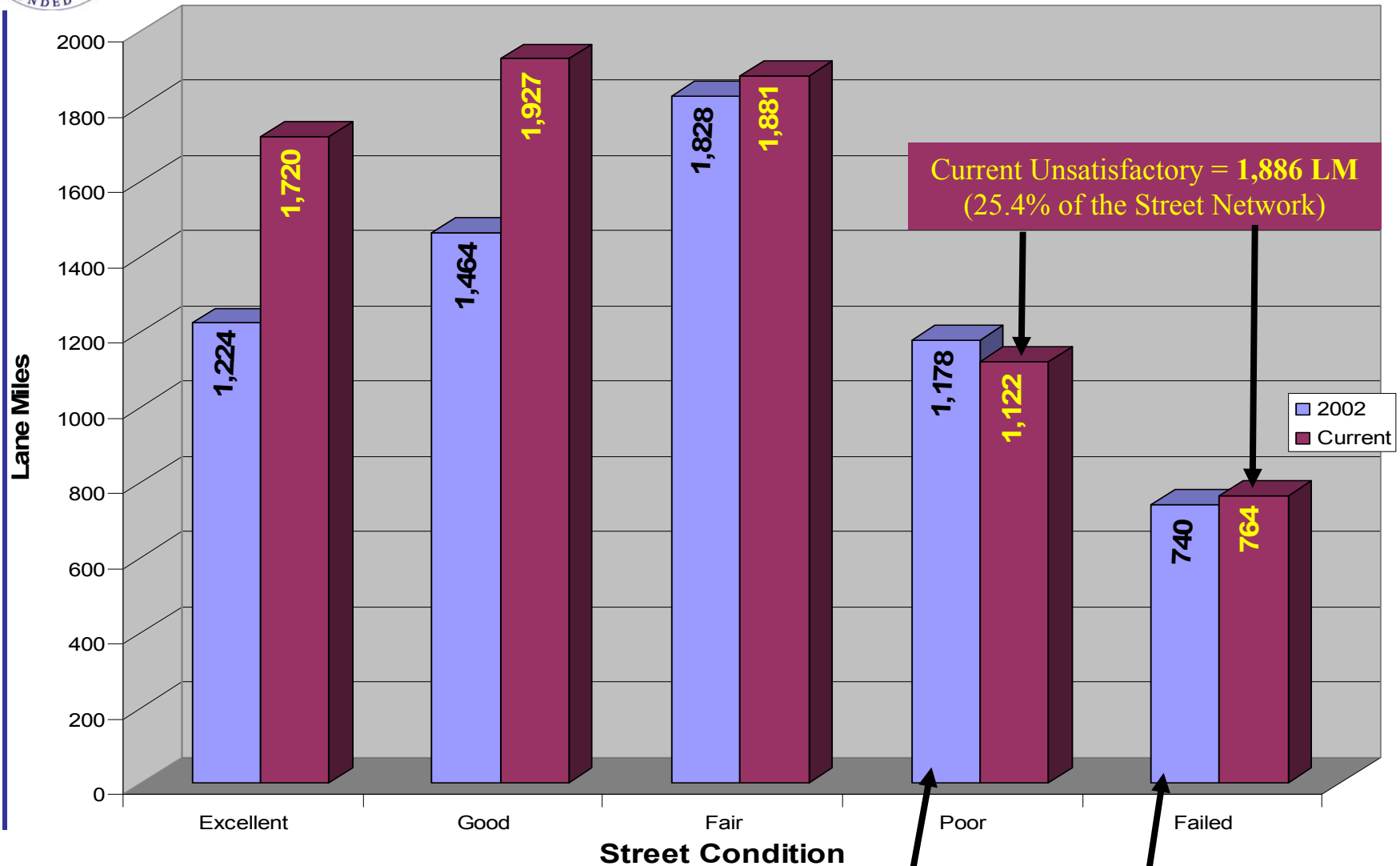
Benefits of Preventive Maintenance





Current Street Conditions

(2008 Network has 7,414 Lane miles)



Current Unsatisfactory = 1,886 LM
(25.4% of the Street Network)

2002 Unsatisfactory = 1,918 LM
(29.8% of the Street Network)

Proposed Budget FY 2008 - 09



Current Street Needs

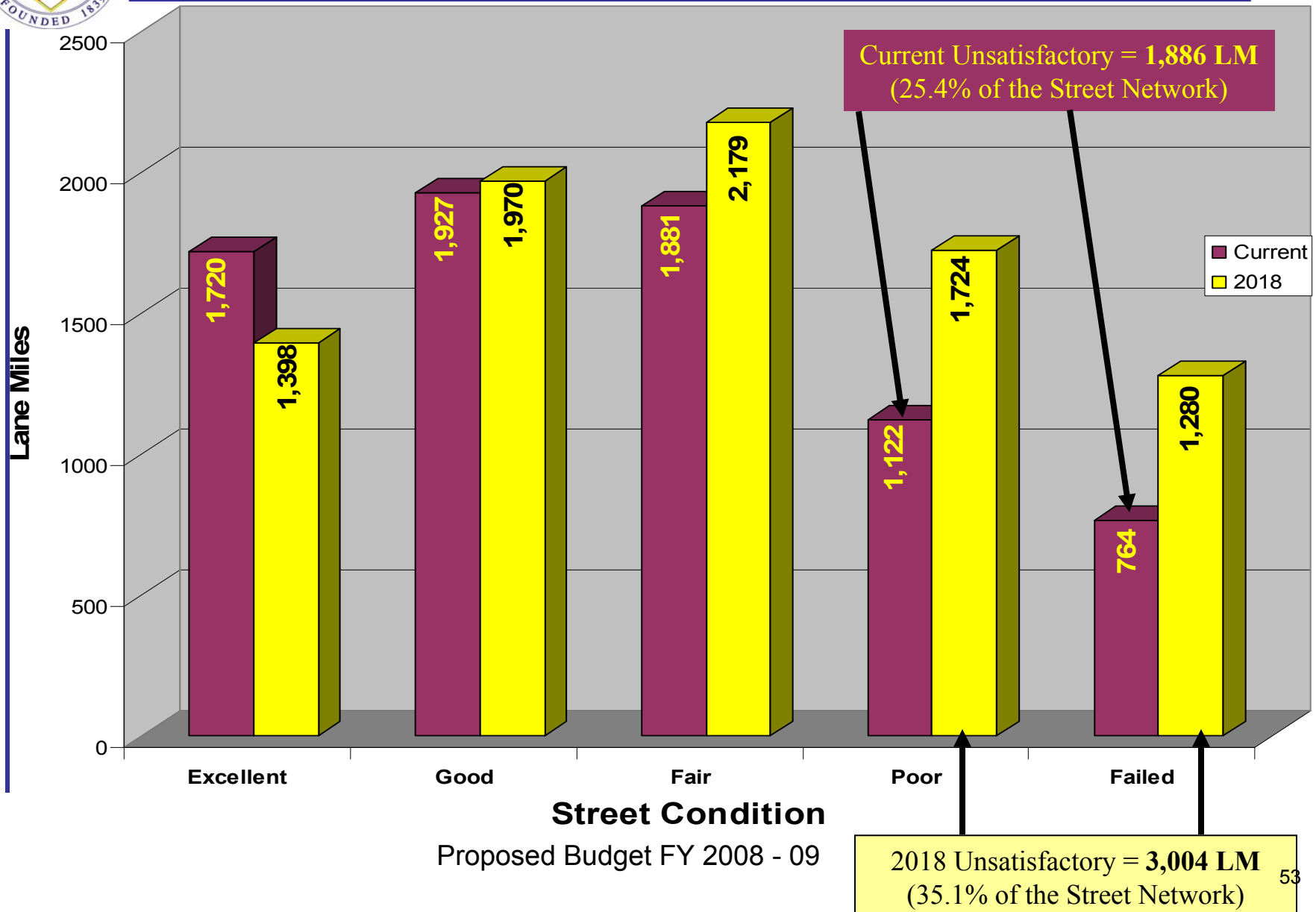
- ▶ ***Maintenance/Rehab:*** It would take about **\$200 million** for the next 10 years to maintain the streets so that we don't lose ground (same number of "poor"/"failed" streets in 10 years as we have now)
- ▶ ***Reconstruction:*** It would take about **\$1 billion** (in today's dollars) to reconstruct the 1,886 lane miles of streets in "poor" or "failed" condition.



Pavement Management Program Alternatives

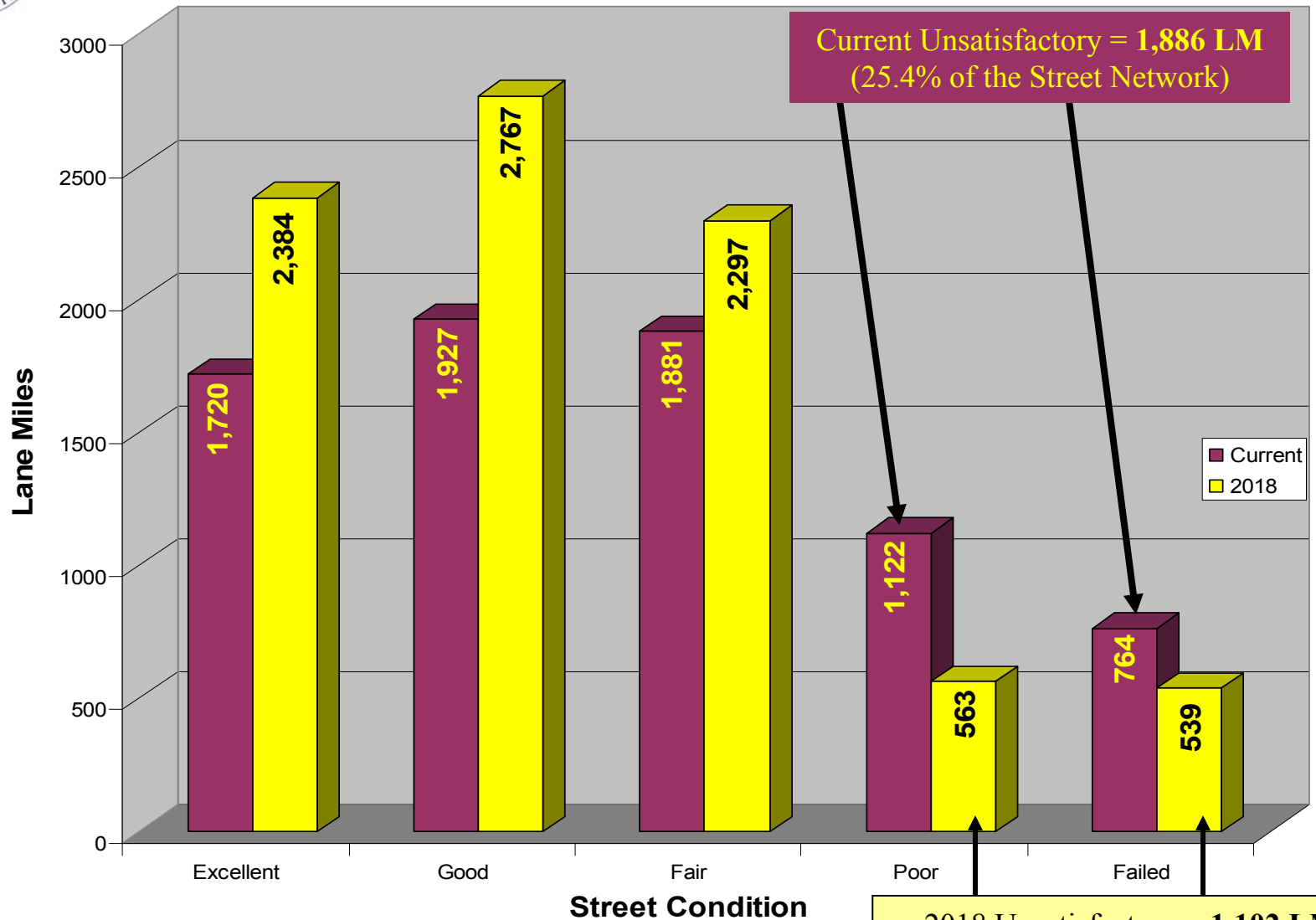


Flat Funding for 10 years





Reduce “poor”/“failed” by 800 LM



Street Condition
Proposed Budget FY 2008 - 09

2018 Unsatisfactory = **1,102 LM**
(12.9% of the Street Network)



Pavement Program Alternatives

Alternative	Total 10 year TUF	Required TUF Increases (existing Residential rate = \$4.14/month)	Required Bond Funds	Poor/Failed lane miles in 10 years (1,886 existing poor/failed LM)
Flat Funding	\$89M (existing funding)	No Increase	Existing Funding = \$85M (2006 Program)	3,004 (35.1% of the network)
Reduce poor/failed by 800 lane miles	\$263M	\$0.83/month this year, \$1.14/month next year, followed by smaller annual increases	\$200M (2010), \$265M (2014)	1,100 (12.9% of the Network)



Sidewalk Program



Sidewalk Program

The sidewalk program increases the quality of life in Austin and helps control air pollution and traffic congestion by:

- ▶ Improving pedestrian safety...providing and improving ADA compliant sidewalk facilities to address safety and accessibility issues
- ▶ Adding residential sidewalks requested in adopted neighborhood plans
- ▶ Adding connectivity and multi-modal enhancements... providing facilities that encourage walking



Existing Sidewalk Funding

- ▶ Bond Funds + Operating Budget = \$5 Million total (\$1M/year) for the next 5 years. Bond funds are those included with Street Reconstruction projects which are exhausted by end of 2010.



Current Sidewalk Needs

- ▶ ***ADA Transition Plan:*** It would take about **\$120 million** to bring all the City's sidewalks into compliance.
- ▶ ***Gap and New Sidewalks:*** It would take about **\$800 million** to construct all the missing sidewalks (gaps) and new sidewalks needed in high ped use areas throughout the City.



Sidewalk - 15 year Funding

- ▶ Bond Funds - **\$60M** supplemental Program in 2010, **\$60M** in 2014, and **\$70M** in 2018...would construct 300 miles of sidewalk in 15 years and 16,000 curb access ramps
- ▶ Use **\$10M** TxDOT reimbursement to accelerate the ADA Transition Plan



Recommendation

▶ **Short term – FY 09**

- ▶ Begin rate plan to fund the “Reduce poor/failed by 800 lane miles” Program...**Requires increasing TUF by \$0.83/month for FY 09.**
- ▶ Dedicate \$10 million of the TxDOT reimbursement to fund ADA Transition Plan for Sidewalks for FY 09 and 10

▶ **Mid term**

- ▶ Begin to develop potential supplemental Transportation Mobility bond program for 2010
- ▶ Continue to explore other long term funding options



Fiscal Year 2008-09 Proposed Budget

Public Works Department

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Assistant City Manager