2016-2017 BUDGET QUESTION

Response to Request for Information

DEPARTMENT: Austin Water

REQUEST NO.: 93

REQUESTED BY: Gallo

DATE REQUESTED: 7/22/16

DATE POSTED: 8/4/16

REQUEST: In the FY 2015 Approved Budget, the Austin Wastewater Operating Fund had an ending balance of $37.8 million and included a transfer of $18.8 million to the General Fund. Please explain the details behind the ending balance and transfer.

RESPONSE:

ENDING BALANCE - Austin Water's ending fund balance is made up of current assets, including cash; accounts receivables and other short-term assets, minus current liabilities, including accounts payable; accrued payroll and other short-term liabilities, and a reserve for outstanding encumbrances at year-end.

Fund balance, which is commonly referred to as working capital, provides an indicator of the level of financial reserves available to meet an entity's short term liabilities, particularly in the event of unforeseen hardships or difficult operating conditions. Rating agencies consider working capital and unreserved cash as key indicators of an entity's credit rating. In June, both Moody's Investors Service and Fitch Ratings revised Austin Water's rating outlook from negative to stable, in part due to improvement in Austin Water's cash and working capital position. However, both rating agencies noted that continued improvement is necessary to maintain the current rating outlook.

The FY 2015 Approved Budget ending balance for the Austin Wastewater Operating Fund was $37.8 million. The projected FY 2014 fund balance was $27.9 million. We expected to add about $9.9 million to the ending balance in FY 2015.

GENERAL FUND TRANSFER - The $18.8 million transfer is the wastewater fund portion of the Austin Water transfer to the General Fund. The transfer is based on financial policy number #15 setting the General Fund Transfer at an amount not to exceed 8.2% of the Austin Water Utility three-year average revenues.