

Late Backup

RESOLUTION NO.

WHEREAS, weather volatility results in significant revenue volatility for the Austin Water Utility; and

WHEREAS, the majority of Austin Water Utility costs are fixed, which makes the operational budget of the utility highly susceptible to revenue volatility; and

WHEREAS, as part of the Fiscal Year (FY) 2012 Annual Budget, the Austin Water Utility established the Revenue Stability Fund, a reserve fund, to mitigate the impacts of revenue fluctuations due to weather volatility; and

WHEREAS, to fund the Revenue Stability Fund, the Austin City Council adopted the Revenue Stability Fee with a fixed rate of \$4.40 per 5/8" meter customer per month, with related fees for other Austin Water Utility customers; and

WHEREAS, the fixed Revenue Stability Fee is regressive, whereby low-water users absorb a higher percentage increase to their water bill than high-water users, and thus is a disincentive to water conservation; and

WHEREAS, it is the intent of the Austin City Council to establish a graduated, progressively-based Revenue Stability Fee

which increases with water usage as a means to further encourage water conservation; and

WHEREAS, as part of the initiative to provide more financial sustainability to the operational budget of the Austin Water Utility, the utility also must address its debt-to-service ratio and other financial reserve policies; and

WHEREAS, an estimate for the earliest possible date to adjust fees to a graduated, progressively-based fee structure is April 2012 which is approximately 6 months after the initiation of the City's new billing system; **NOW, THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

That the City Manager is directed to work with a Joint Subcommittee of the Resource Management Commission, the Water and Wastewater Commission, and the Impact Fee Advisory Commission, with input from the public, to develop recommendations for short-term and long-term financial plans to strengthen the financial stability of Austin Water Utility, to include the following:

1. Financial policies for the implementation of a separate Revenue Stability Reserve Fund with appropriate target funding levels, including:

- A plan to fund the target levels over a period of time, using a graduated revenue stability fee to replace the Council-approved fee in the approved FY 2012 Annual Budget;
- Policies to adjust the revenue stability fee when target funding levels are met and for replacing any reserves that are used;
- Consideration of the inclusion of a fee for all classes of water customers;
- A water conservation program and marketing plan targeted to high-volume, low-income households that do not qualify for a revenue stability fee exemption;
- Consideration of options for addressing volatility through volumetric rates and structures based on practices by other utilities.

2. Overall fixed revenue goals as a percentage of total revenue and a phased approach to achieving the goals; and
3. A reassessment and adjustment, as needed, of financial policies related to debt ratios and other appropriate financial metrics, as well as water and wastewater impact fees, and a plan to meet targeted goals.

BE IT FURTHER RESOLVED:

That the City Manager present recommendations to the Audit and Finance Committee by April 15, 2012 and to the City Council by May 1, 2012.

BE IT FURTHER RESOLVED:

That the Joint Subcommittee of the Resource Management Commission, the Water and Wastewater Commission and the Impact Fee Advisory Commission provide the City Council with a review of the staff recommendation to Council by May 1, 2012. The City Manager shall provide bimonthly progress reports to the City Council.

ADOPTED: _____, 2011 **ATTEST:** _____
Shirley A. Gentry
City Clerk