



Austin Water

Financial Forecast

April 22, 2015

Austin Water Forecast Overview

- System Components
 - 220,000+ customer accounts
 - 7,000+ miles of pipe
 - 6 major plants; 6 service centers
 - 239 other facilities (package plants, tanks, pump stations, etc)
- Conservation/Drought Impacts
 - Current annual (2014) water usage at 1997 levels
 - Water consumption forecasted to continue to decline over next 5 years
- Bond Ratings – Current AA Rated
 - June 2014 rating agencies revised outlook from stable to negative
 - Strengthening debt service coverage key assumption of forecast

Financial Forecast Overview

- Business Model Changes
 - Continued implementation of Joint Financial Subcommittee recommendations
 - Risk: 80% of costs are fixed while 80% of revenue based on water sales
 - Recommendation: Increase percentage of revenue raised from fixed fees
 - Risk: Customers paying less than what it costs to provide service
 - Recommendation: Revise rate design and increase block rate 2 to average cost of service
- Affordability & Customer Assistance Program (CAP)
 - Approximately 20,000 participates receive an average discount of 32.4% or \$25.79 per month.
 - \$6.6 Million annually for Customer Assistance Program
 - CAP customer bills forecasted to increase without additional discounts

Requirements Forecast

Cost Containment Efforts

FY 2015 Budget

- \$30.0 million in cost reductions from FY 2014 Budget
 - Decrease in budgeted staff positions
 - Decrease in temporaries
 - Reductions to or elimination of transfers to General Fund departments & funds
 - Reductions to AE Customer Care and Billing transfers
 - 5% operations & maintenance budget reductions implemented in 2014 and carried over to 2015
 - Delaying infrastructure upgrades and rehabilitation
 - Refinancing of existing revenue bond debt

FY 2016 Forecast

- Continue cost containment reductions in 2016
- Decrease in commercial paper administrative costs
- No new staff for 2016
- Decrease in City Administrative Support Cost
- Decrease in Fleet Fuel and Maintenance Cost

Cost Drivers for 2016

Category	Proposed Increase (Millions)	Justification
Operating Requirements	\$4.4M	<ul style="list-style-type: none"> • Austin Energy Billing & Customer Care \$2.6M • Compensation Adjustment \$2.3M • Health Insurance \$1.8M • Other Operating Costs \$0.8M • Fleet Fuel & Maintenance (\$1.1M) • Commercial Paper Admin Cost (\$2.0M)
Debt Service	\$1.6M	<ul style="list-style-type: none"> • Debt Service Cost \$1.6M
Transfers Out	\$13.9M	<ul style="list-style-type: none"> • CIP Cash Funding \$8.4M • Revenue Stability Reserve Fund \$2.2M • General Fund \$2.0M • Reclaimed Utility Fund \$1.3M • Economic Development Fund \$0.7M • CTM Fund Transfers \$0.2M • City Administrative Support Cost (\$0.9M)

Proposed Staffing Additions

	Amended 2015	Forecast					Total
		2016	2017	2018	2019	2020	
Approved Positions	1,147	1,147	1,147	1,163	1,183	1,208	
Forecasted Additional Positions		0	16	20	25	31	92
Total Positions	1,147	1,147	1,163	1,183	1,208	1,239	

New Position Costs (\$ in Millions)		\$0.0	\$1.2	\$1.7	\$2.0	\$2.8	\$7.7
Rate Impact		0.0%	0.2%	0.3%	0.4%	0.5%	1.4%

Total Requirements Summary

(In Millions)	Amended	Forecast				
	2015	2016	2017	2018	2019	2020
Operating Requirements	\$ 192.4	\$ 196.8	\$ 204.4	\$ 211.9	\$ 221.0	\$ 233.7
Debt Service	213.9	215.5	226.2	241.4	230.9	224.0
Transfers Out	102.6	116.5	129.2	134.7	134.2	139.3
Total Requirements	\$ 508.9	\$ 528.8	\$ 559.8	\$ 588.0	\$ 586.1	\$ 597.0

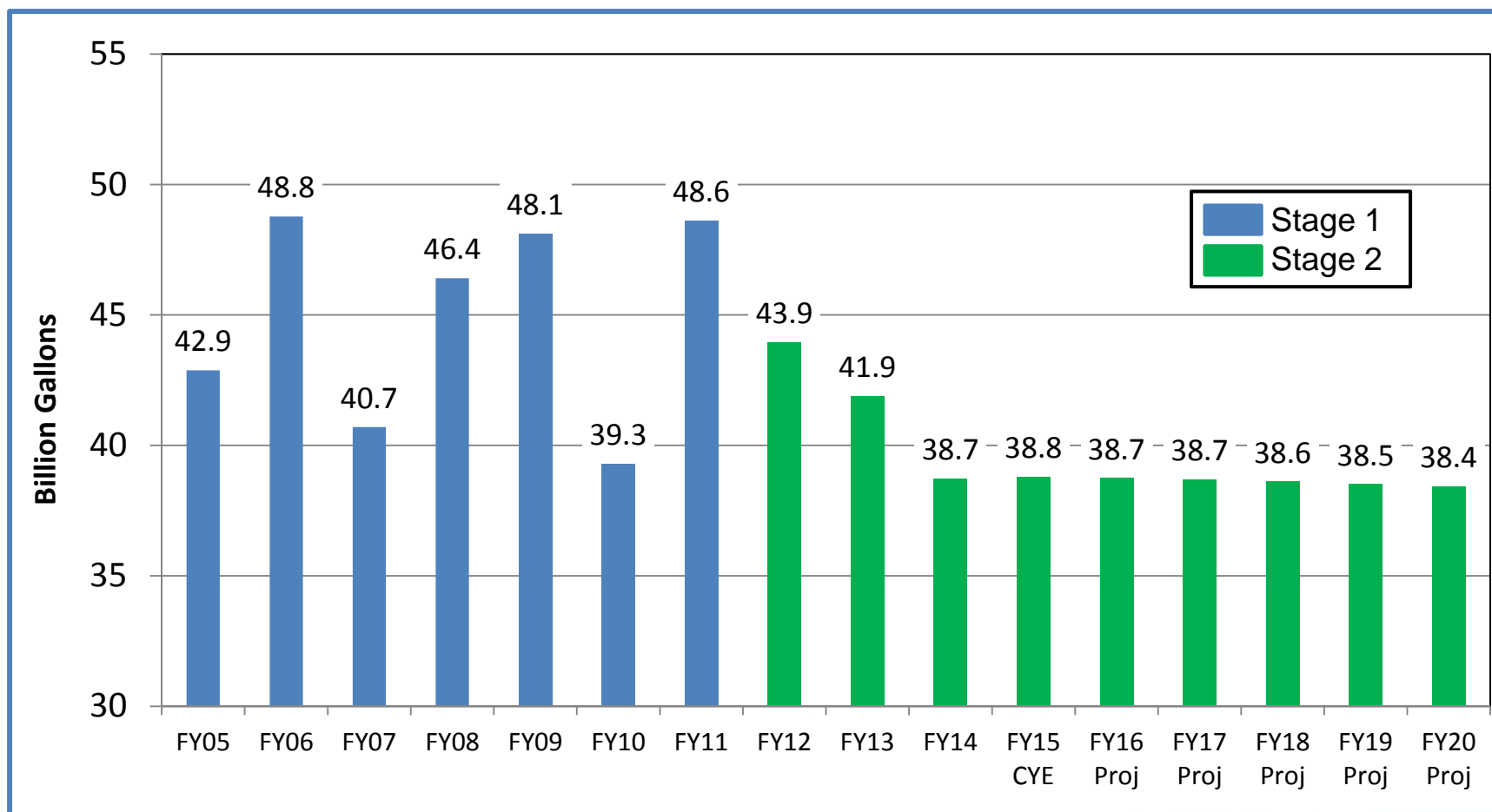
\$ Increase from Prior Year	\$ 19.9	\$ 31.0	\$ 28.2	\$ (1.9)	\$ 10.9
% Increase from Prior Year	3.9%	5.9%	5.0%	-0.3%	1.9%

Revenue and Rates Forecast

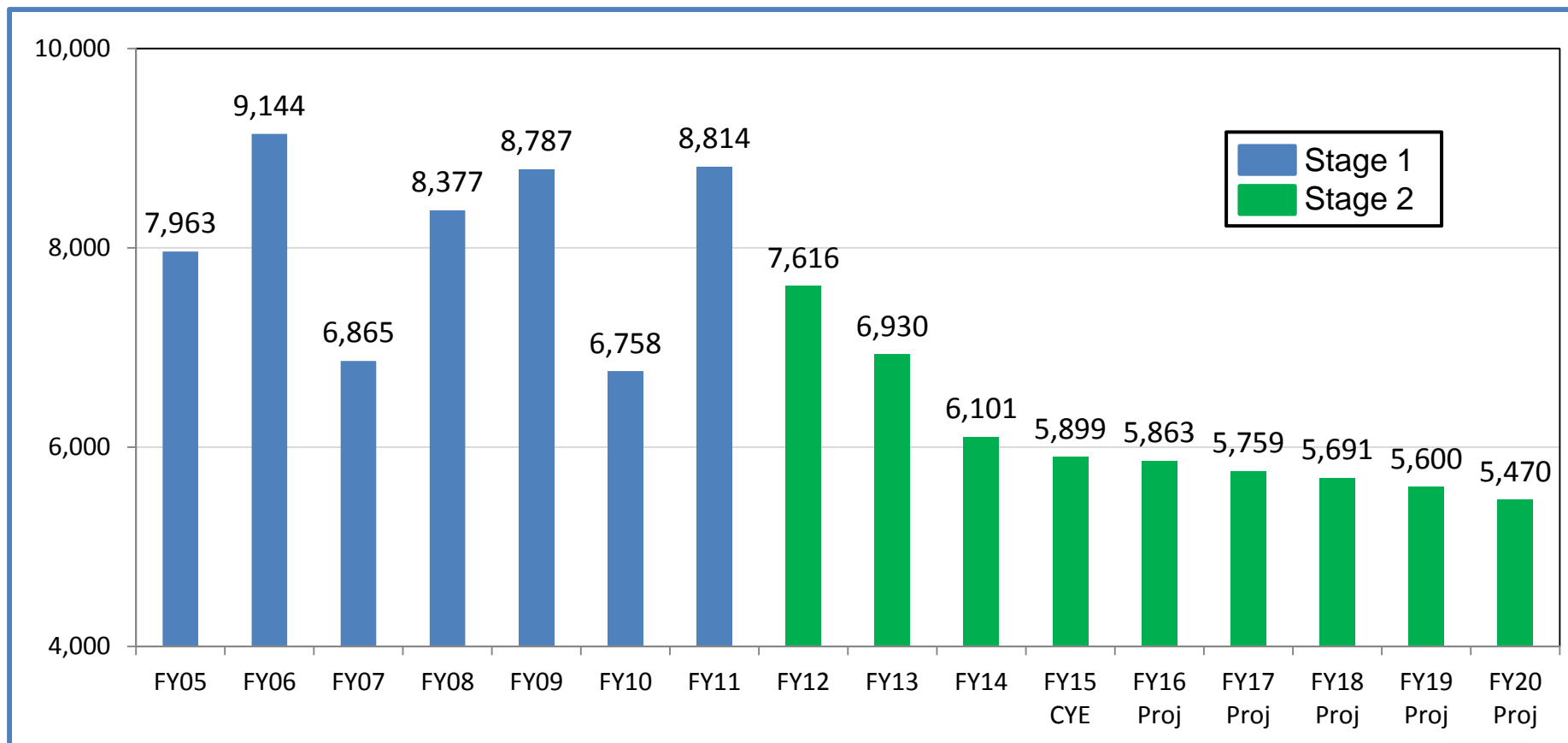
Revenue Forecast Assumptions

- Water service
 - Reductions to average water consumption per account assumed to continue for each forecast year
- Wastewater service
 - Reductions to average wastewater flows per account in 2016 and continuing at those reduced levels through the forecast period
- Reclaimed water
 - Continue 5-year plan to increase reclaimed rates to 40% of potable water rate

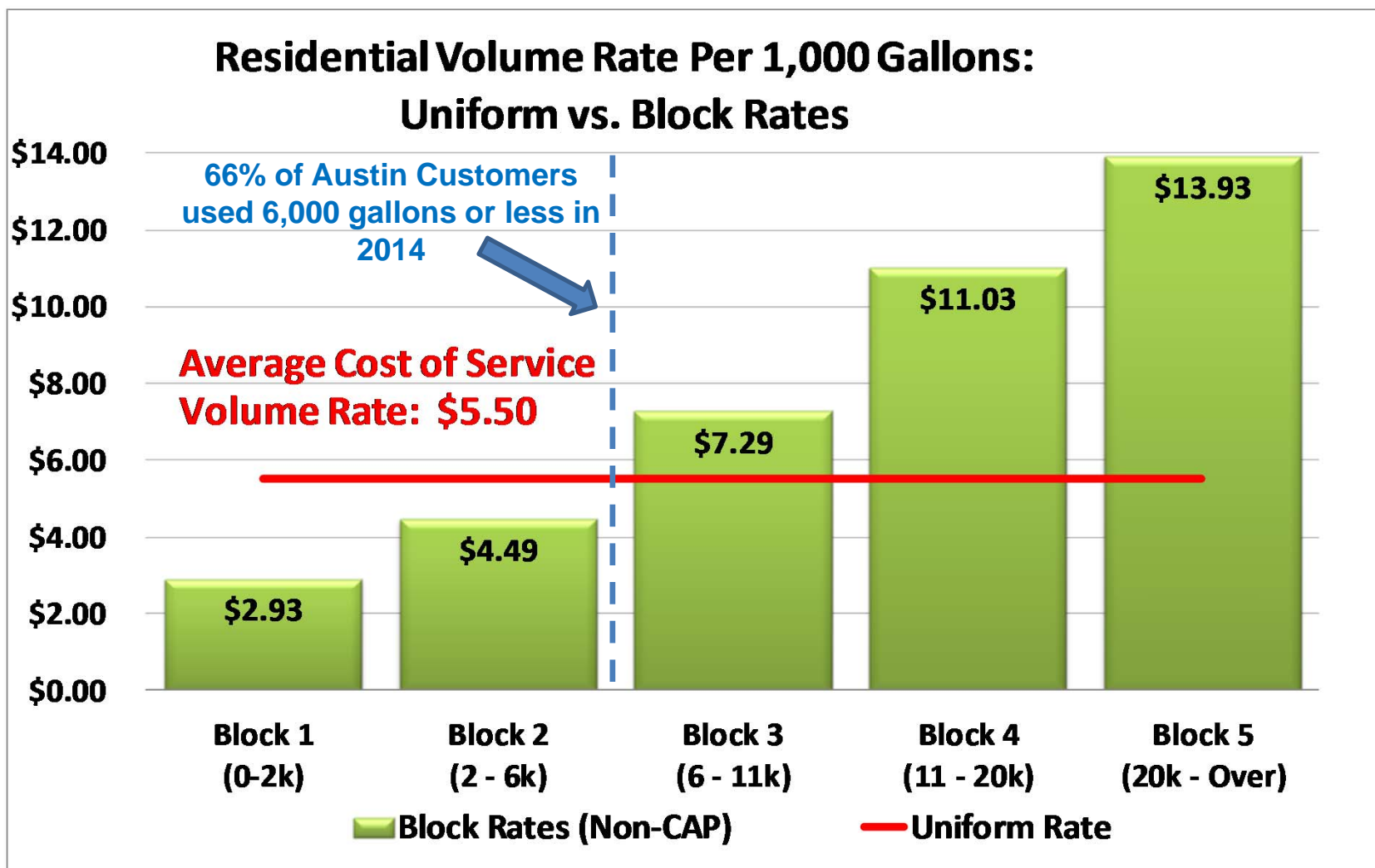
Billed Water Consumption



Residential Average Gallons Per Account - Water



FY 2015 Water Rates: Residential



Water Rate Business Model Changes

- Overall Water Utility
 - Revenue forecast assumptions include further reductions to average consumption per account
 - Increase overall fixed revenue from 20% in 2015 to 22.5% in 2016
 - Increase overall fixed revenue from 22.5% to 25.0% in 2017
- Residential
 - Increase fixed revenue from 26.9% in 2015 to 29.4% in 2016
 - Additional fixed revenue increase of 2.5% in 2017
 - Increase volume rate block 2 by 50% of the variance between current block 2 rate (\$4.49) and the overall average cost of service rate (\$5.58), or \$0.55.
- Non-Residential
 - Increase fixed revenue by 2.5% in both 2016 and 2017

Revenue Summary

	Amended	Estimate	Forecast				
(In Millions)	2015	2015	2016	2017	2018	2019	2020
Water Service	\$ 276.7	\$ 264.8	\$ 280.5	\$ 300.2	\$ 318.6	\$ 326.9	\$ 335.6
Wastewater Service	237.3	238.0	252.4	263.2	278.1	281.5	284.0
Reclaimed Service	1.1	1.0	1.8	2.6	3.5	4.2	4.7
Reserve Surcharge	7.3	6.9	5.5	3.2	2.0	1.5	1.5
Misc. and Interest Inc.	7.0	11.3	7.5	7.8	8.2	8.7	9.1
Transfers In	11.7	11.7	14.3	15.3	16.3	17.3	18.3
Total Revenue	\$541.1	\$533.7	\$562.0	\$592.3	\$626.7	\$640.1	\$653.2

\$ Increase from Prior Year	\$ 28.3	\$ 30.3	\$ 34.4	\$ 13.4	\$ 13.1
% Increase from Prior Year	5.3%	5.4%	5.8%	2.1%	2.0%

Revenue and Rates

Projected Service Rate Increases

	2016	2017	2018	2019	2020
Water:	5.9%	6.9%	5.8%	2.5%	2.4%
Wastewater:	5.8%	2.9%	4.5%	0.0%	0.0%
Reclaimed:	12.7%	10.7%	11.0%	5.0%	4.5%
Combined:	5.9%	5.0%	5.2%	1.4%	1.3%

- Revenue Stability Reserve Fund Surcharge
 - Decrease from \$0.19 to \$0.14 per 1,000 gallons in 2016
 - Transfer from Operating Fund of \$4.0 million in 2016
 - Reach 120 days of Operations & Maintenance in 2018

Average Residential Customer Estimated 5-Year Bill Impact

	Current 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020
Water	\$ 36.20	39.76	42.45	44.81	45.46	46.59
Wastewater	37.58	39.94	41.14	42.99	42.99	42.99
Total	\$ 73.78	\$ 79.70	\$ 83.59	\$ 87.80	\$ 88.45	\$ 89.58
\$ Variance	-	\$ 5.92	\$ 3.89	\$ 4.21	\$ 0.65	\$ 1.13
% Variance	-	8.0%	4.9%	5.0%	0.7%	1.3%

1. Bills based on 5,700 gallons water usage and 4,000 gallons wastewater discharge
2. Actual bill impact could vary slightly based on cost of service calculations for proposed 2016 budget

Customer Assistance Program (CAP) Discount Summary

- Approximately 20,000 CAP participants
- Waived monthly water meter charge
- Waived monthly water tiered fixed fee
- Discounted volumetric water rates
- Waived monthly wastewater customer charge
- Average CAP discount of \$25.79 per month

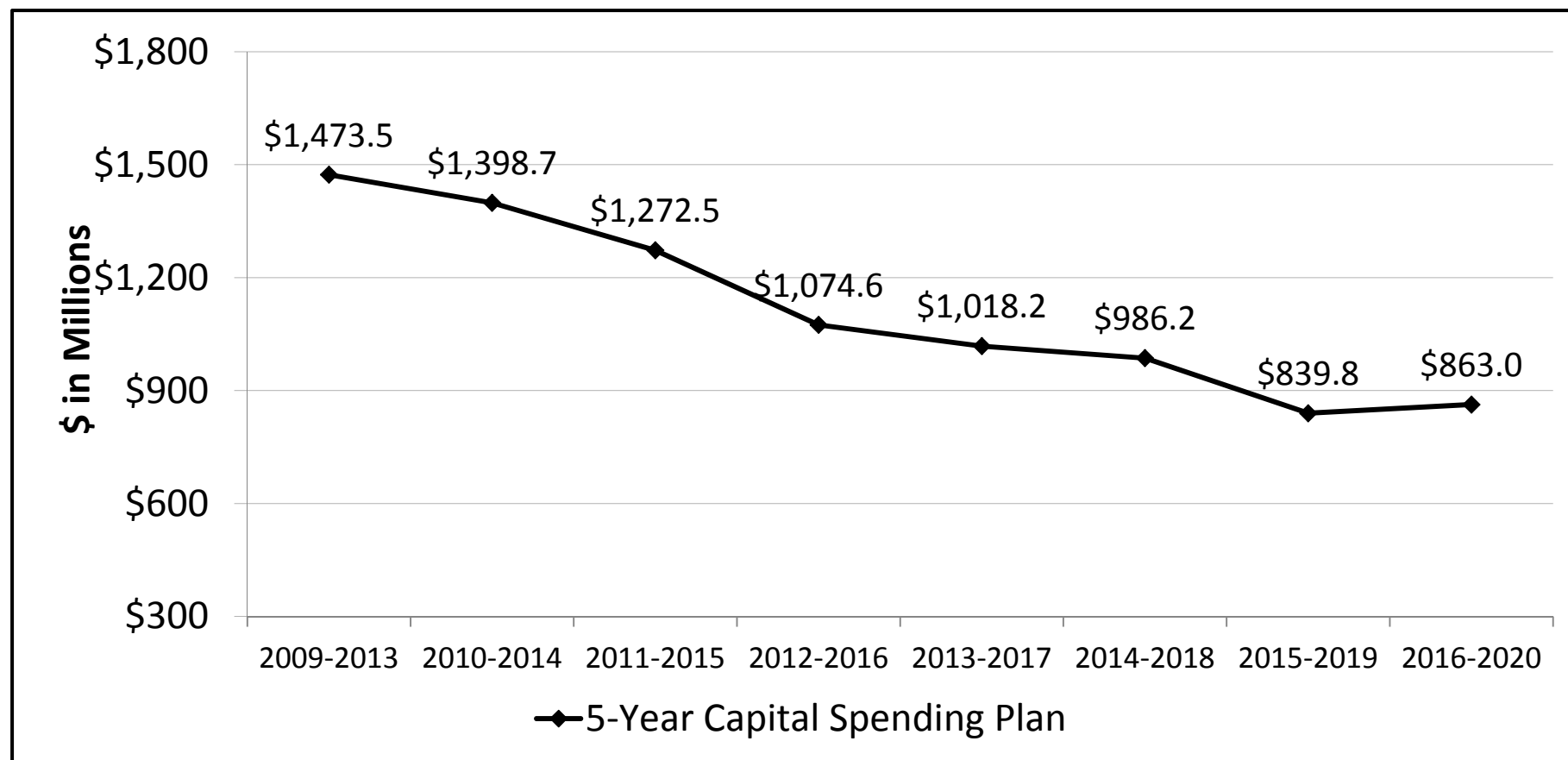
2016 Average Monthly Bill Comparison: Non-CAP vs. CAP				
	Non-CAP	CAP	\$ Discount	% Discount
Water	\$39.76	\$24.27	\$15.49	39.0%
Wastewater	\$39.94	\$29.64	\$10.30	25.8%
Combined	<u>\$79.70</u>	<u>\$53.91</u>	<u>\$25.79</u>	<u>32.4%</u>

Note: Bills based on 5,700 Gals water and 4,000 Gals. wastewater

Capital Spending

5-Year Capital Spending Plan

Historical Comparison



Capital Improvement Program

\$863.0 Million 5-Year Capital Spending Plan

\$ in millions

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Water	\$76.5	\$67.1	\$68.6	\$72.0	\$64.3	\$348.5
Wastewater	66.5	91.7	96.8	99.0	98.3	452.3
Reclaimed	<u>11.4</u>	<u>12.2</u>	<u>16.6</u>	<u>13.1</u>	<u>8.9</u>	<u>62.2</u>
Combined	<u>\$154.4</u>	<u>\$171.0</u>	<u>\$182.0</u>	<u>\$184.1</u>	<u>\$171.5</u>	<u>\$863.0</u>

Capital Improvement Program

Capital Projects for FY 2016-20 (Millions)

• Existing treatment plant improvements	\$354.4
• Other distribution & collection system improvements	\$144.3
• Water & wastewater system rehabilitation	\$130.4
• Pump stations, reservoirs, and lift stations	\$ 82.7
• Annexed areas, vehicles, equipment, and other projects	\$ 42.3
• Reclaimed water projects	\$ 39.0
• System relocations	\$ 32.9
• Water Supply Task Force recommendations	\$ 23.3
• Service extension requests	\$ 13.7

Fund Summary

(In Millions)	Amended 2015	CYE 2015	Forecast				
			2016	2017	2018	2019	2020
Beginning Balance	\$ 43.9	\$ 52.0	\$ 81.9	\$ 115.1	\$ 147.6	\$ 186.3	\$ 240.3
Revenue	529.4	522.0	547.7	577.0	610.4	622.8	634.9
Transfers In	11.7	11.7	14.3	15.3	16.3	17.3	18.3
Available Funds	\$ 541.1	\$ 533.7	\$ 562.0	\$ 592.3	\$ 626.7	\$ 640.1	\$ 653.2
Operating Requirements	192.4	187.7	196.8	204.4	211.9	221.0	233.7
Debt Service	213.9	213.9	215.5	226.2	241.4	230.9	224.0
Transfers Out	102.6	102.2	116.5	129.2	134.7	134.2	139.3
Total Requirements	\$ 508.9	\$ 503.8	\$ 528.8	\$ 559.8	\$ 588.0	\$ 586.1	\$ 597.0
Excess (Deficiency)	32.2	29.9	33.2	32.5	38.7	54.0	56.2
Ending Balance	\$ 76.1	\$ 81.9	\$ 115.1	\$ 147.6	\$ 186.3	\$ 240.3	\$ 296.5

Debt Coverage	1.53	1.51	1.58	1.60	1.59	1.68	1.72
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Forecast complies with all Council approved financial policies.

For More Information

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Questions?