

RESOLUTION NO. _____

WHEREAS, Austin Water is a municipally-owned water utility and the second largest enterprise department in the City of Austin; and

WHEREAS, Austin Water's total project revenue for FY 2015/16 is \$548,807,215; and

WHEREAS, Austin Water has almost \$2,500,000,000 in debt; and

WHEREAS, according to Fitch Ratings report (July 29, 2015) Austin Water's "high" debt levels "escalated by 45% since fiscal year 2008" while debt service accounts for "43% of gross revenues, almost twice the median percentage for similarly rated systems;" and

WHEREAS, in 2014, Austin Water's bond rating went from Stable to Negative due to increased debt and "narrow operating margins after making transfers to the city's general fund;" and

WHEREAS, despite more than a 20% increase in population, since 2008 Austin Water has raised rates every year, resulting in a 61.6% increase in customer bills; and

WHEREAS, in order to improve the financial outlook of the utility, Austin Water anticipates annual rate increases in each of the next 5 years; and

WHEREAS, Fitch already considers Austin Water rates "high relative to income levels of city residents, and in comparison to other large urban systems;" and

WHEREAS, instead of increasing customer bills, Austin Water could decrease the amount of non-utility related expenditures; and

WHEREAS, in FY 2015/16 Austin Water will transfer a total of \$42,804,534 (8.2%) of utility revenue to the General Fund and Economic Development Department; and

WHEREAS, those transfers, in total, cost the average customer \$192 per year; and

WHEREAS, not only do those transfers contribute to rates charged by Austin Water but they compromise transparency in the cost of government and the services it provides; and

WHEREAS, because low-income residents pay a higher percentage of their income to utility bills, those transfers impact the affordability of Austin for those customers the most; and

WHEREAS, a nation-wide study by the American Public Power Association found that the median general fund transfer for municipally-owned utilities is 4%; and

WHEREAS, 4.0% of total revenues in Fiscal Year 2015/16 for Austin Water is \$21,952,289; and

WHEREAS, in FY 2015/16 the total General Fund and Economic Development transfers for Austin Water is 95% higher than the national average for municipally-owned utilities; and

WHEREAS, lower water bills would attract businesses to Austin, help existing businesses and residents, and positively impact the affordability of Austin;
NOW, THEREFORE,

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

The City Manager is directed to develop a report with options for both reducing and eliminating the General Fund and Economic Development transfers from Austin Water.

The report should include options for reducing the transfer to 4% and 6% of total revenues as well as options for eliminating it completely, both over a period time and immediately in the FY2016/17 budget.

The report shall be presented to the Public Utilities Committee no later than May 31, 2016.

ADOPTED: _____, 2016

ATTEST: _____

Jannette S. Goodall
City Clerk