

2016-2017 BUDGET QUESTION

Response to Request for Information

DEPARTMENT: Financial Services – Budget

REQUEST NO.: 116

REQUESTED BY: Troxclair

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REQUEST: From the “Major Rate and Fee Changes” slide no. 16 in the FY 2017 Proposed Budget presentation made to Council on July 27th, how much of a decrease in expenditures would be required in order to keep the average fee or tax at the same level as FY 2016? Please include the following in your response: Austin Energy, Austin Water, Austin Resource Recovery, Clean Community Fee, Transportation User Fee, Drainage User Fee, and the Property Tax bill.

RESPONSE:

In summary, the total revenue and expenditure change necessary to return the average fees or taxes to the level in the FY 2016 budget is **\$59.3 million**. Below is detailed information categorized by the tax, fee, or responsible department listed that corresponds to the “Major Rate and Fee Changes” slide no. 16 in the FY 2017 Proposed Budget presentation.

Austin Energy:

Austin Energy is not increasing electric rates for FY 2017. The City Council approved new base rates on August 29, 2016. The approved schedule reduces rates for residential, commercial and industrial customers. Reducing budget expenditures for FY 2017 will not impact current rates.

An updated table, similar to slide no. 16, indicates a typical residential customer, using 895 kWh per month, will receive a monthly bill reduction of \$3.68.

The following table reflects the changes to a typical residential customer using 895 kWh per month since the adoption of the FY 2016 budget:

	FY 2016 Budget November 1, 2015	Reduced PSA April 1, 2016	FY 2017 Proposed
Total monthly bill	\$92.49	\$89.31	\$88.81
Change from the FY 2016 adopted budget		(\$3.18)	(\$3.68)

Austin Water:

Austin Water's proposed budget for FY 2017 includes a system-wide 3.0% rate revenue increase. Eliminating the rate revenue increase and maintaining FY 2016 service rates for FY 2017 would reduce forecasted revenues by \$16.4 million and would reduce the planned FY 2017 debt service coverage from 1.70 to 1.62. A corresponding \$16.4 million or 8.3%

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reduction in operations and maintenance expenditures would be necessary to maintain debt service coverage of 1.70 for FY 2017. If Austin Water was directed to maintain FY 2016 service rates for 2017, a combination of reduced debt service coverage and reduced operations and maintenance expenditures would be recommended. However, these reductions would have significant impacts to our water and wastewater system operations, financial benchmarks and bond ratings.

Austin Water's current operations and maintenance budget supports critical functions necessary to operate and maintain our water and wastewater system infrastructure and support functions. A reduction of the full \$16.4 million or 8.3% of our operations and maintenance budget would severely impact the operations of our water and wastewater system.

In addition, based on current revenue trends, Austin Water expects to end FY 2016 with debt service coverage above 1.70. Maintaining debt service coverage of at least 1.70 for FY 2017 was a key factor in proposing a FY 2017 rate revenue increase of 3.0%, particularly after Moody's Investors Service and Fitch Ratings revised Austin Water's bond rating outlook from negative to stable in June 2016 based on recent improvement in Austin Water's financial metrics, including debt service coverage. However in their June 2016 rating reports, both rating agencies noted that continued improvement in Austin Water's financial metrics is necessary to maintain the current rating outlook.

Austin Resource Recovery:

Austin Resource Recovery would need to reduce their expenditures by \$3.0 million to return to FY 2016 levels.

Clean Community Fee:

Austin Resource Recovery would need to decrease expenditures by \$1.9 related to the increase in the Clean Community Fee proposed for FY 2017. The Austin Code Department, who also shares in this fee, is not proposing an increase to the Clean Community Fee in FY 2017.

Transportation User Fee:

The Public Works Department would need to decrease expenditures by \$7.0M to maintain the FY 2016 Transportation User Fee (TUF) rate in FY 2017. The Austin Transportation Department would need to reduce expenditures by \$3.0 million to return the TUF to the FY 2016 level.

Drainage Utility Fee:

Maintaining the drainage utility charge for the median single family customer at its FY 2015-16 level of \$10.82 would require a Base Rate reduction to \$0.00457 from the proposed rate of \$0.00498. Adoption of this rate reduction would require expenditure reductions of approximately \$7M, or 9.4% of WPD's operating and capital budget. The rate for the typical household is projected to increase by \$0.98 per month due to the expiration of the Single Family Discount at the end of the fiscal year. The Single Family Discount reduced the initial impact of the changes in the Drainage Utility Charge on single family residences for FY 2015-16. The Base Rate per square foot for the FY 2016-17 Drainage Utility Charge calculation is decreasing from \$0.005 to \$0.00498, or by 0.4%. While the median single family customer is

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projected to increase, approximately 60,000 single family customers will see a decrease in their drainage charge. The Base Rate reduction will reduce the drainage charge for all of the multi-family and commercial customers.

Property Tax Bill:

Maintaining the property tax bill for the typical non-senior homeowner at its FY 2015-16 level of \$1,087 would require an FY 2016-17 property tax rate of \$0.4239. In comparison with the proposed tax rate of \$0.4411, adoption of this tax rate would require expenditure reductions of \$20,953,890 in order to maintain a balanced budget.