

Austin LAATER

Water and Wastewater Commission

Austin Water Proposed FY2021 Budget

July 15, 2020



- Proposed Budget Overview
- Sources Revenue
- Uses Expenses
- Significant Budget Changes
- Debt Management Strategies
- Average Residential Bills / CAP Customer Bills
- Capital Improvement Budget
- Affordability Metrics
- Fund Summary



O% Rate Revenue Increase for 2021

- Continued improvements to affordability
- CAP customer rate reduction for COVID-19 extended for all of 2021
 - \$4.38 average bill reduction

Continued debt management strategies

- Debt defeasances and refinancing
- \$40 million debt defeasance in FY 2020 resulting in \$40.2 million in debt savings
- \$46.5 million decrease in FY 2021 debt service requirements due to all previous defeasances and refundings since 2016

18 new full-time positions

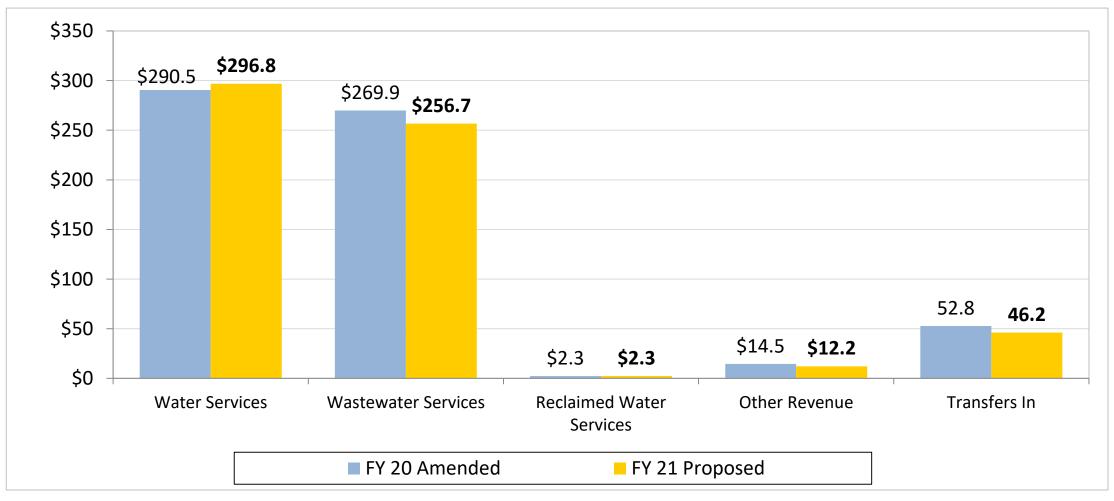
 4 operations positions, 1 engineering program position, 3 environmental planning & development program positions, 5 support services positions, 3 positions supporting AMI and 2 positions supporting Water Forward



Austin Water Revenue and Transfers In:

FY 20 Amended: \$ 630.0 million

FY 21 Proposed: \$614.2 million





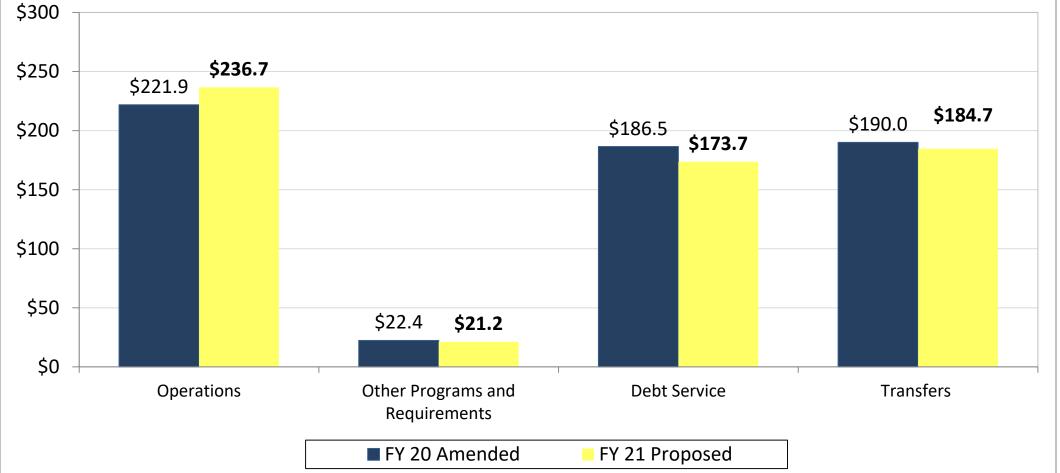
Austin Water Expenses and Transfers Out:

FY 20 Amended: \$620.8 million

FY 21 Proposed: \$616.3 million

FY 2021 Positions: 1,236

18.0





Significant Budget Changes

| Description | Amount |
|--|------------------|
| Increase in cash transfers for pay-as-you-go CIP financing | \$10.0 million |
| Increase in Balcones Canyon Preserve and Longhorn Dam operating costs by decreasing in Expense Refunds from the General Fund | \$2.1 million |
| 18 new full-time positions | \$2.0 million |
| Increase in employee wages enhancement (2%) | \$1.9 million |
| Increase in AMI metering contract warranty and annual maintenance costs | \$1.2 million |
| New On-site Reuse Incentive Grant | \$1.0 million |
| Increase in building inspections, maintenance and repairs | \$0.9 million |
| Increase in City Administrative Support Costs | \$0.9 million |
| Decrease in General Fund Transfer | (\$0.9 million) |
| Decrease in debt service requirements | (\$12.8 million) |
| Decrease in transfers for debt defeasance | (\$15.0 million) |



• Capital Recovery Fees ("CRF")

- Projected CRF net revenues of \$32 million for FY20
- Proposed use of CRF revenues of \$35M to be used for FY21 debt defeasance

Debt Defeasance

- \$40.0 million of debt defeased in FY20 used to reduce future debt service requirements by \$40.2 million through 2023
- \$189.4 million in total debt defeasances since 2016 with \$199.5 million in debt service savings

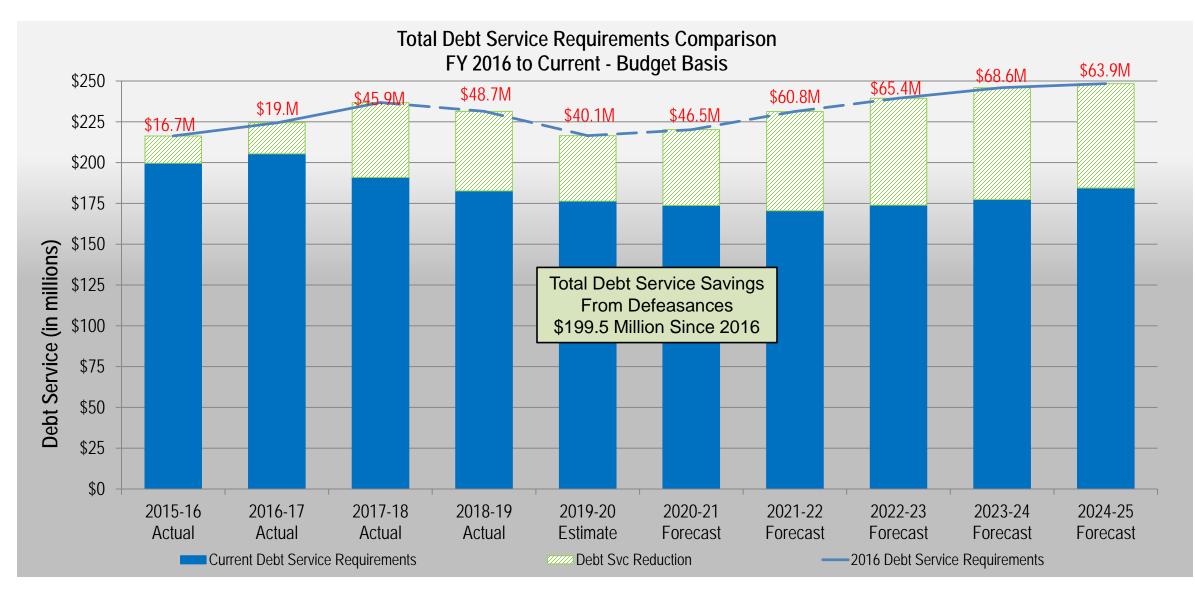
• TWDB Loans

- Continued use of TWDB low-interest loans for major CIP projects

Debt Management Impact

Austin

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Average Residential Customer

Proposed Bill Impacts

| Non-CAP Customers | С | Current | | oposed | | | |
|----------------------------|-----|-------------------------|----|----------------------|-------|--------|------------|
| | 202 | 2020 Rates ¹ | | 1 Rates ¹ | \$ Va | riance | % Variance |
| Water Service ² | \$ | 40.31 | \$ | 40.31 | \$ | - | 0.0% |
| Wastewater Service | | 40.48 | | 40.48 | | - | 0.0% |
| Total Revenue | \$ | 80.79 | \$ | 80.79 | \$ | - | 0.0% |

| CAP Customers | Current | | Proposed | | | | |
|----------------------------|---------|-------------------------|----------|----------------------|-------------|--------|------------|
| | 202 | 2020 Rates ¹ | | 1 Rates ¹ | \$ Variance | | % Variance |
| Water Service ² | \$ | 19.49 | \$ | 17.57 | \$ | (1.92) | -9.9% |
| Wastewater Service | | 24.48 | | 22.02 | | (2.46) | -10.0% |
| Total Revenue | \$ | 43.97 | \$ | 39.59 | \$ | (4.38) | -10.0% |

Notes:

- 1. Bills based on 5,800 gallons of water and 4,000 gallons of wastewater discharge
- 2. Water bills include the Reserve Fund Surcharge



Customer Assistance Program Overview

- \$0.15 per thousand gallon charge to all retail customers
- Approximately 13,180 CAP participants
- Waived fixed fees and discounted volume rates
- Proposed \$4.38 reduction in CAP average monthly bill
- Increase CAP discount from 45.6% to 51.0% of Non-CAP bill

| | | 2021 Average Monthly Bill Comparison: Non-CAP vs. CAP | | | | | | | | |
|--|----|---|----|-------|------|----------|------------|--|--|--|
| | No | on-CAP | | САР | \$ D | oiscount | % Discount | | | |
| Water | \$ | 40.31 | \$ | 17.57 | \$ | 22.74 | 56.4% | | | |
| Wastewater | | 40.48 | | 22.02 | | 18.46 | 45.6% | | | |
| Combined | \$ | 80.79 | \$ | 39.59 | \$ | 41.20 | 51.0% | | | |
| Combined \$ 80.79 \$ 39.59 \$ 41.20 \$ 51.0% Note: Bills based on 5,800 Gals water and 4,000 Gals. wastewater S 1.0% S 1.0% | | | | | | | | | | |



\$971.0 Million 5-year Capital Spending Plan

5-Year CIP Plan FY 2021-2025

\$ in millions

| | 2021 | 2022 | | 2023 | | 2024 | | 2025 | | Total | |
|------------|-------------|------|-------|------|-------|------|-------|------|-------|-------|-------|
| Water | \$ 87.3 | \$ | 88.1 | \$ | 60.6 | \$ | 69.6 | \$ | 71.9 | \$ | 377.5 |
| Wastewater | 83.6 | | 123.6 | | 123.0 | | 103.4 | | 128.4 | | 562.0 |
| Reclaimed | 5.3 | | 6.7 | | 8.7 | | 7.7 | | 3.1 | | 31.5 |
| Combined | \$ 176.2 | \$ | 218.4 | \$ | 192.3 | \$ | 180.7 | \$ | 203.4 | \$ | 971.0 |



Proposed 5-Year CIP Spending Plan

| Capital Spending Category | 5-Year CIP Spending Plan |
|--|--------------------------|
| Wastewater Treatment Plants | \$343.8M |
| Water Pipe Network | \$181.5M |
| Wastewater Pipe Network | \$169.5M |
| Water Treatment Plants | \$75.0M |
| Reservoirs | \$57.8M |
| Reclaimed Water Network | \$31.6M |
| Pump Stations | \$28.6M |
| Buildings and Improvements | \$28.1M |
| Lift Stations | \$18.3M |
| Information Technology | \$17.7M |
| Vehicles and Equipment | \$16.5M |
| Other Projects | \$2.6M |
| Proposed 5-Year CIP Spending Plan Total | \$971.0M |





Rate Changes

- FY18-4.8% rate reduction
- FY19-0% rate increase
- FY20 0% rate increase
- FY21 0% rate increase
- Projected FY22 0% rate increase

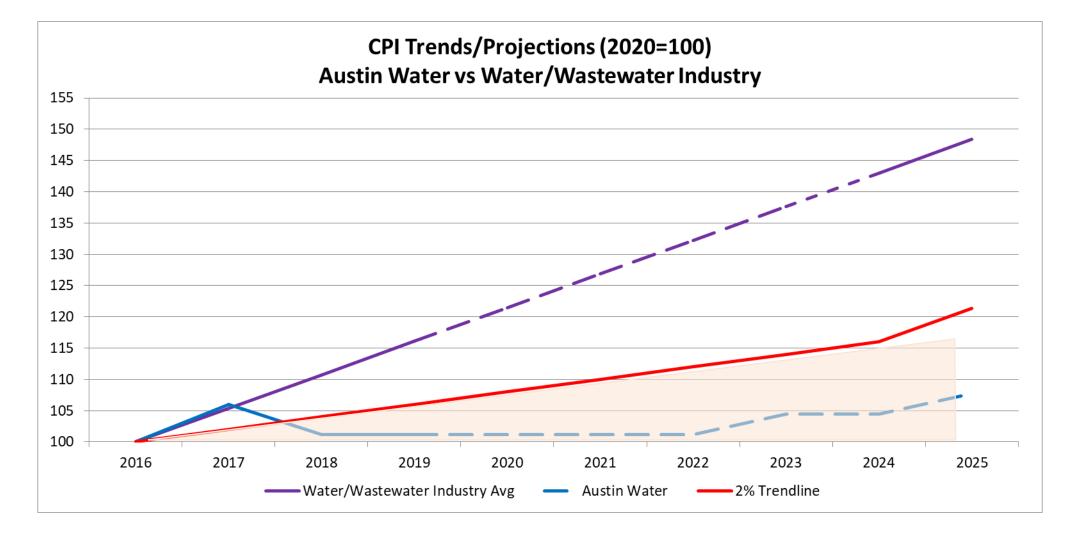
Continued focus on CAP Customer Affordability

- FY18 11.4% rate reduction
- FY19 0% rate increase
- FY20 8.3 % rate reduction
- FY21 10% rate reduction for maintaining COVID discounts

COVID Bill Relief

- 10% rate reduction for CAP and Non-CAP on Water blocks 1, 2, & 3 and Wastewater blocks 1 & 2
- CAP Customer 10% rate reduction extension for FY21
- \$5 million in additional funds to Plus 1 Assistance Program rom both AW and AE







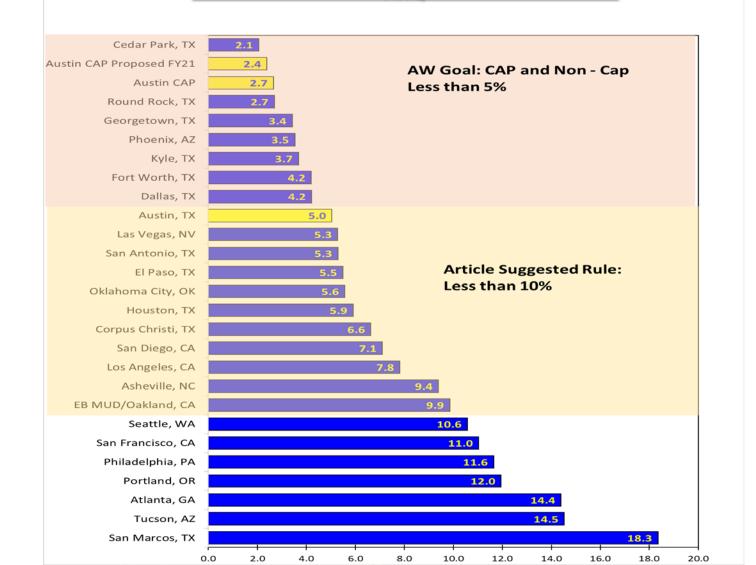
| Austin CAP Proposed FY21 Austin CAP Phoenix, AZ Memphis, TN Houston, TX | \$12.49 \$13.86 \$20.36 \$25.41 AW CAP Goal: \$25.76 Below 20th Percentile of all | CAP Customers lowest of all cities |
|--|---|---------------------------------------|
| Dallas, TX Salt Lake City, UT Milwaukee, WI | \$26.41 cities surveyed \$28.38 \$28.95 | |
| Amarillo, TX Albuquerque, NM El Paso, TX San Antonio, TX Arlington, TX Los Angeles, CA Oklahoma City, OK | \$32.69 \$34.81 \$34.86 \$37.20 \$37.69 \$37.69 \$37.86 AW Non - Cap Goal: \$38.22 Below 50th Percentile of \$38.27 All Cities Surveyed | Average Monthly Bill Comparison |
| Fort Worth, TX Charlotte, NC Philadelphia, PA Abilene, TX | \$38.95 \$39.49 \$41.15 | Combined Bill Residential |
| Austin, TX Cedar Park, TX Round Rock, TX Asheville, NC | \$42.29 \$43.10 \$44.25 \$47.75 | Low Volume |
| Atlanta, GA Las Vegas, NV Lubbock, TX | \$48.01 \$49.08 \$49.98 | Existing Rates 3,000 gallons |
| Pflugerville, TX Georgetown, TX Corpus Christi, TX Louisville, KY Tucson, AZ | \$53.80 \$54.50 \$54.63 \$56.94 \$60.85 | water and 2,000 gallons |
| San Marcos, TX Portland, OR San Diego, CA EB MUD/Oakland, CA | \$66.81 \$69.53 \$71.17 | wastewater |
| Kyle, TX San Francisco, CA Seattle, WA | \$75.76 \$76.70 \$82.44 \$- \$10.00 \$20.00 \$30.00 \$40.00 \$50.00 \$60.00 \$70.00 \$80.00 \$90 | 00 |



| Memphis, TN Phoenix, AZ Salt Lake City, UT Austin CAP Proposed FY21 Milwaukee, WI Amarillo, TX | \$28.75 \$34.25 \$38.87 \$39.59 \$41.38 \$42.43 | FY21 CAP Increased Ranking 6 th 4 th . |
|---|--|---|
| Austin CAP El Paso, TX Dallas, TX | \$43.97 \$46.03 \$46.19 | Average Monthly |
| Albuquerque, NM Las Vegas, NV Abilene, TX | \$47.89 \$54.91 \$55.21 | Bill Comparison |
| Oklahoma City, OK Arlington, TX Georgetown, TX Round Rock, TX | \$55.53 \$55.76 \$57.65 \$58.20 | Combined Bill Residential |
| Fort Worth, TX San Antonio, TX Cedar Park, TX | \$58.20 \$58.56 \$59.45 \$61.24 | Average Volume |
| Ceuai Park, TA Charlotte, NC Houston, TX Philadelphia, PA | AW Non - Cap Goal: Improve to \$63.46 below 65th Percentile within 5 years | Existing Rates |
| Pflugerville, TX Lubbock, TX Asheville, NC | \$70.24 \$71.45 \$74.95 | 5,800 gallons water and |
| Louisville, KY Los Angeles, CA | \$75.17 \$75.23 | 4,000 gallons |
| Tucson, AZ Austin, TX Corpus Christi, TX | \$78.84 \$80.79 \$82.07 | wastewater |
| San Marcos, TX EB MUD/Oakland, CA Kyle, TX | \$90.62 \$92.01 \$92.63 | |
| Atlanta, GA San Diego, CA | \$92.83 \$99.89 | |
| Portland, OR San Francisco, CA Seattle, WA | \$116.34 \$145.68 \$146.32 | . 17 |
| | \$- \$20.00 \$40.00 \$60.00 \$80.00 \$100.00 \$120.00 \$140.00 \$16 | 0.00 |



Basic Water and Wastewater Services Affordability Ratio 20 (AR₂₀) Existing Rates - (4,000 Gallons Consumption and 4,000 Gallons Flows)



FY21 CAP is 2nd Lowest in Ranking

Affordability Ratio (AR₂₀) Preliminary Numbers

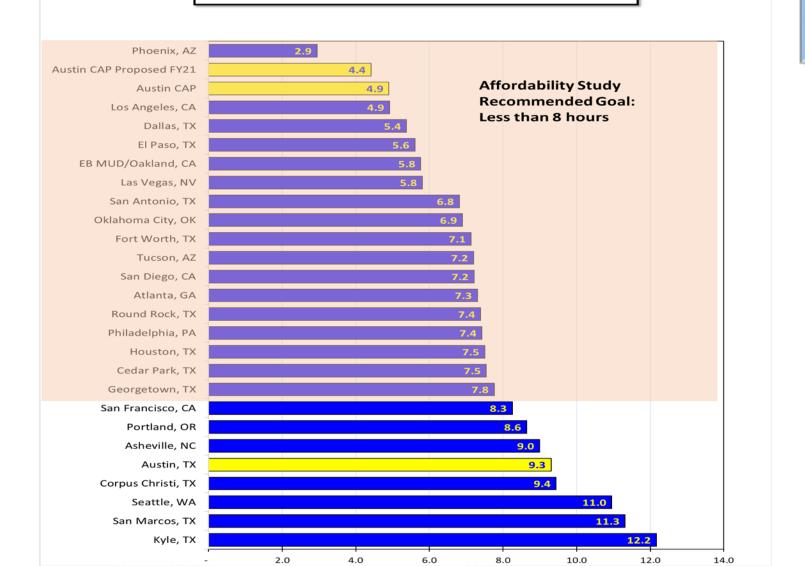
Combined Bill Residential

20th Percentile Household Income % Income after paying for essential needs

Existing Rates 4,000 gallons water and 4,000 gallons wastewater



Hours Minimum Wage to Pay for Basic Water and Wastewater Services Existing Rates - (4,000 Gallons Consumption and 4,000 Flows)



FY21 CAP is 2nd Lowest in Ranking

> Hours Minimum Wage Preliminary Numbers

Combined Bill Residential

Number of Hours at Minimum Wage to Pay for Basic Services

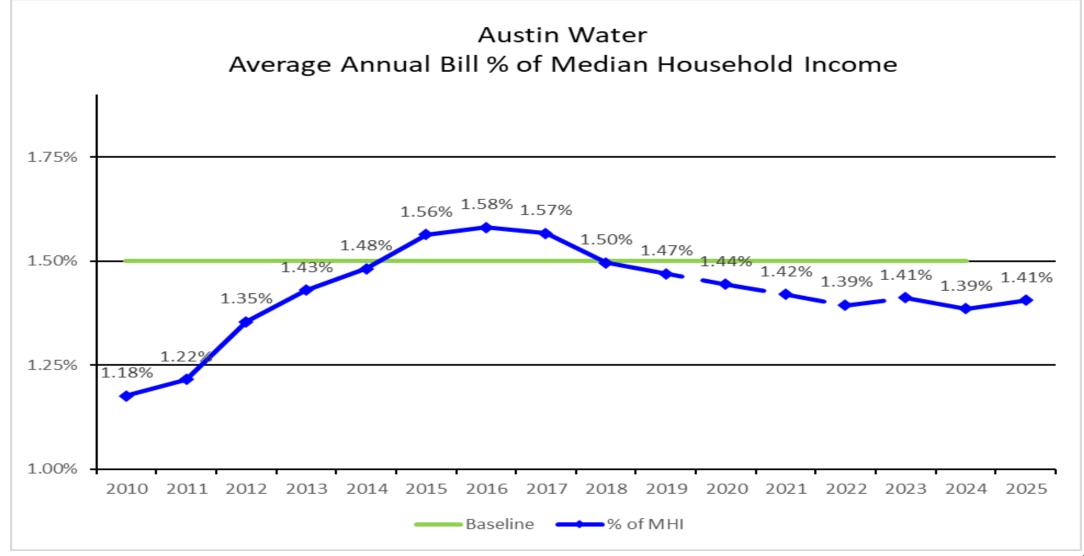
Existing Rates 4,000 gallons water and 4,000 gallons wastewater



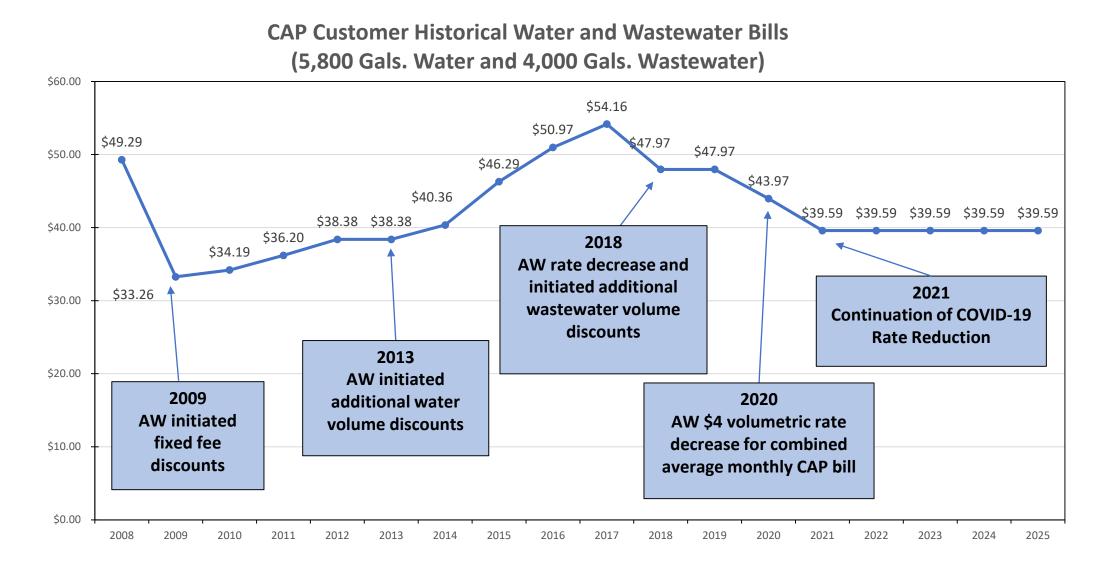
| Salt Lake City, UT Memphis, TN Milwaukee, WI | \$52.05 \$52.46 \$55.60 | | FY21 CAP |
|--|-------------------------------|------------------------------|------------------------------------|
| Amarillo, TX | \$56.01 | | |
| Phoenix, AZ | \$62.57 | | Increased Ranking |
| Albuquerque, NM | \$62.83 | | increased nativity |
| El Paso, TX | \$65.49 | | 14 th 9 th . |
| Las Vegas, NV | \$66.18 | AW CAP Goal: | 14 9 |
| Austin CAP Proposed FY21 | \$66.28 | Below 50th Percentile of all | r |
| Georgetown, TX | \$67.40 | cities surveyed | AVERAGE |
| Dallas, TX | \$68.35 | | _ |
| Round Rock, TX | \$72.34 | | MONTHLY BILL |
| Arlington, TX | \$72.61 | | |
| Oklahoma City, OK | \$72.75 | | COMPARISON |
| Austin CAP | \$79.38 | | |
| Abilene, TX | \$79.60 | | Combined Dill |
| Cedar Park, TX | \$80.48 | | Combined Bill |
| Fort Worth, TX | \$81.05 | | Residential |
| Pflugerville, TX | \$90.50 | | Residential |
| Houston, TX | \$90.54 | | |
| Philadelphia, PA | \$93.34 | | |
| Charlotte, NC | \$93.39 | | Existing Rates |
| Louisville, KY | \$93.92 | AW Non CAP Goal: | 0 |
| San Antonio, TX | \$94.52 | Below 75th Percentile of all | 10,000 gallons water |
| Asheville, NC | \$103.70 | cities surveyed | and |
| Tucson, AZ | \$103.93 | | anu |
| Lubbock, TX | \$104.02 | | 5,000 gallons |
| Corpus Christi, TX | \$119.57 | | - |
| EB MUD/Oakland, CA | \$124.99 | | wastewater |
| San Marcos, TX | \$127.31 | | |
| Austin, TX | \$127.45 | | |
| Kyle, TX | \$128.00 | | |
| Los Angeles, CA | \$129.28 | | |
| San Diego, CA | \$139.06 | | |
| Atlanta, GA | \$139.91 | | |
| Portland, OR | \$1 | 60.76 | |
| Seattle, WA | | \$199.46 | |
| San Francisco, CA | · · · · · | \$214.24 | 20 |
| | - \$50.00 \$100.00 \$1 | 50.00 \$200.00 \$25 | 0.00 |



AW Goal: 1.5% or less



Austin Historical CAP Customer Water and Wastewater Bills





Fund Summary

| (In Millions) | A | mended 2020 | E | stimated 2020 | Proposed 2021 |
|-------------------------|----|----------------|----|------------------|------------------|
| Beginning Balance | \$ | 197.9 | \$ | 201.8 | \$ 206.4 |
| Revenue | | 577.2 | | 557.0 | 568.0 |
| Transfers In | | 52.8 | | 50.8 | 46.2 |
| Available Funds* | \$ | 630.0 | \$ | 607.8 | \$ 614.2 |
| Operating Requirements | | 244.3 | | 246.9 | 257.9 |
| Debt Service | | 186.5 | | 176.3 | 173.7 |
| Transfers Out | | 190.0 | | 180.0 | 184.7 |
| Total Requirements* | \$ | 620.8 | \$ | 603.2 | \$ 616.3 |
| Excess (Deficiency) | | 9.2 | | 4.6 | (2.1) |
| Ending Balance | \$ | 207.1 | \$ | 206.4 | \$ 204.3 |
| Debt Coverage | | 1.75 | | 1.71 | 1.74 |
| Days Cash on Hand | | 244 | | 258 | 246 |
| % Cash for CIP Spending | | 44.0% | | 39.8% | 47.2% |

FY2021 Proposed Budget complies with all Council approved financial policies.



