

The following terms and acronyms will be referenced throughout the Financial Policy Updates.

**Budget** — an estimate of costs, revenue, and resources over a specified period, reflecting a reading of future financial conditions and goals.

**Capacity** — the utility's ability to meet customer demands for water service based upon plant facilities and service availability. Customer service demands are based upon quantity, quality, and peak loads to various customer classes served by the utility.

**Capital Budget** — a plan of proposed projects or investments for fixed assets (primarily infrastructure) and the means of financing them. The annual capital budget is the primary means by which most of the acquisition and construction activities for facilities and major improvements of a government occur.

**Capital Expenditures** — the acquisition of equipment and assets associated with the utility's Capital Improvement Program (CIP) spending on plants, pipelines, etc. that increases the value of the utility over a time period greater than a year.

**Capital Improvement Plan (CIP Plan)** — for all individual capital improvement projects, equipment purchases, major studies, design, engineering, and construction of capital projects. It includes completion schedules in conjunction with financing plans. The plan provides for a working blueprint for sustaining and improving the utility's infrastructure. It coordinates strategic planning, financial capacity, and physical development. Generally, it is a cyclical process that estimates the needs for a set number of years.

**Capital Project Equity Contributions (Pay-As-You-Go Funding CIP)** — using available operating cash for the annual Capital Improvement Program.

**Capital Recovery Fee** — is assessed and collected from owners of residential property and property other than residential property to collect a portion of the cost associated with providing utility services.

**Cash Basis Revenue Requirements** — a method of establishing revenue requirements based on annual budget expenses for operations and maintenance, debt service payments, equity financing of capital improvements, and reserve/debt coverage requirements.

**Commercial Customer** — any non-residential customer who receives water or wastewater service, but does not meet the Large Volume classification eligibility. Examples of commercial customers include retail stores, restaurants, doctor offices, houses of worship, and office buildings.

**Cost Allocation** — the process of identifying, aggregating and assigning costs to cost centers. A cost center is any activity or item for which you want to separately measure costs.

**Cost of Service (COS)** — the total annual operation, maintenance, and capital costs incurred for the delivery of services.

**Days of Operating Cash Reserves (Days Cash on Hand)** — is a measure of an entity's financial security and the number of days that an entity can continue to pay its operating expenses, given the existing amount of cash available in the absence of additional revenue.

**Debt** — an obligation to repay borrowed money for the purchase of goods and services typically capital equipment or projects.

**Debt Defeasance** — when the borrower sets aside cash that is sufficient to service the debt. The defeasance renders the outstanding bonds paid thereby removing all obligations of the issuer for payment of the bonds.

**Debt Service** — periodic expense to pay for interest and principal on debt instruments.

**Debt-Service Coverage** — a ratio of total revenues less operating costs to debt service.

**Depreciation** — An accounting procedure used allocate the cost of an asset and account for the loss of value over its useful life.

**Drinking Water Protection Zone (DWPZ)** — means the areas within the Barton Springs Zone, the Barton Creek Watershed, all Water Supply Rural Watersheds, and all Water Supply Suburban Watersheds that are in the City's planning jurisdiction

**Equivalent Meter Cost** — the cost basis of a water meter typically used for residential customers (5/8") in order to compare the cost of investment in larger meters.

**Fiscal Year (FY)** — The fiscal year for the City of Austin begins on October 1st and ends on September 30th. As a result, the fiscal years quarters are three months ahead of calendar year quarters. For example, Quarter 1 is October through December, not January through March.

**Fixed Assets** — the capital assets and tangible things that are expected to be in use for more than one fiscal year. Examples are land, building, machinery, and equipment.

**Fixed Charge** — a set minimum charge that a customer must pay regardless of water consumption.

**Funding Source** — sources of revenue that fund various objectives for the City. Funding sources include cash, debt, loans, and other, and most are explicitly used in the capital budget.

**Gallons per Capita Daily (GPCD)** — gallons of daily water consumption divided by population.

**Large Volume Customer** — a customer consuming more than 85 million gallons within a fiscal year at a single address or campus. Austin Water currently conducts a cost of service determination for each large volume customer in order to formulate an individual water and wastewater rate.

**Million Gallons Daily (MGD)** — used in the treatment plant capacities on describing water use.

**Minimum charge** — a fixed-base charge that provides a constant stream of revenue to support the operation and maintenance costs of providing service to customers, regardless of fluctuations in usage.

**Municipally Owned Utility** — any utility owned, operated, and controlled by a municipality or by a non-profit corporation whose directors are appointed by one or more municipalities. Austin Water is a municipally owned utility.

**Non-Rate Revenue** — billed revenue not associated with the delivery of water, wastewater, or reclaimed water services. Examples of non-rate revenue include various miscellaneous fees and charges such as private fire hydrant fees, dillo dirt sales, backflow prevention fees, and new service connections.

**Peaking Factor** — a measure of system demand over a specified period of time (hour, day, etc.). As compared to an average, peaking factors are measured and assigned by individual customer (Large

**Public Involvement Committee (PIC)** — a committee formed to include citizens representing each customer class served by Austin Water. The goal of the committee is to provide for public involvement in the cost of service study, allow each customer class to be represented in the process, review and assess cost of service methodology development, and provide customer class representatives and citizens the opportunity to provide comments to the Austin Water Executive Team on cost of service methodology decisions.

**Rate** — a defined volumetric charge related to the amount of water usage or flow.

**Rate Design** — after the cost of service process is complete, the review turns to rate design in which rate structures and rates, or prices, are determined. Rates must be set to recover the utility's full revenue requirement.

**Rate Schedule** — the set of different rates and charges assigned to the various customer classes and customers.

**Reclaimed Water** — highly treated wastewater effluent that is recycled back into the reclaimed water system for non-potable use. Reclaimed water can be used for landscape irrigation, cooling towers, and toilet flushing.

**Residential Customer** — a customer who receives water service for domestic purposes such as, consumption, cooking, cleaning, and small scale irrigation. Examples of residential dwellings are single family homes, apartment or condo units that are individually metered, and mobile homes.

**Retail Customer** — individually metered customers receiving water from a water and wastewater utility.

**Revenue Requirement** — the amount of annual revenue needed by a utility to pay all annual expenses, debt obligations and rate of return needs.

**Seasonal Volume Rates** — commonly referred to as peak/off-peak rates. A method of deriving a cost of service volume rate based on the different system requirements during the winter and summer periods.

**Test Year** — the annualized period for which costs are to be analyzed and rates established. The twelve-month operating period selected to evaluate the cost of service and the adequacy of rates in effect or being sought.

**Texas Water Development Board (TWDB)** — is a state agency whose primary function is granting loans to local governments in order to implement flood and pollution control, water treatment, wastewater treatment, and municipal solid waste management.

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**Tiered Fixed Fee** — structured progressive residential fixed fee based upon total billed consumption for the billing period as it falls within a rate block, not as a volumetric charge per 1,000 gallons.

**Uniform Volume Rate** — a method of deriving a single charge per unit of volume to recover the cost of service.

**Unit Cost of Service** — the cost of a unit of product or service, for example, the cost of pumping 1 million gallons of water.

**Utility Basis Revenue Requirements** — a method of establishing revenue requirements based on annual expenses for operations and maintenance, depreciation, and a rate of return.

**Volume Rate** — that portion of a water rate that is related to the volume of water used. The volume rate can be a single unit charge for all volume used, or it can be increased or decreased at selected block levels.

**Water Budget Volume Rates** — also referred to as excess use rates. A method of deriving a cost of service volume rate based on a customer's estimated efficient consumption, typically during the winter period. Customers that exceed the efficiency threshold will pay higher rates as a means to encourage conservation.

**Wholesale Customer** — the sale of any commodity to an entity who intends to resell that commodity to their retail customers.

**Wholesale Involvement Committee (WIC)** — a committee formed to consist of representatives from each wholesale customer served. The goal of the committee is to provide our wholesale customers a platform to be involved in the cost of service study, allow each customer to be represented in the process, review and assess cost of service methodology development, and provide wholesale customer representatives the opportunity to provide comments to the Austin Water Executive Team on cost of service methodology decisions.

### Questions?

If you have any questions about the rate review process, please [email us](#) and a representative will reply as soon as possible.