

**Austin Water Utility  
Joint Committee on AWU's Financial Plan**

**Revenue Stability Reserve Fund – Draft Policy Summary**

**Revenue Stability Reserve Fund (Reserve Fund) – Draft Policies**

1. Target Level
  - a. The target funding level for the Reserve Fund is 120 days of the budgeted operating requirements of Austin Water Utility which includes operations and maintenance and other operating transfers, but excludes debt service and other transfers out.
  - b. Upon creation of the Reserve Fund, the goal to reach the target funding level will be no later than 5 years.
  
2. Sources of Funds

Funding for the Reserve Fund may be provided from the following sources:

  - a. Reserve Fund Surcharge – a fixed or volumetric Reserve Fund Surcharge could be charged to all customer classes in order to build or replenish the Reserve Fund to target levels.
  - b. Excess Operating Cash Balances – any operating cash balances in excess of 60 days of budgeted operating requirements may be transferred to build or replenish the Reserve Fund to target levels.
  - c. Other Sources – available cash balances from other Utility sources may be transferred to build or replenish the Reserve Fund to target levels.
  
3. Reserve Fund Surcharge
  - a. A volumetric Reserve Fund Surcharge per 1,000 gallons water used may be charged to all customer classes to build or replenish the Reserve Fund to target levels.
  - b. When the target levels of the Reserve Fund are reached, the Reserve Fund Surcharge shall be reduced to levels sufficient to only maintain the 120 days of operating requirements.
  
4. Restrictions on Use of Reserve Fund
  - a. The City Council must approve any Reserve Fund utilization through a separate action during the year or as part of the current year assumptions within the Austin Water Utility's annual budget recommendations.
  - b. The Reserve Fund shall only be used to offset a current year water service revenue shortfall where actual water service revenue is less than the budgeted level.
  - c. The maximum use of the Reserve Fund in any fiscal year is 50% of the existing balance at the time of request for Council action.
  
5. Replenishment of Fund
  - a. In the event that any portion of the Reserve Fund is used, the balance will be replenished to the target levels within \_\_\_\_ years.
  
6. Reserve Fund Surcharge Revenue Treatment in General Fund Transfer Calculation
  - a. The fee revenue collected to build or replenish the Reserve Fund should not be included in the general fund transfer calculation for Austin Water Utility.
  - b. The general fund transfer calculation should also include a revenue offset in the amount of the Austin Water Utility's annual transfer to the City's Sustainability fund.

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Revenue Stability Reserve Fund – Draft Financial Policy

Austin Water Utility Draft Financial Policy Additions and Revisions

16. A Revenue Stability Reserve Fund shall be created and established for the purpose of offsetting any current year water service revenue shortfalls below budgeted revenue levels.

The target funding level for the Reserve Fund is 120 days of the budgeted operating requirements of Austin Water Utility, including operations and maintenance and other operating transfers, but excluding debt services and transfers out. Sources of funding for the Reserve Fund may include a Reserve Fund volumetric surcharge charged to all customer classes, operating reserves in excess of 60 days of operating requirements, and any available net water service revenue after meeting all obligations of the Austin Water Utility.

The City Council must approve all Reserve Fund use of funds through a separate action during the year or as part of the current year assumptions within the Austin Water Utility's annual budget recommendations. The Reserve Fund shall only be used to offset a current year water service revenue shortfall where actual water service revenue is less than the budgeted level. The maximum use of the Reserve Fund in any fiscal year is 50% of the existing balance at the time of request for Council action.

In the event that any portion of the Reserve Fund is used, the balance shall be replenished to the target levels within \_\_\_\_ years.

The Reserve Fund Surcharge revenue collected to build or replenish the Reserve Fund shall not be included in the general fund transfer calculation for Austin Water Utility.

15. The General Fund Transfer shall not exceed 8.2% of the Austin Water Utility three-year average revenues, calculated using the current year estimate at March 31<sup>st</sup> and the previous two years' actual revenues from the City's Comprehensive Annual Financial Report.

Any current year or previous years' Reserve Fund Surcharge revenue collected to build or replenish the Reserve Fund should not be included in the general fund transfer calculation for Austin Water Utility. The general fund transfer calculation shall also include a revenue offset in the amount of the Austin Water Utility's annual transfer to the City's Sustainability Fund.

12. Austin Water Utility shall maintain operating cash reserves equivalent to a minimum of 60 days of budgeted operations and maintenance expenses.