



Austin Water

General Fund Transfer

Financial Services Department
Public Utilities Committee
February 17, 2016





Utility Transfer

- Utility allowed to earn a reasonable rate of return on its assets
- General Fund Transfer is an authorized transfer of a portion of Utility's earnings
 - Natural result of City's ownership and return to taxpayers for risk assumed in operating the Utility
 - Return on investment to its City owner
- Utility General Fund Transfer began in 1946
 - Council approved Ordinance or Financial Policy sets formula
 - Historically calculated based on a percentage of applicable revenue
 - May impact credit rating of General Government and Utility



Council Approved Transfer Policies

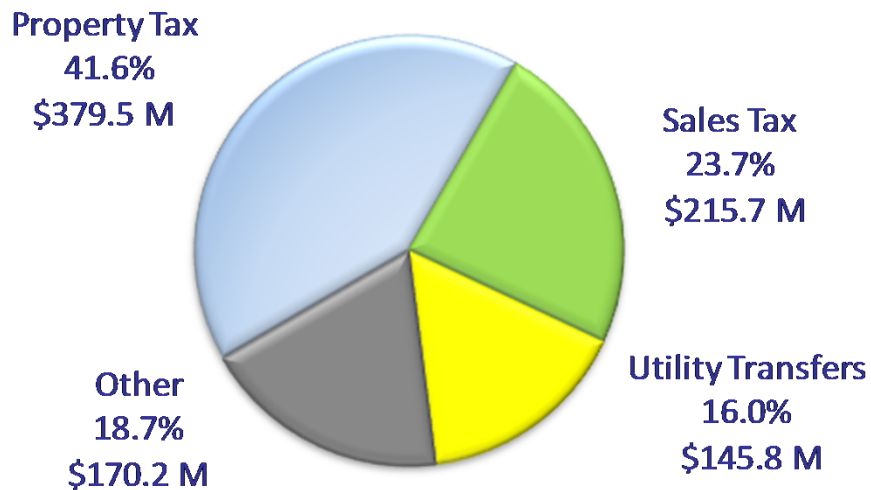
Fiscal Year	AE Transfer	AW Transfer	Total Increase
FY 2010	\$ 101.0 m	\$ 29.0 m	-----
FY 2011	\$ 103.0 m	\$ 31.3 m	\$ 4.3 m
FY 2012	\$ 105.0 m	\$ 31.9 m	\$ 2.6 m
FY 2013	\$ 105.0 m	\$ 34.5 m	\$ 2.6 m
FY 2014	\$ 105.0 m	\$ 37.9 m	\$ 3.4 m
FY 2015	\$ 105.0 m	\$ 38.8 m	\$ 0.8 m
FY 2016	\$ 105.0 m	\$ 40.8 m	\$ 2.0 m

- Austin Energy - Set in FY 2012 at 12% of three-year average of **non-fuel** revenue, with a floor of \$105 million
 - Fifth consecutive year at \$105 million
- Austin Water - Continued at 8.2% of three-year average of gross revenue since FY 2000



General Fund Revenue

General Fund FY 2016 Projected Revenue \$911.2 Million



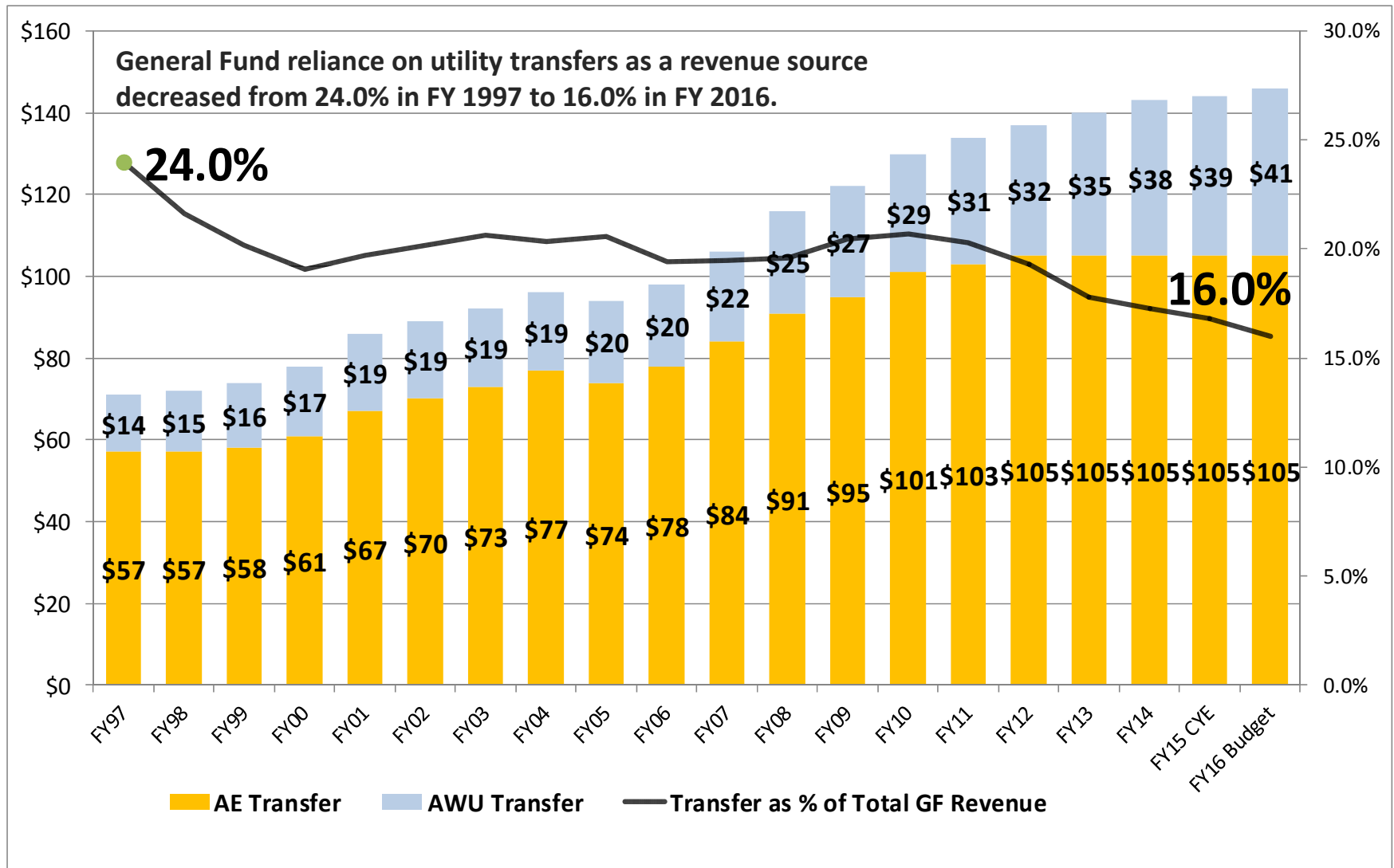
General Fund Revenue FY 2015 Estimated and FY 2016 Budget (millions)

Source	FY 2015 Est.	FY 2016 Budget	Change
Property Tax	\$357.8	\$379.5	\$21.7
Sales Tax	\$200.4	\$215.7	\$15.3
Utility Transfers	\$143.8	\$145.8	\$ 2.0
Other Revenue	\$164.3	\$170.2	\$ 5.9
TOTAL	\$866.3	\$911.2	\$44.9

- Utility transfers total \$145.8 million, 16.0% of total General Fund revenue
- General Fund reliance on utility transfers as a revenue source decreased from 24.0% in FY 1997 to 16.0% in FY 2016



General Fund Reliance on Transfer Decreased





General Fund - Potential Impact

- General Fund has limited ability to generate additional revenue sources to replace a Utility transfer if reduced or eliminated
 - Most controllable revenue source is property tax, but limited
- Property tax rate beyond rollback rate likely needed to offset General Fund revenue loss if Utility transfer substantially reduced or eliminated
 - Utility transfers total \$145.8 million, 16.0% of General Fund revenue
 - Voters may petition for an election on the tax increase and a successful election limits taxing unit's current tax rate to the rollback tax rate
- 13.52 cent property tax increase to replace total Utility transfers; \$320.25 annual impact on owner of median-value homestead (\$251,994)



Utility Fund - Potential Impact

- Utility's rate increases and revenue driven primarily to achieve debt service coverage
- Rate covenant in bond ordinance requires City to collect revenues sufficient to maintain specified debt service coverage ratios
 - Limits ability to significantly reduce rates if substantially reduced or eliminated its General Fund Transfer
- Utility rate impact if reduction in General Fund Transfer
 - Would not result in immediate reduction in Utility rates for full amount of reduced Transfer
 - Utility overall cash and reserves would increase; then could be used to cash fund capital infrastructure to avoid debt issuance
 - Avoidance of debt issuances will over time reduce rates through reduced debt service and thus higher debt service coverage



Questions

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Austin
WATER
Clearly Reliable