



Austin Water Utility

CRF Policy & Affordable Housing Waivers

March 1, 2016

Presentation Outline

- Council Resolution 20160211-019
 - Briefing on history and current policy on capital recovery Fees, including Sustainability Fund payments for affordable housing
 - Financial analysis and briefing on capital recovery fee waivers for affordable housing
- Capital Recovery Fee Policy Development
- Capital Recovery Fee Waivers
- Sustainability Fund Transfers
- Pilot Knob Waivers
 - Financial Impacts

Capital Recovery Fees Policy Development

Capital Recovery Fees (CRFs) Overview

- What is the purpose of CRFs?
 - Austin Water invests \$100s of millions in water and wastewater system infrastructure to accommodate new growth in customers
 - Cost of this infrastructure must be recovered by:
 - All ratepayers of Austin Water
 - New growth customers of Austin Water
 - Combination of both – current Austin practice
 - CRFs provide mechanism for new growth customers to “buy in” to the system by charging for a portion of the growth related infrastructure at the time they connect
 - New growth customers help pay for the cost of providing system infrastructure to serve them rather than spreading costs to all existing customers
 - “Growth pays for growth”

Capital Recovery Fees Policy Background

- State Law Summary
 - Capital Recovery Fees or Impact Fees (Texas Local Government Code Chapter 395)
 - 5-year update requirement
 - Specific calculation methodologies are mandated
 - Capital program to include City growth projects only
 - Calculation produces Maximum Allowable Fee
 - Use of Capital Recovery Fees restricted
 - Construction costs for growth related projects
 - Debt service on growth related projects
 - Fee in effect when subdivision is platted is charged even if fee changes later

Capital Recovery Fees

Recent Updates

- Austin Water Updates
 - Performed updates in 2007 and 2012
- 2007 Update
 - State process to update Maximum Allowable
 - Worked with Impact Fee Advisory Committee
 - Public Involvement process for stakeholders
 - Maintained discounts for zones of City
 - Fees implemented on October 1, 2007

Capital Recovery Fees Council Policy - 2007

- Maximum Allowable was \$5,159 for 5/8" meter
- Fees significantly discounted from maximum allowable
- Discounts varied by zones of the City
- Intended to incentivize development to desired development zones

Approved Fees – 2007 Effective October 2007 to January 2014

Calculated Maximum Allowable	\$5,159
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Assessed Fees:

Drinking Water Protection Zone	\$3,400
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Desired Development Zone (DDZ)	
Inside City	\$1,600
Outside City	\$2,800

DDZ, Urban Watersheds	\$1,300
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DDZ, Central Urban District	\$1,100
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Outside Austin (ETJ)	\$3,900
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Capital Recovery Fees

Recent Updates

- 2012 Update Process
 - Set service area boundaries
 - Growth project determination
 - Growth living units projected
 - Public Involvement
 - Impact Fee Advisory Committee
 - Joint Committee on Austin Water's Financial Plan
 - Home building community and other stakeholders
 - Council approval of new fees implemented on January 1, 2014

Capital Recovery Fees Council Policy - 2012

- Maximum Allowable was \$7,600 for 5/8" meter
- All fees consistently set at maximum allowable
- Eliminated discounts by zones of the City
- Increased fees between as much as 4-5 times previous fees
- New development would pay more for growth in system
- First update with significant costs associated with WTP4

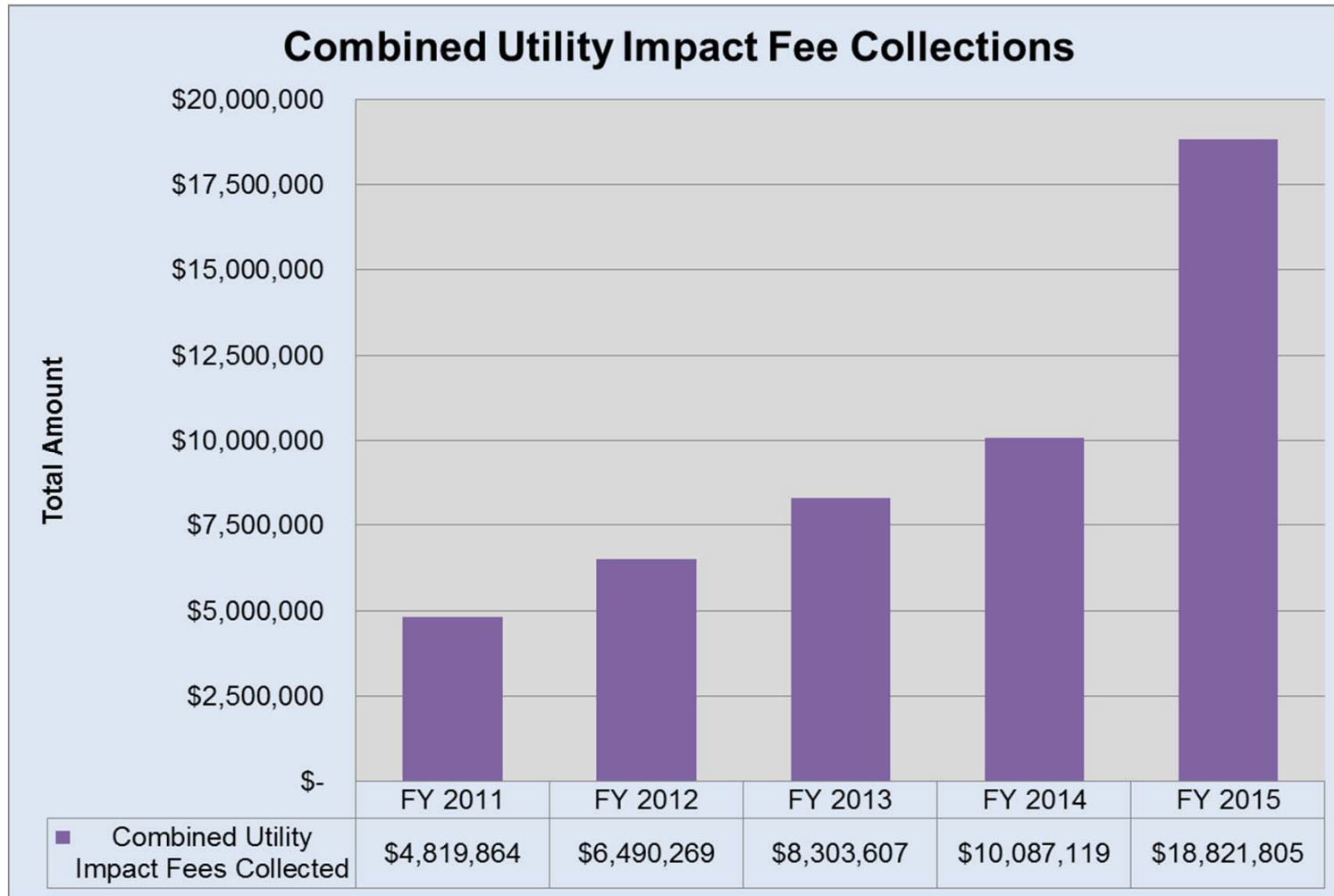
Approved Fees – 2012 Effective on January 1, 2014

Calculated Maximum Allowable	\$7,600
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Assessed Fees

All Customers	\$7,600
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Capital Recovery Fees Historical Collections



Use of Capital Recovery Fees

- Historically
 - CRFs have been used for paying debt service on growth related debt service
 - CRFs a revenue source that allows for offsetting rate increases needed for debt service
- Future
 - \$18M in collected CRFs will be used in April 2016 debt defeasance of growth related previously issued debt
 - \$18M in defeasance will result in \$21.6M in debt service savings over the next 14 years
 - Future collections of approximately \$75-\$100M or more over next 5 years would be used to defease additional debt
 - Reduced debt service from CRF defeasances increases debt service coverage improving AW's financial condition
 - Slows the growth in rates over time

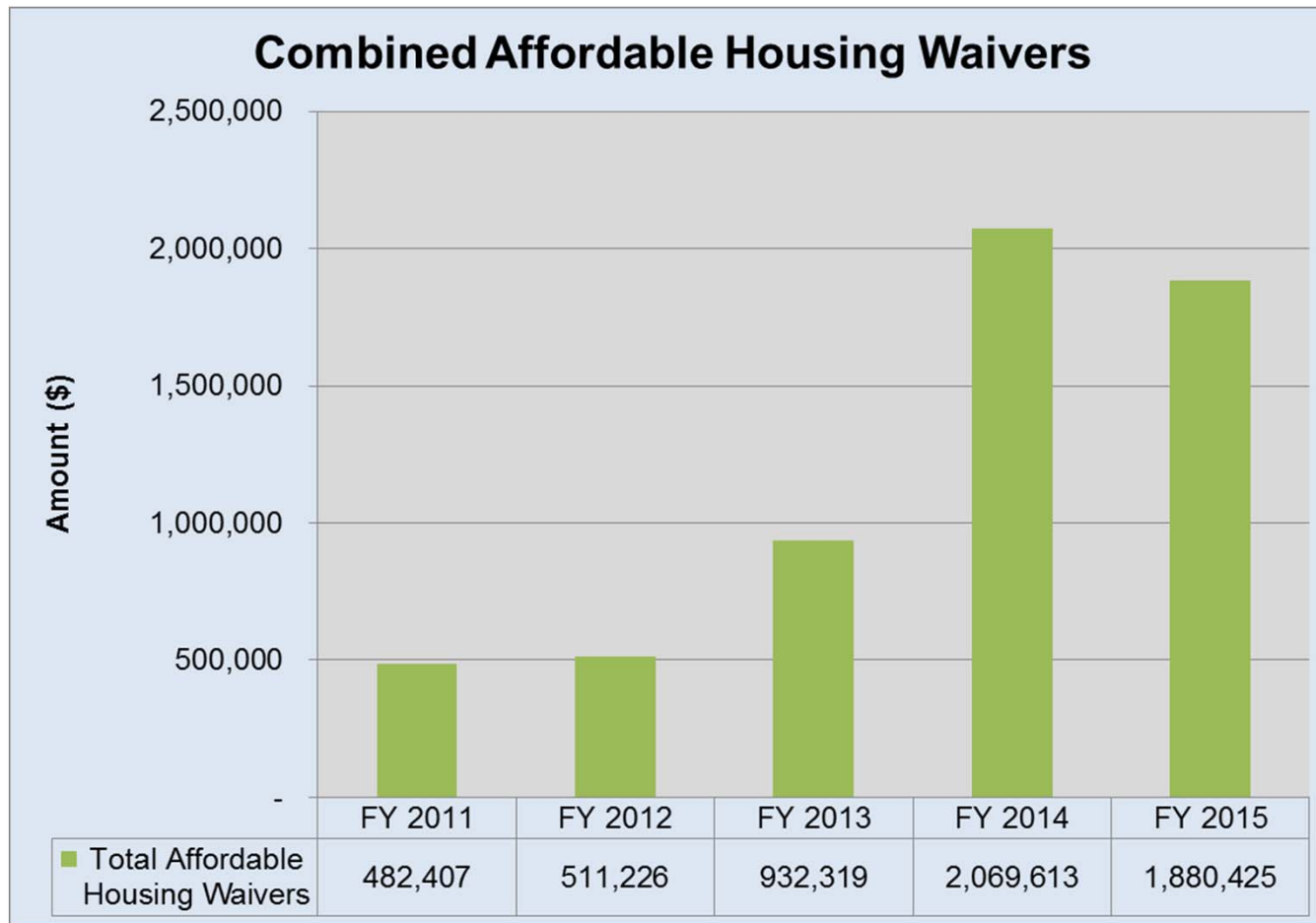
Capital Recovery Fees Affordable Housing Waivers

Austin Water

Affordable Housing Waivers

- Capital Recovery Fee Waivers – Affordable Housing
 - 500 unit initial limit in 1999
 - 1,000 unit limit approved in April 2000
 - 1,500 unit limit approved in November 2007
 - 2015 waivers were \$1.7M for 661 units
 - Units at Mueller are not counted toward limit
 - 2015 waivers were \$172,000 for 399 units
- Value of Affordable Housing Waiver Limit
 - Previous fees – 1,500 limit x \$1,600 = \$2.4M per year waiver
 - Current fees - 1,500 limit x \$7,600 = \$11.4M per year waiver
 - If maximum 1,500 limit were waived every year, Austin Water would waive \$342M in fees over 30 years at current CRF rates

Austin Water Affordable Housing Waivers



Affordable Housing Commitments

- Approximately 17,000 of SMART waiver commitments since 2014
 - Includes 9,500 for Pilot Knob
 - Austin Water and Housing are collaborating to review processes for affordable housing waiver universe and tracking in the future
- Significant commitment of CRF waivers
 - 17,000 units = \$129M in CRF waivers for these units at 100% waiver at current fees as these developments buildout
- Possibility of reaching 1,500 limit likely
 - No current process in place if limit is reached during year

Austin Water Affordable Housing Contributions

- Sustainability Fund Transfer
 - Initiated in FY 2001
 - Set at 1% of Austin Water total revenue
 - \$2.3M to \$4.8M paid annually through 2014
 - \$48.9M total transfer over 14 years
 - Initially used for housing operations and community capital projects through 2004
 - Since 2005, used for affordable housing operations and capital budget
 - Eliminated from AW budget in 2015 with General Fund providing replacement funding for Housing operations

Pilot Knob CRF Waivers Financial Impacts

Pilot Knob CRF Waivers

- MUD Consent Agreement did not require any fee waivers
 - All units would pay 100% CRFs with no waivers
- PUD Agreement approved SMART waivers
 - 100% waivers for single family lots
 - 25% waivers for multifamily units – Austin Water collects 75% of these CRFs
 - 0% waiver for commercial – Austin Water collects 100% of these CRFs

Austin Water Financial Impact

- MUD and PUD Agreement included Developer paying \$26.5M in infrastructure costs
 - Austin Water avoided these costs under both agreements
- Assumptions provided by Developer PUD Agreement
 - 6,500 lots over 20 years receiving 100% SMART waivers
 - 5,000 single family units
 - 1,500 condo/townhome units
 - 3,000 multifamily units receiving 25% SMART waivers
 - 128 commercial, civic and recreational meters paying full CRFs
 - \$7,600 CRF waiver at current CRF fees

Austin Water Financial Impact

- Pilot Knob MUD Agreement
 - \$68.3M in collected CRFs at current fees
 - CRFs used for debt service or defeasances of debt
- Pilot Knob PUD Agreement
 - \$68.3M in CRFs either waived or collected
 - \$51.5M in waived CRFs from 100% single family units and 25% of multifamily at current fees
 - \$16.8M in collected CRFs from 75% multifamily and 100% commercial units
 - \$2.6M average fees waived per year over 20 year buildout
 - \$1.7M average fees waived per year over 30 year buildout

Austin Water Bill Impact

- Rate and bill impact would be spread over time during Pilot Knob buildout
 - Rate increases would likely be spread out over first 5-7 years of development when units grow to average 350 per year
- 20-Year buildout impact
 - 0.5% total rate increase spread out over 5-7 years
 - \$11.49 annual bill impact per customer
 - \$0.96 per month bill impact per customer
 - 2017 rate impact would be minimal, then building to total impact
- 30-Year buildout impact
 - 0.3% total rate increase spread out over 5-7 years
 - \$7.66 annual bill impact per customer
 - \$0.64 per month bill impact per customer
 - 2017 rate impact would be minimal, then building to total impact

Questions?