# Agenda

Public Involvement Committee
March 4, 2024, | 3:00 – 5:00

| | |
|---|---|
| 3:00 | **SpeakUp Austin and Question Update –** Joseph Gonzales, AW Assistant Director, Financial Services |
| 3:10 | **Water Allocations –** Andy McCartney, Principal Consultant, NewGen Strategies and Solutions |
| 4:30 | **Reuse Strategies and Financial Policies –** Joseph Gonzales, AW Assistant Director, Financial Services |
| 5:00 | **Next Meeting – 3/18/2024 -** Joseph Gonzales, AW Assistant Director, Financial Services |

## Notes:

# Austin Water

# 2024 Public Involvement Committee

## Meeting 4: Water Cost Allocations

**Joseph Gonzales**
**Asst. Director, Financial Services**
Austin Water

March 4, 2024

# Agenda

- SpeakUp Austin and Question Update
- NewGen – Water Cost Allocations
- Reuse Strategy Recap
- Financial Policy Highlights

# Question and Answer Update

- Cost of Service Rate Study link to SpeakUp Austin on Austin Water homepage
- Questions and responses posted on SpeakUp Austin
- Question on shared services costs provides links to Excel cost allocation models

# NewGen

March 4, 2024

# AUSTIN WATER
# PIC MEETING #4 – WATER ALLOCATIONS

NewGen Strategies & Solutions

# DISCUSSION TOPICS

- Revenue Requirement Recap
- Water Cost of Service (COS) Process
- Revenue Requirement Functionalization
  - Functions to Cost Pools
- Allocation to Base-Extra Demand Components
- Distribution to Customer Classes
- Draft Water COS Results

Note: All figures are subject to change. The material contained herein is for information and discussion only and does not reflect the final results of the study.

# KEY TAKEAWAYS

- The study Test Year is still a work in progress.
  - Future known and measurable adjustments will be made
- Certain system and customer information is still under review and will be updated.

# WATER REVENUE REQUIREMENTS

| Water Revenue Requirements | FY 2023 Actuals | FY 2024 Budget | Preliminary Test Year |
|---|---|---|---|
| **O&M Expense** | | | |
| Operations | $ 88,428,079 | $ 96,149,964 | $ 96,149,964 |
| Support Services | 20,773,695 | 23,807,314 | 23,807,314 |
| Environmental, Planning, and Development Services | 14,258,993 | 16,950,412 | 16,950,412 |
| Customer Experience | 11,199,132 | 12,346,571 | 12,346,571 |
| Engineering Services | 5,821,695 | 7,576,485 | 7,576,485 |
| Other Utility Program Req | 3,944,809 | 6,509,285 | 6,509,285 |
| Other Requirements | 11,428,579 | 19,111,535 | 19,111,535 |
| **Total O&M Expense** | **$ 155,854,982** | **$ 182,451,566** | **$ 182,451,566** |
| **Debt Service** | | | |
| All Principal & Interest | $ 88,522,628 | $ 95,837,489 | $ 90,191,966 |
| **Total Debt Service** | **$ 88,522,628** | **$ 95,837,489** | **$ 90,191,966** |
| **Transfers** | | | |
| Trf to Water CIP Fund | $ 34,000,000 | $ 37,861,000 | $ 37,861,000 |
| TRF CRF to Debt Defeasance | 35,750,684 | 28,000,000 | - |
| Trf to General Fund | 24,713,163 | 25,717,262 | 25,717,262 |
| **Total Transfers** | **$ 119,253,327** | **$ 121,080,855** | **$ 93,080,855** |
| **Total Revenue Requirements** | **$ 363,630,937** | **$ 399,369,910** | **$ 365,724,387** |

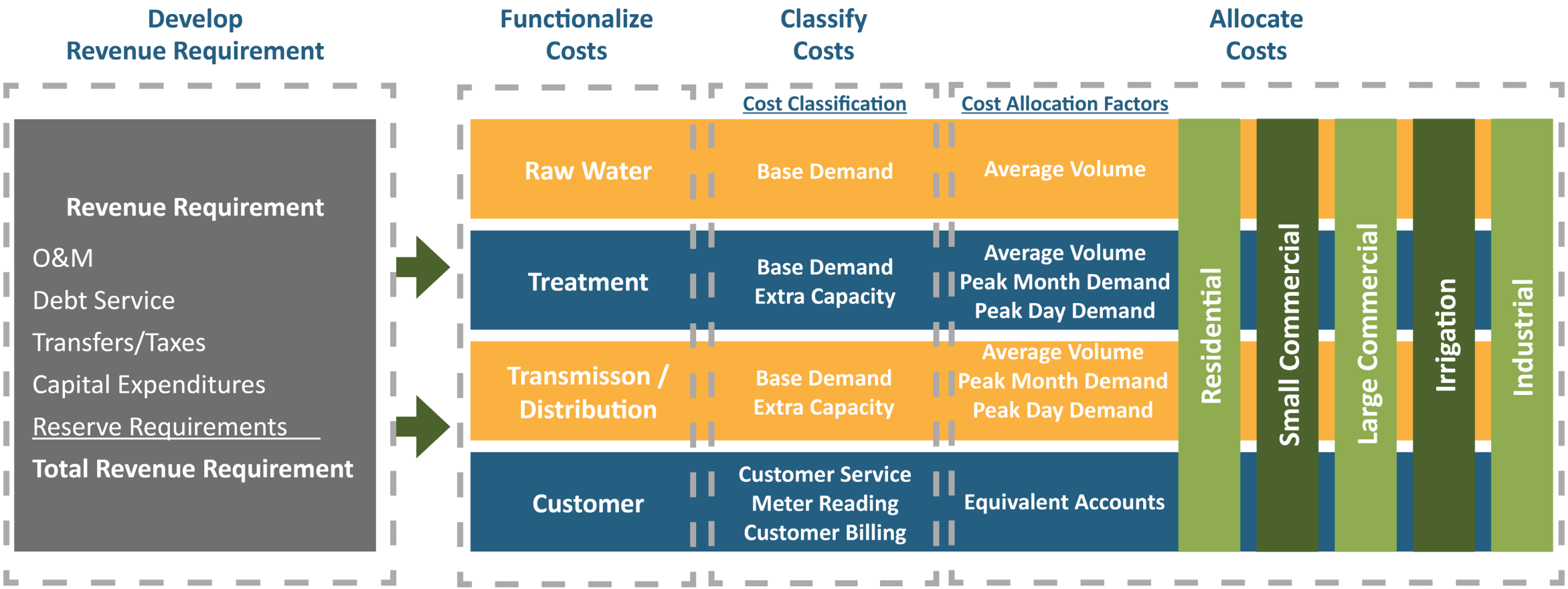
# WATER NET REVENUE REQUIREMENTS UNDER

| Water Net Revenue Requirements | Preliminary Test Year |
|---|---|
| O&M Expenses | $ 182,451,566 |
| Debt Service | 90,191,966 |
| Transfers | 93,080,855 |
| Total Expenses | $ 365,724,387 |
| Less: Non-Rate Revenue | 18,267,114 |
| **Net Revenue Requirement** | **$ 347,457,273** |

# WATER COST OF SERVICE PROCESS

- **Functionalization** answers **how** much money is spent running the system and **what** the money is spent on.
  - Example: It costs $46.67 million per year to run the system's treatment facilities.
- **Allocation** answers **why** the money is being spent, that is, what are the "cost causative components" that drive the need to spend money.
  - Example: Treatment facilities serve the system's daily water demands.
- **Distribution** answers **who** is causing the costs to be incurred, that is, who is contributing (and in what amount) to the total "cost causative components" of the system.
  - Example: Residential customers are responsible for 31.7% of the system's average day water demand.

# SAMPLE WATER COST OF SERVICE PROCESS




Note: For illustrative purposes only. Functions and allocators may change to align with utility operations/services.

# COST FUNCTIONALIZATION

| Water Service Functions | |
|---|---|
| Raw Water | Retail Meters & Services |
| Treatment Average Day | Watershed Land Purchases |
| Treatment Facilities | LCRA Water Rights |
| Pump Stations & Booster Stations | Customer Service |
| Pump Stations Power | Small Calls |
| Tanks / Reservoirs | Revenue-Based Fixed Charge |
| Transmission Mains | Revenue-Based Volume Charge |
| Distribution Mains | Indirect |
| Direct Fire | Other Meters & Services |

# STEP 1A: FUNCTIONALIZATION (IN MILLIONS)

| Function | O&M Expenses | Other Costs | Capital Costs | NNR - O&M | NNR - Capital | Transfers | Net Revenue Requirement |
|---|---|---|---|---|---|---|---|
| Raw Water | - | - | - | - | - | - | - |
| Treatment Average Day | 60.46 | - | 39.30 | (3.30) | (1.29) | 9.30 | 104.46 |
| Treatment Facilities | 6.19 | - | 4.03 | (0.35) | (0.13) | 0.95 | 10.69 |
| Pump Stations & Booster Stations | 7.19 | - | 4.67 | (0.39) | (0.15) | 1.11 | 12.42 |
| Pump Stations Power | 3.86 | - | 2.51 | (0.21) | (0.08) | 0.59 | 6.68 |
| Tanks/ Reservoirs | 0.80 | - | 0.52 | (0.04) | (0.02) | 0.12 | 1.38 |
| Transmission Mains | 14.18 | - | 9.22 | (0.77) | (0.30) | 2.18 | 24.50 |
| Distribution Mains | 35.88 | - | 23.32 | (5.01) | (0.77) | 5.52 | 58.94 |
| Direct Fire | 18.68 | - | 12.14 | (1.31) | (0.40) | 2.87 | 31.99 |
| Retail Meters & Services | 7.18 | - | 4.67 | 0.62 | (0.15) | 1.11 | 13.42 |
| Meters & Services | 13.56 | - | 8.81 | (0.74) | (0.29) | 2.09 | 23.43 |
| Watershed Land Purchases | 7.42 | - | 4.82 | (0.41) | (0.16) | 1.14 | 12.82 |
| LCRA Water Rights | - | - | - | - | - | - | - |
| Customer Service | 21.97 | - | 14.28 | (1.92) | (0.47) | 3.38 | 37.23 |
| Small Calls | 2.73 | - | 1.78 | (0.15) | (0.06) | 0.42 | 4.72 |
| Indirect | 4.78 | - | - | - | - | - | 4.78 |
| **Total** | **$ 204.87** | **$ -** | **$130.06** | **$ (13.99)** | **$ (4.28)** | **$ 30.79** | **$ 347.46** |

# FUNCTIONS TO COST POOLS

| Function | Joint | Retail Only | Watershed Land Purchases | LCRA | Reserve Fund |
|---|---|---|---|---|---|
| Raw Water | X | | | | |
| Treatment Average Day | X | | | | |
| Treatment Facilities | X | | | | |
| Pump Stations & Booster Stations | X | | | | |
| Pump Stations Power | X | | | | |
| Tanks / Reservoirs | X | | | | |
| Transmission Mains | X | | | | |

# FUNCTIONS TO COST POOLS

| Function | Joint | Retail Only | Watershed Land Purchases | LCRA | Reserve Fund |
|---|---|---|---|---|---|
| Distribution Mains | | X | | | |
| Direct Fire | | X | | | |
| Retail Meters & Services | | X | | | |
| Meters & Services | X | | | | |
| Watershed Land Purchases | | | X | | |
| LCRA Water Rights | | | | X | |
| Customer Service | X | | | | |
| Small Calls | X | | | | |
| Indirect | X | X | X | | |

# STEP 1B: FUNCTIONS TO COST POOLS

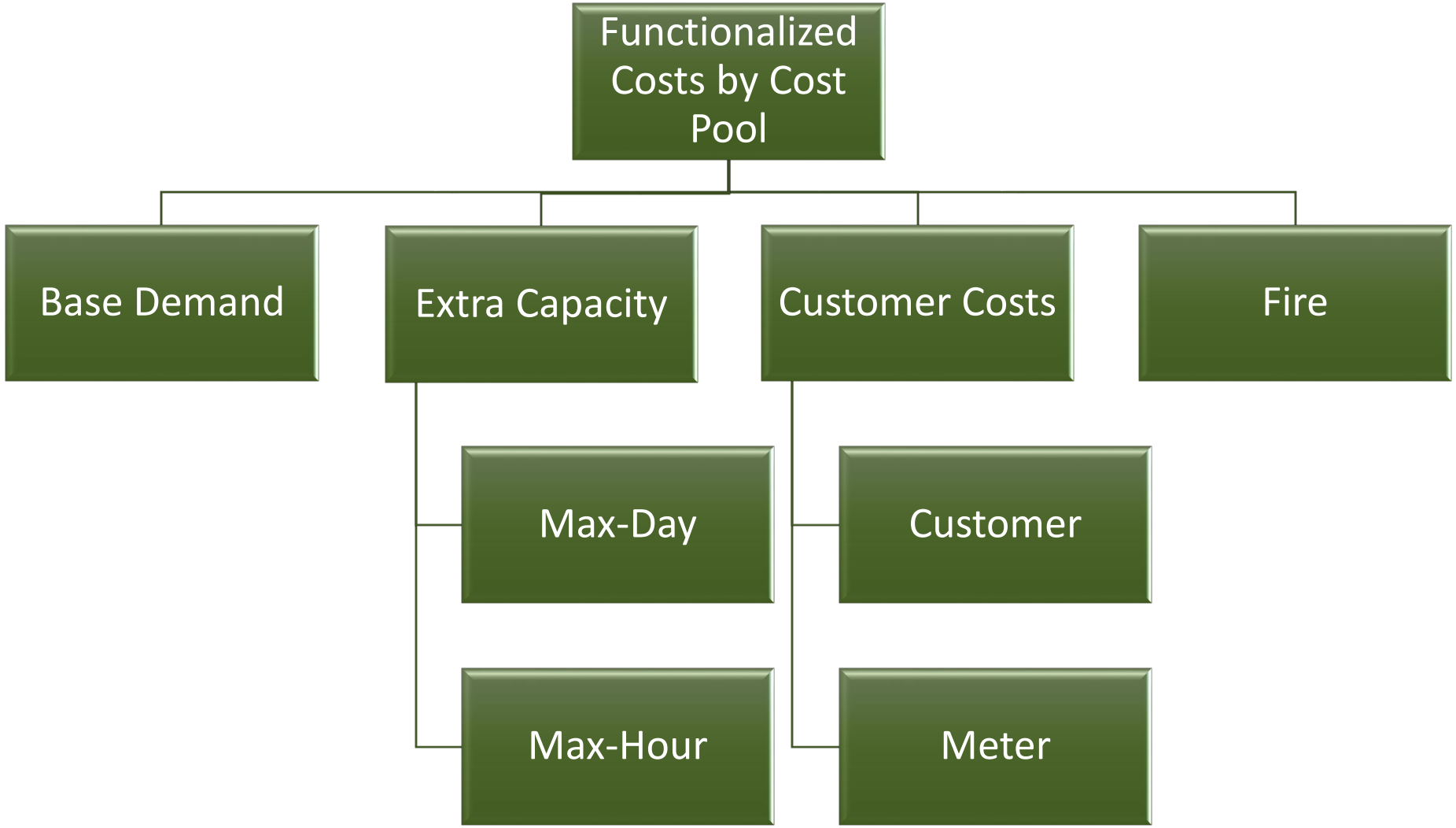
| Function | Joint | Retail Only | Watershed Land Purchases | LCRA | Reserve Fund | Net Revenue Requirement |
|---|---|---|---|---|---|---|
| Raw Water | - | - | - | - | - | - |
| Treatment Average Day | 104.46 | - | - | - | - | 104.46 |
| Treatment Facilities | 10.69 | - | - | - | - | 10.69 |
| Pump Stations & Booster Stations | 12.42 | - | - | - | - | 12.42 |
| Pump Stations Power | 6.68 | - | - | - | - | 6.68 |
| Tanks/ Reservoirs | 1.38 | - | - | - | - | 1.38 |
| Transmission Mains | 24.50 | - | - | - | - | 24.50 |
| Distribution Mains | - | 58.94 | - | - | - | 58.94 |
| Direct Fire | - | 31.99 | - | - | - | 31.99 |
| Retail Meters & Services | - | 13.42 | - | - | - | 13.42 |
| Meters & Services | 23.43 | - | - | - | - | 23.43 |
| Watershed Land Purchases | - | - | 12.82 | - | - | 12.82 |
| LCRA Water Rights | - | - | - | - | - | - |
| Customer Service | 37.23 | - | - | - | - | 37.23 |
| Small Calls | 4.72 | - | - | - | - | 4.72 |
| Indirect | 3.12 | 1.47 | 0.18 | - | - | 4.78 |
| **Total** | **$ 228.64** | **$ 105.82** | **$ 12.99** | **$ -** | **$ -** | **$ 347.46** |

# STEP 1C: COST POOL FUNCTIONALIZATION

| Functional Category | Raw Water | Treatment Facilities | Chemicals & Power | Pump & Booster Stations | Tanks/ Reservoirs | Transmission Mains | Distribution Mains | Fire |
|---|---|---|---|---|---|---|---|---|
| Joint | - | 10.84 | 117.46 | 12.60 | 1.40 | 24.84 | - | - |
| Retail Only | - | 0.07 | 0.75 | 0.08 | 0.01 | 0.16 | 58.94 | 31.99 |
| Watershed Land Purchases | 12.82 | 0.01 | 0.09 | 0.01 | 0.00 | 0.02 | - | - |
| LCRA | - | - | - | - | - | - | - | - |
| Reserve Fund | - | - | - | - | - | - | - | - |
| **Total** | **$ 12.82** | **$ 10.92** | **$ 118.31** | **$ 12.69** | **$ 1.41** | **$ 25.02** | **$ 58.94** | **$ 31.99** |

| | Meters & Services | Customer Service | Indirect | Net Revenue Requirement |
|---|---|---|---|---|
| Joint | 23.75 | 37.76 | - | 250.01 |
| Retail Only | 13.58 | 0.25 | - | 119.86 |
| Watershed Land Purchases | 0.02 | 0.03 | - | 14.12 |
| LCRA | - | - | - | - |
| Reserve Fund | - | - | - | - |
| **Total** | **$ 37.34** | **$ 38.03** | **$ -** | **$ 347.46** |

# ALLOCATION TO BASE-EXTRA COMPONENTS



# BASE-EXTRA ALLOCATION COMPONENTS

1. Base Demand – Costs associated with meeting average daily water demands.
2. Max-Day Demand – Costs related to meeting excess average day demand.
3. Max-Hour Demand – Costs related to meeting excess max-day demands.
4. Customer – Costs related with customer service, billing, & collecting.
5. Meter – Meter reading and maintenance cost of meters & service lines.
6. Fire – Costs associated with public fire protection including hydrants.

# STEP 2: ALLOCATION TO BASE-EXTRA COMPONENTS

| Base-Extra Allocation | Base | Max-Day | Max-Hour | Customer | Meter | Fire | Net Revenue Requirement |
|---|---|---|---|---|---|---|---|
| Raw Water | $ 12.82 | $ - | $ - | $ - | $ - | $ - | $ 12.82 |
| Treatment Facilities | 7.82 | 3.10 | - | - | - | 0.00 | 10.92 |
| Chemicals & Power | 118.31 | - | - | - | - | - | 118.31 |
| Pump & Booster Stations | 12.69 | - | - | - | - | - | 12.69 |
| Tanks/ Reservoirs | 1.01 | 0.40 | - | - | - | 0.00 | 1.41 |
| Transmission Mains | 17.92 | 7.10 | - | - | - | 0.00 | 25.02 |
| Distribution Mains | 35.86 | 14.29 | 5.02 | - | - | 3.78 | 58.94 |
| Fire | - | - | - | - | - | 31.99 | 31.99 |
| Meters & Services | - | - | - | - | 37.34 | - | 37.34 |
| Customer Service | - | - | - | 38.03 | - | - | 38.03 |
| Indirect | - | - | - | - | - | - | - |
| **Total** | **$ 206.42** | **$ 24.88** | **$ 5.02** | **$ 38.03** | **$ 37.34** | **$ 35.77** | **$ 347.46** |

# UNITS OF SERVICE – BASE DEMAND

| Water Base Demand by Customer Class | Annual Demand | Average Day Demand | % of Avg. Day Demand |
|---|---|---|---|
| Retail | | | |
| Residential | 15,926,344 | 43,634 | 31.73% |
| Multi-Family | 11,993,724 | 32,860 | 23.90% |
| Commercial | 14,345,180 | 39,302 | 28.58% |
| Residential CAP | 1,044,122 | 2,861 | 2.08% |
| Cypress | 403,491 | 1,105 | 0.80% |
| NXP - Ed Bluestein Blvd | 520,310 | 1,426 | 1.04% |
| W William Cannon | 242,840 | 665 | 0.48% |
| Samsung | 2,332,914 | 6,392 | 4.65% |
| University of Texas | 263,606 | 722 | 0.53% |
| Tesla | 316,996 | 868 | 0.63% |
| Wholesale | | | |
| Creedmore-Maha | 80,256 | 220 | 0.16% |
| High Valley | 5,004 | 14 | 0.01% |
| Manor, City of | 2 | 0 | 0.00% |
| Mid Tex Utilities | 85,954 | 235 | 0.17% |
| Marsha Water | 12,127 | 33 | 0.02% |
| Morningside | 1,494 | 4 | 0.00% |
| Nighthawk | 13,623 | 37 | 0.03% |
| North Austin MUD | 410,272 | 1,124 | 0.82% |
| Northtown MUD | 314,571 | 862 | 0.63% |
| Rivercrest | 158,044 | 433 | 0.31% |
| Rollingwood | 126,350 | 346 | 0.25% |
| Shady Hollow | 203,989 | 559 | 0.41% |
| Sunset Valley, City of | 104,113 | 285 | 0.21% |
| Village of San Leanna | 4,357 | 12 | 0.01% |
| Water District 10 | 897,142 | 2,458 | 1.79% |
| Wells Branch MUD | 382,071 | 1,047 | 0.76% |
| Southwest Water | - | - | 0.00% |
| **Total System** | **50,188,895** | **137,504** | **100%** |

# UNITS OF SERVICE – MAX-DAY DEMAND

| Water Max-Day Demand by Customer Class | Max Day Peaking Factor | Max Day Demand | Max Day Extra Capacity Demand | % of Max Day Extra Capacity Demand |
|---|---|---|---|---|
| Retail | | | | |
| Residential | 1.39 | 60,712 | 17,078 | 31.36% |
| Multi-Family | 1.28 | 41,965 | 9,105 | 16.72% |
| Commercial | 1.50 | 59,045 | 19,743 | 36.25% |
| Residential CAP | 1.47 | 4,201 | 1,341 | 2.46% |
| Cypress | 1.31 | 1,450 | 345 | 0.63% |
| NXP - Ed Bluestein Blvd | 1.44 | 2,054 | 629 | 1.15% |
| W William Cannon | 1.53 | 1,020 | 355 | 0.65% |
| Samsung | 1.31 | 8,369 | 1,977 | 3.63% |
| University of Texas | 1.68 | 1,217 | 495 | 0.91% |
| Tesla | 1.76 | 1,526 | 657 | 1.21% |
| Wholesale | | | | |
| Creedmore-Maha | 1.22 | 268 | 49 | 0.09% |
| High Valley | 1.24 | 17 | 3 | 0.01% |
| Manor, City of | 3.59 | 0 | 0 | 0.00% |
| Mid Tex Utilities | 1.42 | 333 | 98 | 0.18% |
| Marsha Water | 1.15 | 38 | 5 | 0.01% |
| Morningside | 1.25 | 5 | 1 | 0.00% |
| Nighthawk | 1.28 | 48 | 10 | 0.02% |
| North Austin MUD | 1.29 | 1,446 | 322 | 0.59% |
| Northtown MUD | 1.25 | 1,080 | 219 | 0.40% |
| Rivercrest | 1.37 | 595 | 162 | 0.30% |
| Rollingwood | 1.43 | 494 | 148 | 0.27% |
| Shady Hollow | 1.45 | 812 | 254 | 0.47% |
| Sunset Valley, City of | 1.39 | 397 | 112 | 0.20% |
| Village of San Leanna | 1.19 | 14 | 2 | 0.00% |
| Water District 10 | 1.41 | 3,469 | 1,011 | 1.86% |
| Wells Branch MUD | 1.32 | 1,386 | 339 | 0.62% |
| Southwest Water | 1.01 | - | - | 0.00% |
| **Total System** | | **191,963** | **54,459** | **100%** |

# UNITS OF SERVICE – MAX-HOUR DEMAND

| Water Max-Hour Demand by Customer Class | Max Hour Peaking Factor | Max Hour Demand | Max Hour Extra Capacity Demand | % of Max Hour Extra Capacity Demand |
|---|---|---|---|---|
| Retail | | | | |
| Residential | 1.53 | 66,802 | 6,090 | 31.70% |
| Multi-Family | 1.41 | 46,174 | 4,209 | 21.91% |
| Commercial | 1.65 | 64,929 | 5,884 | 30.62% |
| Residential CAP | 1.61 | 4,619 | 417 | 2.17% |
| Cypress | 1.44 | 1,596 | 146 | 0.76% |
| NXP - Ed Bluestein Blvd | 1.59 | 2,260 | 206 | 1.07% |
| W William Cannon | 1.69 | 1,123 | 103 | 0.54% |
| Samsung | 1.44 | 9,211 | 842 | 4.38% |
| University of Texas | 1.85 | 1,338 | 121 | 0.63% |
| Tesla | 1.93 | 1,675 | 149 | 0.78% |
| Wholesale | | | | |
| Creedmore-Maha | 1.34 | 295 | 27 | 0.14% |
| High Valley | 1.36 | 19 | 2 | 0.01% |
| Manor, City of | 3.95 | 0 | 0 | 0.00% |
| Mid Tex Utilities | 1.56 | 367 | 34 | 0.17% |
| Marsha Water | 1.26 | 42 | 4 | 0.02% |
| Morningside | 1.38 | 6 | 1 | 0.00% |
| Nighthawk | 1.41 | 53 | 5 | 0.03% |
| North Austin MUD | 1.42 | 1,592 | 146 | 0.76% |
| Northtown MUD | 1.38 | 1,189 | 109 | 0.57% |
| Rivercrest | 1.51 | 655 | 60 | 0.31% |
| Rollingwood | 1.57 | 544 | 50 | 0.26% |
| Shady Hollow | 1.60 | 894 | 82 | 0.43% |
| Sunset Valley, City of | 1.53 | 437 | 40 | 0.21% |
| Village of San Leanna | 1.30 | 16 | 1 | 0.01% |
| Water District 10 | 1.55 | 3,816 | 347 | 1.81% |
| Wells Branch MUD | 1.46 | 1,524 | 139 | 0.72% |
| Southwest Water | 1.11 | - | - | 0.00% |
| **Total System** | | **211,176** | **19,213** | **100%** |

# UNITS OF SERVICE - CUSTOMER

Based on equivalent meters

| Water Accounts by Customer Class | Equivalent Accounts | % of Equivalent Accounts |
|---|---|---|
| Retail | | |
| Residential | 235,798 | 86.01% |
| Multi-Family | 6,325 | 2.31% |
| Commercial | 17,570 | 6.41% |
| Residential CAP | 14,390 | 5.25% |
| Cypress | 2 | 0.00% |
| NXP - Ed Bluestein Blvd | 1 | 0.00% |
| W William Cannon | 1 | 0.00% |
| Samsung | 1 | 0.00% |
| University of Texas | 13 | 0.00% |
| Tesla | 1 | 0.00% |
| | | |
| Wholesale | | |
| Creedmore-Maha | 2 | 0.00% |
| High Valley | 1 | 0.00% |
| Manor, City of | 1 | 0.00% |
| Mid Tex Utilities | 1 | 0.00% |
| Marsha Water | 1 | 0.00% |
| Morningside | 1 | 0.00% |
| Nighthawk | 1 | 0.00% |
| North Austin MUD | 3 | 0.00% |
| Northtown MUD | 4 | 0.00% |
| Rivercrest | 2 | 0.00% |
| Rollingwood | 2 | 0.00% |
| Shady Hollow | 1 | 0.00% |
| Sunset Valley, City of | 5 | 0.00% |
| Village of San Leanna | 1 | 0.00% |
| Water District 10 | 4 | 0.00% |
| Wells Branch MUD | 6 | 0.00% |
| Southwest Water | 1 | 0.00% |
| **Total System** | **274,139** | **100%** |

# UNITS OF SERVICE - METER

Based on equivalent meters

| Water Meters by Customer Class | Equivalent Meters | % of Equivalent Meters |
|---|---|---|
| Retail | | |
| Residential | 260,013 | 58.55% |
| Multi-Family | 64,962 | 14.63% |
| Commercial | 97,411 | 21.93% |
| Residential CAP | 14,721 | 3.31% |
| Cypress | 413 | 0.09% |
| NXP - Ed Bluestein Blvd | 160 | 0.04% |
| W William Cannon | 160 | 0.04% |
| Samsung | 253 | 0.06% |
| University of Texas | 1,238 | 0.28% |
| Tesla | 7 | 0.00% |
| | | |
| Wholesale | | |
| Creedmore-Maha | 36 | 0.01% |
| High Valley | 7 | 0.00% |
| Manor, City of | 23 | 0.01% |
| Mid Tex Utilities | 160 | 0.04% |
| Marsha Water | 7 | 0.00% |
| Morningside | 7 | 0.00% |
| Nighthawk | 23 | 0.01% |
| North Austin MUD | 783 | 0.18% |
| Northtown MUD | 871 | 0.20% |
| Rivercrest | 380 | 0.09% |
| Rollingwood | 146 | 0.03% |
| Shady Hollow | 83 | 0.02% |
| Sunset Valley, City of | 688 | 0.15% |
| Village of San Leanna | 23 | 0.01% |
| Water District 10 | 659 | 0.15% |
| Wells Branch MUD | 771 | 0.17% |
| Southwest Water | 83 | 0.02% |
| **Total System** | **444,089** | **100%** |

# UNITS OF SERVICE - FIRE

Based on equivalent meters

| Fire Connections by Customer Class | Equivalent Fire Connections | % of Equivalent Fire Connections |
|---|---|---|
| Retail | | |
| Residential | 260,013 | 59.18% |
| Multi-Family | 64,962 | 14.79% |
| Commercial | 97,411 | 22.17% |
| Residential CAP | 14,721 | 3.35% |
| Cypress | 413 | 0.09% |
| NXP - Ed Bluestein Blvd | 160 | 0.04% |
| W William Cannon | 160 | 0.04% |
| Samsung | 253 | 0.06% |
| University of Texas | 1,238 | 0.28% |
| Tesla | 7 | 0.00% |
| | | |
| Wholesale | | |
| Creedmore-Maha | - | 0.00% |
| High Valley | - | 0.00% |
| Manor, City of | - | 0.00% |
| Mid Tex Utilities | - | 0.00% |
| Marsha Water | - | 0.00% |
| Morningside | - | 0.00% |
| Nighthawk | - | 0.00% |
| North Austin MUD | - | 0.00% |
| Northtown MUD | - | 0.00% |
| Rivercrest | - | 0.00% |
| Rollingwood | - | 0.00% |
| Shady Hollow | - | 0.00% |
| Sunset Valley, City of | - | 0.00% |
| Village of San Leanna | - | 0.00% |
| Water District 10 | - | 0.00% |
| Wells Branch MUD | - | 0.00% |
| Southwest Water | - | 0.00% |
| **Total System** | **439,339** | **100%** |

# STEP 3: DISTRIBUTION TO CUSTOMER CLASSES

| Final COS by Customer Class | Base | Max-Day | Max-Hour | Customer | Meter | Fire | Net Revenue Requirement |
|---|---|---|---|---|---|---|---|
| Retail | | | | | | | |
| Residential | $ 66.44 | $ 8.04 | $ 1.68 | $ 32.71 | $ 21.95 | $ 21.17 | $ 151.99 |
| Multi-Family | 50.03 | 4.29 | 1.16 | 0.88 | 5.48 | 5.29 | 67.13 |
| Commercial | 59.84 | 9.30 | 1.63 | 2.44 | 8.22 | 7.93 | 89.35 |
| Residential CAP | 4.36 | 0.63 | 0.12 | 2.00 | 1.24 | 1.20 | 9.54 |
| Cypress | 1.68 | 0.16 | 0.04 | 0.00 | 0.03 | 0.03 | 1.95 |
| NXP - Ed Bluestein Blvd | 2.17 | 0.30 | 0.06 | 0.00 | 0.01 | 0.01 | 2.55 |
| W William Cannon | 1.01 | 0.17 | 0.03 | 0.00 | 0.01 | 0.01 | 1.24 |
| Samsung | 9.73 | 0.93 | 0.23 | 0.00 | 0.02 | 0.02 | 10.94 |
| University of Texas | 1.10 | 0.23 | 0.03 | 0.00 | 0.10 | 0.10 | 1.57 |
| Tesla | 1.32 | 0.31 | 0.04 | 0.00 | 0.00 | 0.00 | 1.67 |
| Total Retail | $ 197.68 | $ 24.35 | $ 5.02 | $ 38.03 | $ 37.09 | $ 35.77 | $ 337.94 |
| Wholesale | | | | | | | |
| Creedmore-Maha | $ 0.25 | $ 0.01 | $ - | $ 0.00 | $ 0.00 | $ - | $ 0.26 |
| High Valley | 0.02 | 0.00 | - | 0.00 | 0.00 | - | 0.02 |
| Manor, City of | 0.00 | 0.00 | - | 0.00 | 0.00 | - | 0.00 |
| Mid Tex Utilities | 0.27 | 0.02 | - | 0.00 | 0.01 | - | 0.30 |
| Marsha Water | 0.04 | 0.00 | - | 0.00 | 0.00 | - | 0.04 |
| Morningside | 0.00 | 0.00 | - | 0.00 | 0.00 | - | 0.01 |
| Nighthawk | 0.04 | 0.00 | - | 0.00 | 0.00 | - | 0.05 |
| North Austin MUD | 1.28 | 0.06 | - | 0.00 | 0.04 | - | 1.38 |
| Northtown MUD | 0.98 | 0.04 | - | 0.00 | 0.05 | - | 1.07 |
| Rivercrest | 0.49 | 0.03 | - | 0.00 | 0.02 | - | 0.54 |
| Rollingwood | 0.39 | 0.03 | - | 0.00 | 0.01 | - | 0.43 |
| Shady Hollow | 0.64 | 0.05 | - | 0.00 | 0.00 | - | 0.69 |
| Sunset Valley, City of | 0.32 | 0.02 | - | 0.00 | 0.04 | - | 0.38 |
| Village of San Leanna | 0.01 | 0.00 | - | 0.00 | 0.00 | - | 0.02 |
| Water District 10 | 2.80 | 0.20 | - | 0.00 | 0.04 | - | 3.03 |
| Wells Branch MUD | 1.19 | 0.07 | - | 0.00 | 0.04 | - | 1.30 |
| Total Wholesale | $ 8.73 | $ 0.53 | $ - | $ 0.01 | $ 0.25 | $ - | $ 9.52 |
| **Total System** | **$ 206.42** | **$ 24.88** | **$ 5.02** | **$ 38.03** | **$ 37.34** | **$ 35.77** | **$ 347.46** |

# SUMMARY OF UNITS OF SERVICE

| Base-Extra Component | | Net Revenue Requirement | % of Total |
|---|---|---|---|
| Base | $ | 206.42 | 59.41% |
| Max-Day | | 24.88 | 7.16% |
| Max-Hour | | 5.02 | 1.44% |
| Customer | | 38.03 | 10.95% |
| Meter | | 37.34 | 10.75% |
| Fire | | 35.77 | 10.29% |
| **Total** | **$** | **347.46** | **100.00%** |

# DRAFT WATER COST OF SERVICE RESULT

| | Net Revenue Requirement | % of whole |
|---|---|---|
| Inside City Retail | | |
| Inside City Residential | 151.99 | 43.74% |
| Inside City Multi-Family | 67.13 | 19.32% |
| Inside City Commercial | 89.35 | 25.72% |
| Inside City Residential CAP | 9.54 | 2.75% |
| Inside City Cypress | 1.95 | 0.56% |
| Inside City NXP - Ed Bluestein Blvd | 2.55 | 0.73% |
| Inside City NXP - W William Cannon | 1.24 | 0.36% |
| Inside City Samsung | 10.94 | 3.15% |
| Inside City University of Texas | 1.57 | 0.45% |
| Inside City Tesla | 1.67 | 0.48% |
| Total Inside City Retail | 337.94 | |
| Wholesale | | |
| Creedmore-Maha | 0.26 | 0.08% |
| High Valley | 0.02 | 0.00% |
| Manor, City of | 0.00 | 0.00% |
| Mid Tex Utilities | 0.30 | 0.09% |
| Marsha Water | 0.04 | 0.01% |
| Morningside | 0.01 | 0.00% |
| Nighthawk | 0.05 | 0.01% |
| North Austin MUD | 1.38 | 0.40% |
| Northtown MUD | 1.07 | 0.31% |
| Rivercrest | 0.54 | 0.16% |
| Rollingwood | 0.43 | 0.12% |
| Shady Hollow | 0.69 | 0.20% |
| Sunset Valley, City of | 0.38 | 0.11% |
| Village of San Leanna | 0.02 | 0.00% |
| Water District 10 | 3.03 | 0.87% |
| Wells Branch MUD | 1.30 | 0.37% |
| Total Wholesale | 9.52 | |
| **Total System** | **347.46** | **100.00%** |

Note: All results are subject to change. The material contained herein is for information and discussion only and does not reflect the final results of the study.

# QUESTIONS?

**NEWGEN STRATEGIES AND SOLUTIONS**
**8140 NORTH MOPAC EXPY, SUITE 1-240**
**AUSTIN, TX 78759**

**ANDY MCCARTNEY**
**ERIC CALLOCCHIA**
**GRANT RABON**

# WATER NON-RATE REVENUE

| Description | FY 2023 Actuals | Known & Measurable Changes | FY 2024 Budget |
|---|---|---|---|
| **NON RATE REVENUE** | | | |
| Misc. Telecom | - | | - |
| Private Hydrant Fee | 252,118 | | 252,118 |
| Backflow Prevention Compl. Fee | 1,377,697 | | 1,377,697 |
| Water Well Fee | 83,821 | | 83,821 |
| Approach Main Fee (SER) | 35,796 | | 35,796 |
| Misc. Revenue - General | 92,901 | | 92,901 |
| City Ordinance Fines | 3,922 | | 3,922 |
| CIP Interest Income | 38,465 | | 38,465 |
| Interest Income | 4,238,794 | | 4,238,794 |
| Late Payment Penalties | 982,567 | | 982,567 |
| Bond Fund Interest/Investments | 1,020,748 | | 1,020,748 |
| Cap Recovery Fee CIP Interest | 606,621 | | 606,621 |
| Damage Charges | 142,597 | | 142,597 |
| Agri By-Prod | 10,220 | | 10,220 |
| Land Lease Fees | 96,000 | | 96,000 |
| Meter Rev - Fire Meters | 38,295 | | 38,295 |
| Tap Connections | 1,285,314 | | 1,285,314 |
| Taps - Reinspection Fee | 60,057 | | 60,057 |
| Water Taps - Inspection Fee | 207,227 | | 207,227 |
| A/R adj. UCSO-admin | (0) | | (0) |
| A/R Adj. Leak Adjustment | (2,149,848) | | (2,149,848) |
| Wholesale Penalties & Fees | 2,675 | | 2,675 |
| Fed Grant Receipt | 19,320 | | 19,320 |
| Service Installation | 4,947 | | 4,947 |
| Special Bill - Wtr Fin Mgt | 1,121 | | 1,121 |
| Insurance | 612,264 | | 612,264 |
| Miscellaneous | 1,052,862 | | 1,052,862 |
| Returned Check Fee | 148,130 | | 148,130 |
| Junk/Metal Sales | 239,729 | | 239,729 |
| Cash Over/Short | 0 | | 0 |
| New Service Connections | 537,437 | | 537,437 |
| Utility Reserve Fund Interest Reserve | 1,218,920 | | 1,218,920 |
| Recls Recpt | 33,673 | | 33,673 |
| TFR - Fr Mobility - Transportation (5125) | 37,500 | | 37,500 |
| TFR - FR - Transportation (5120) | 112,791 | | 112,791 |
| TFR - Fr CAP Discount (5029) | 4,103,931 | | 4,103,931 |
| TFR from Capital Recovery Fees (3930/4500) | 35,750,684 | (35,750,684) | - |
| TRF Fr AW CIP-CPM | 1,718,504 | | 1,718,504 |
| **Total Non-Rate Revenues** | **$ 54,017,798** | **$ (35,750,684)** | **$ 18,267,114** |

# Reuse Strategies

# Funding Strategies
## Advancing Reuse

- **Community Benefit Charge (CBC)**
  - Add an extra $0.15 per thousand gallons to AW's CBC to fund reclaimed water system expansion and onsite reuse programs
- **OWRS Alternative Fee**
  - Large developments greater than 500 feet from centralized reclaimed will install dual plumbing and pay a fee to support reclaimed system expansion in place of implementing OWRS
- **Purple Choice and Purple Choice Plus**
  - Voluntary rate program for AW residential and commercial customers to fund reclaimed system expansion and programs
- **Excess Usage Fees**
  - Fees applied when potable water allotments from Water Benchmarking are exceeded

# Key 2024 Activities

## Advancing Reuse

**March 7: PURPLE PIPE DAY!**

- **Council considers** Code changes for Onsite Water Reuse Systems and Reclaimed Water System Connections
- **Council considers** reauthorizing existing incentive program
- **Council considers** Community Benefit Charge increase ($0.15 per thousand gallons) to fund Reclaimed Water System expansion and Onsite Reuse programs
- **Council considers** reclaimed water Interlocal Agreement with Travis County.

**August**

- Budget adoption, including new rates and incentives for reclaimed water system expansion

# Financial Policies

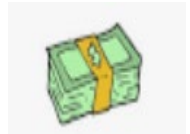
# Debt Service Coverage

## Purpose of Metric

- Indicates the financial margin to meet current debt service with current revenues available for debt service

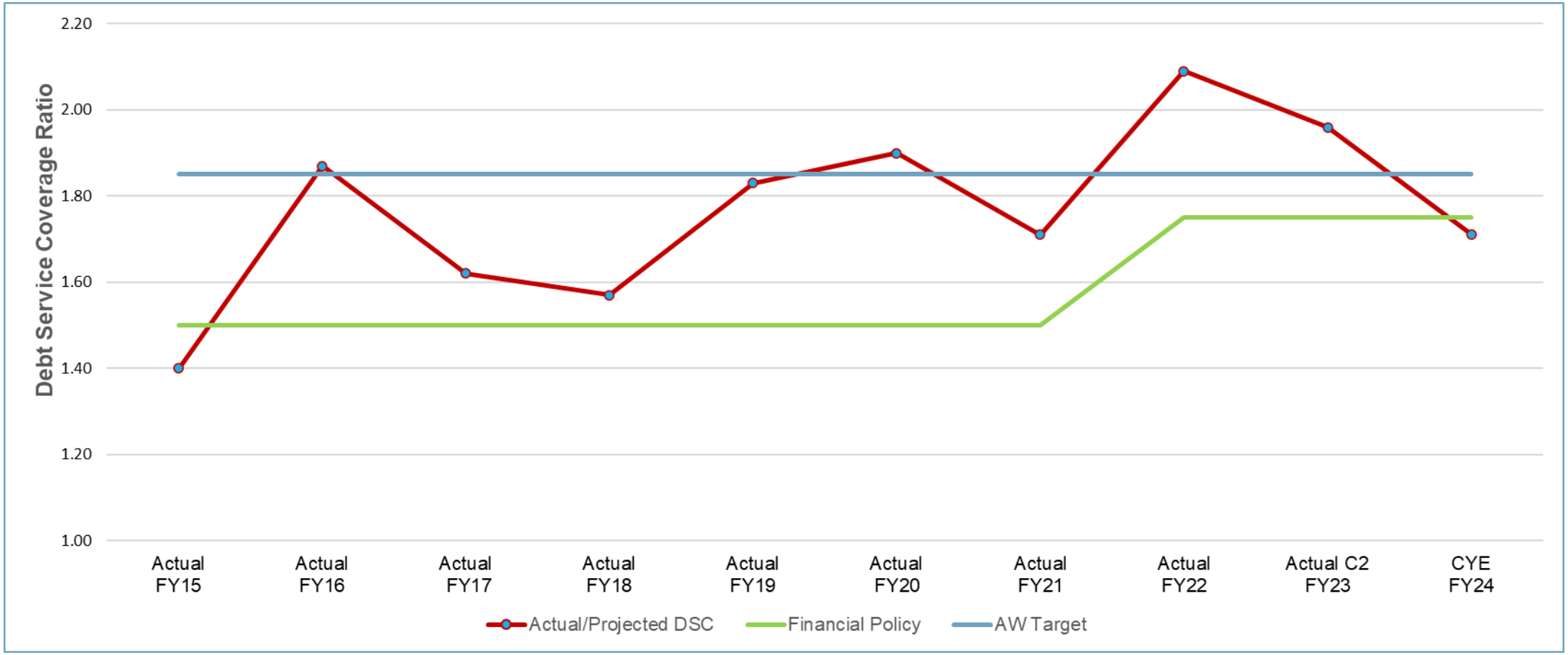
## Calculation

- Debt Service Coverage = $\dfrac{\text{Net Revenue }^{(*)}}{\text{Debt Service Requirement}}$



- (*)Net Revenue = Gross Revenue less Operating Expense

# Debt Service Coverage




AW Financial Policy and Goal:

- Financial Policy: 1.75x
- AW Planning Target: 1.85x

# Days Cash on Hand

## Purpose of Metric

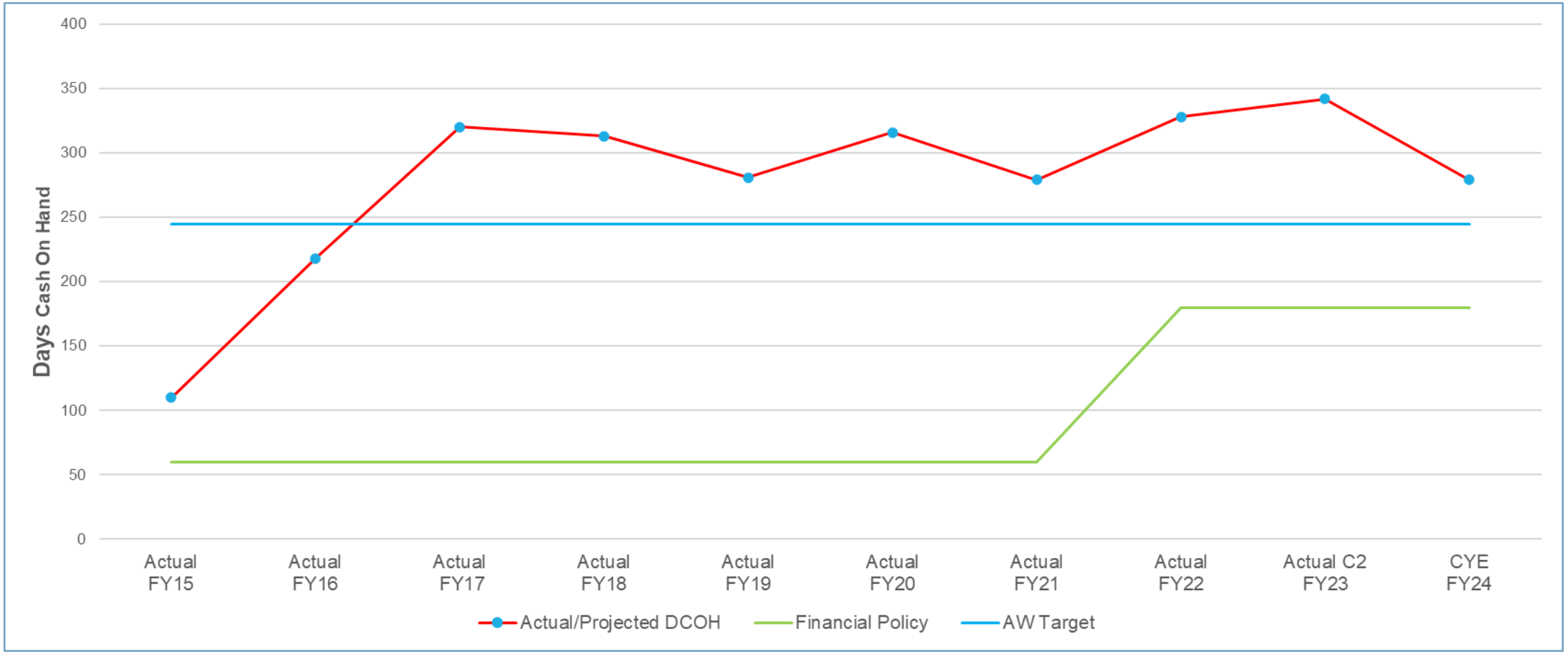
- Measures an entity's available resources to meet short-term liabilities, particularly in the event of unforeseen hardships or difficult operating conditions

## Calculation

- Days Cash on Hand = $\frac{\text{Operating Cash Balance x 365 days}}{\text{Operating Requirements }^{(*)}}$

- (*)Operating Requirements = O&M expense and other operating transfers excludes debt and other transfers.

# Operating Days Cash on Hand




## AW Financial Policy and Goal

- Financial Policy: 180 Days
- AW Planning Target: 245 Days

# Cash Financing of CIP Projects

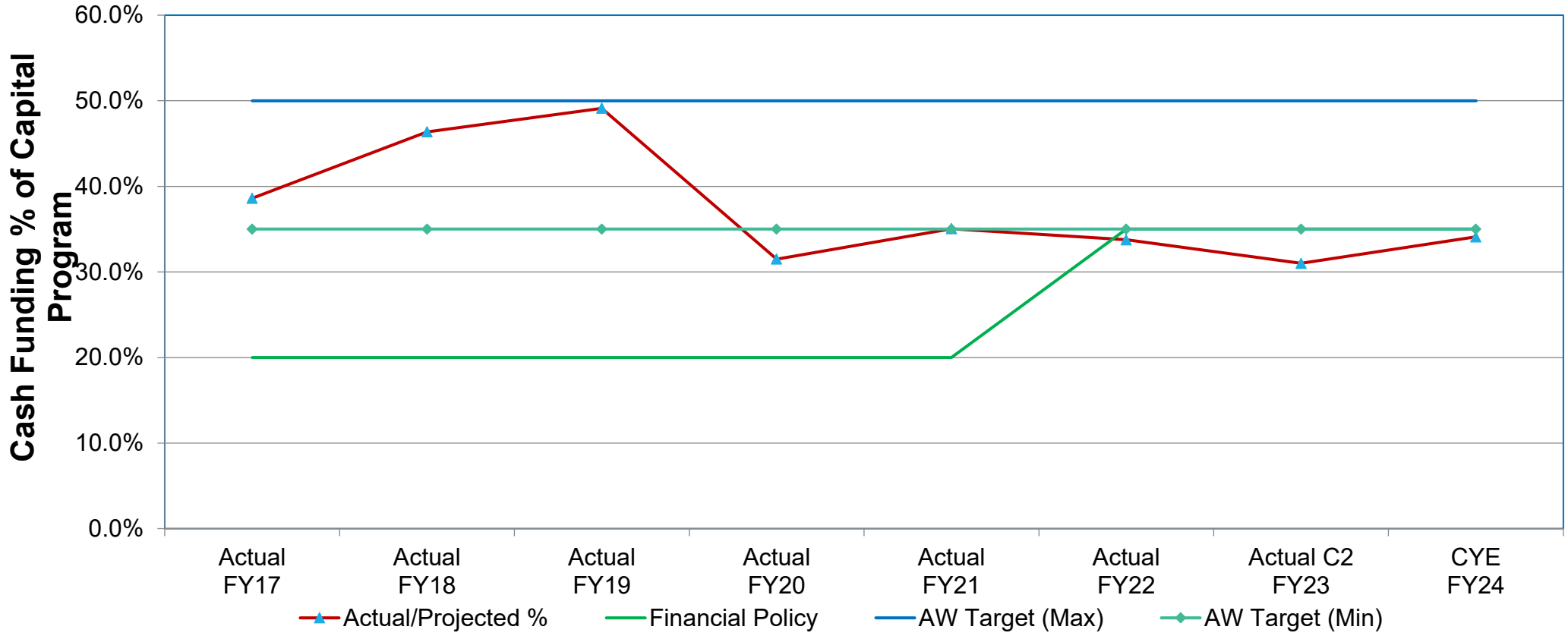
## Purpose of Metric

- Measures the degree to which an entity limits debt exposure by utilizing cash funding for a significant portion of its' capital programs

## Calculation

- Cash Financing % = $\frac{\text{Capital projects funded with Current Revenue (*)}}{\text{Total Capital Spending}}$ X **100%**
- (*)Current Revenue is the transfer from service revenue to fund capital projects for the year.

# Cash Financing of Capital Program




- AW Financial Policy and Goal:
  - Financial Policy: 35% min – 50% max
  - AW Planning Target: 35% min – 50% max

# Questions?

# Austin Water
# Approved Financial Policies
# FY 2023-24

1. The term of debt generally shall not exceed the useful life of the asset, and shall not generally exceed 30 years.

2. Capitalized interest shall only be considered during the construction phase of a new facility, if the construction period exceeds seven years. The time frame for capitalizing interest may be three years but not more than five years. Council approval shall be obtained before proceeding with a financing that includes capitalized interest.

3. Principal repayment delays on revenue bonds shall be one to three years, but shall not exceed five years.

4. Each utility shall maintain a fully funded debt service reserve for its existing revenue bond issues and future issues, in accordance with the Combined Utility Systems Revenue Bond Covenant.

5. Debt service coverage of at least 1.75x shall be targeted.

6. Short-term debt, including tax-exempt commercial paper, shall be used when authorized for interim financing of capital projects. The term of short-term debt shall not exceed five years. Commercial paper will be converted to refunding bonds when appropriate under economic and business conditions. Total short-term debt shall generally not exceed 20% of outstanding long-term debt.

7. Commercial paper may be used to finance new water and wastewater plants, capital expansions, and growth-related projects as well as to finance routine capital improvements required for normal business operation. Commercial paper for the necessary amount may also be used to finance improvements to comply with local, state and federal mandates or regulations.

8. Capital improvement projects for new water and wastewater treatment plants, capital expansions, and growth-related projects that are located in the Drinking Water Protection Zone (DWPZ) will be identified and submitted, as part of the annual budget process, to the following Boards and Commissions: Water and Wastewater Commission, Resource Management Commission, and the Environmental Board.

   These Boards and Commissions will review growth-related DWPZ capital projects spending plans, obtain Board and Commission and citizen input, review consistency with Imagine Austin Comprehensive Plan, review effect on growth within the DWPZ, and make recommendations on project approval for inclusion in Austin Water's five-year capital spending plan.

9. Ongoing routine, preventive maintenance should be funded on a pay-as-you-go basis.

10. Capital projects should be financed through a combination of cash, referred to as pay-as-you-go financing (equity contributions from current revenues), and debt. An equity contribution ratio of at least 35% to 50% is desirable.

11. Austin Water shall maintain a minimum quick ratio of 1.50 (Current Assets less inventory divided by Current Liabilities). Source of information shall be the Comprehensive Annual Financial Report.

12. Austin Water shall maintain operating cash reserves equivalent to a minimum of 180 days of budgeted operations and maintenance expense.

13. Revenue generated by Austin Water from Debt Service Coverage requirements shall be used for General Fund transfers, capital investment, or other Austin Water requirements such as working capital reserve or non-CIP capital.

14. Austin Water rates shall be designed to generate sufficient revenues to support the full cost (direct and indirect) of operations and debt, provide debt service coverage and meet other revenue bond covenants, if applicable, and ensure adequate and appropriate levels of working capital.

15. The General Fund Transfer shall not exceed 8.2% of the Austin Water three-year average revenues, calculated using the current year estimate at March 31 and the previous two years' actual revenues.

    Revenue collected from the Reserve Fund Surcharge will be included in the General Fund Transfer calculation; however, any use or transfer of the reserve fund back into the operating fund in the future due to revenue loss will not be included in the total revenues to calculate the General Fund Transfer.

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

    The target funding level for the Reserve Fund is 120 days of the budgeted water operating requirements of Austin Water, which includes operations and maintenance and other operating transfers, but excludes debt service and other transfers. In the event that any portion of the Reserve Fund is used, the balance will be replenished to the target level within five years.

    Upon creation of the Reserve Fund, the goal to reach the target funding level of 120 days of budgeted water operating requirements will be no later than five years. If the fund is drawn down prior to reaching the 120 day target during the first five-year development period, the reserve fund surcharge shall not be lower than it was during the year in which the draw down occurred until such time as the fund reaches its 120 days of operating costs.

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 Austin Water.

The City Council must approve all Reserve Fund utilization of funs through a separate action during the year. 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 by 10% or more. 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.

When the target levels of the Reserve Fund are reached, any Reserve Fund Surcharge shall be reduced to levels to only maintain the goal of 120 days of operating requirement as may be necessitated by changes in budgeted operating costs over time.

All interest earned by the Reserve Fund account shall remain in the Reserve Fund in order to offset funding and replenishments requirement and to minimize rat impacts for water customers.