



Austin Water

2024 Public Involvement Committee

Joseph Gonzales

Assistant Director,
Austin Water Financial Services

January 22, 2024

Agenda

- 💧 Austin Water and NewGen Introductions
- 💧 Public Involvement Committee
- 💧 Cost of Service Objectives and History
- 💧 System Overview
- 💧 Financial Overview



Austin Water Team

💧 **Joseph Gonzales**

Assistant Director, Financial Services

💧 **Anna Bryan-Borja**

Assistant Director, Business Services

💧 **Christina Romero**

Financial Manager III, Financial Management

💧 **David Anders**

Financial Manager III (temp), Financial Management

💧 **Shierin Shoghi**

Financial Manager II, Rates and Forecasting Team

💧 **Brian Dowdy**

Financial Analyst IV, Rates and Forecasting Team

💧 **Heejoo Kim**

Financial Analyst IV, Rates and Forecasting Team

💧 **Henrietta Melgar**

Financial Analyst IV, Rates and Forecasting Team

💧 **Brian Prendergast**

Financial Analyst IV, Rates and Forecasting Team

💧 **Amy Petri**

Marketing Services Manager, Public Information Office

💧 **Jose Emperador**

Program Manager, Public Information Office

💧 **Erik Luna**

Public Information Specialist Senior, Public Information Office

💧 **Clark Cornwell**

Senior City Attorney



NEWGEN Strategies and Solutions Team

- 💧 **Grant Rabon** – Project Manager
- 💧 **David Yankee** – Technical Advisor/Quality Assurance
- 💧 **Andy McCartney** – Water Lead
- 💧 **Eric Callocchia** – Wastewater Lead
- 💧 **Savanna Page** – Consultant (water)
- 💧 **Tianna Carnes** – Consultant (wastewater)



Public Involvement Committee



Public Involvement Committee Members

Customer Class Representation	Committee Member	Organization
Residential	Angie Flores and Justin Razor	Raftelis – Residential Rate Advocate
Residential	Karyn Keese	
Residential	Lanetta Cooper	
Multifamily	Carrie Smith	Austin Apartment Association
Commercial	Tricia Motz	Building Owners and Manager's Association
Industrial/Large Volume	Todd Davey	NXP
Industrial/Large Volume	David G. Husen Krista Von Arx	Samsung
Commercial, Multifamily, Industrial/Large Volume	Amanda Berens Cynthia Syvarth Leonard Friesenhahn	University of Texas at Austin



Public Involvement Committee Members (cont.)

Customer Class Representation	Committee Member	Organization
Community Member	Carrie Thompson	Meadows Center for Water
Community Member	Jennifer Walker	Water Forward Task Force Chair and National Wildlife Federation
Community Member	Bobby Levinski	Water Forward Task Force and Save our Spring
Community Member	David Glenn	Home Builder's Association of Greater Austin
Community Member	Alina Carnahan Sam Pheiffer Anna Merryman	Real Estate Council of Austin
Community Member	Dr. Kazique J. Prince	Black Chamber of Commerce
Community Member	John Espinosa	Hispanic Chamber of Commerce



Public Involvement Committee Members (cont.)

Customer Class Representation	Committee Member	Organization
Water and Wastewater Commissioner	Alex Navarro	Water and Wastewater Commission
Water and Wastewater Commissioner	Jesse Pen	Water and Wastewater Commission
Water and Wastewater Commissioner	Sabrina Reichert	Water and Wastewater Commission

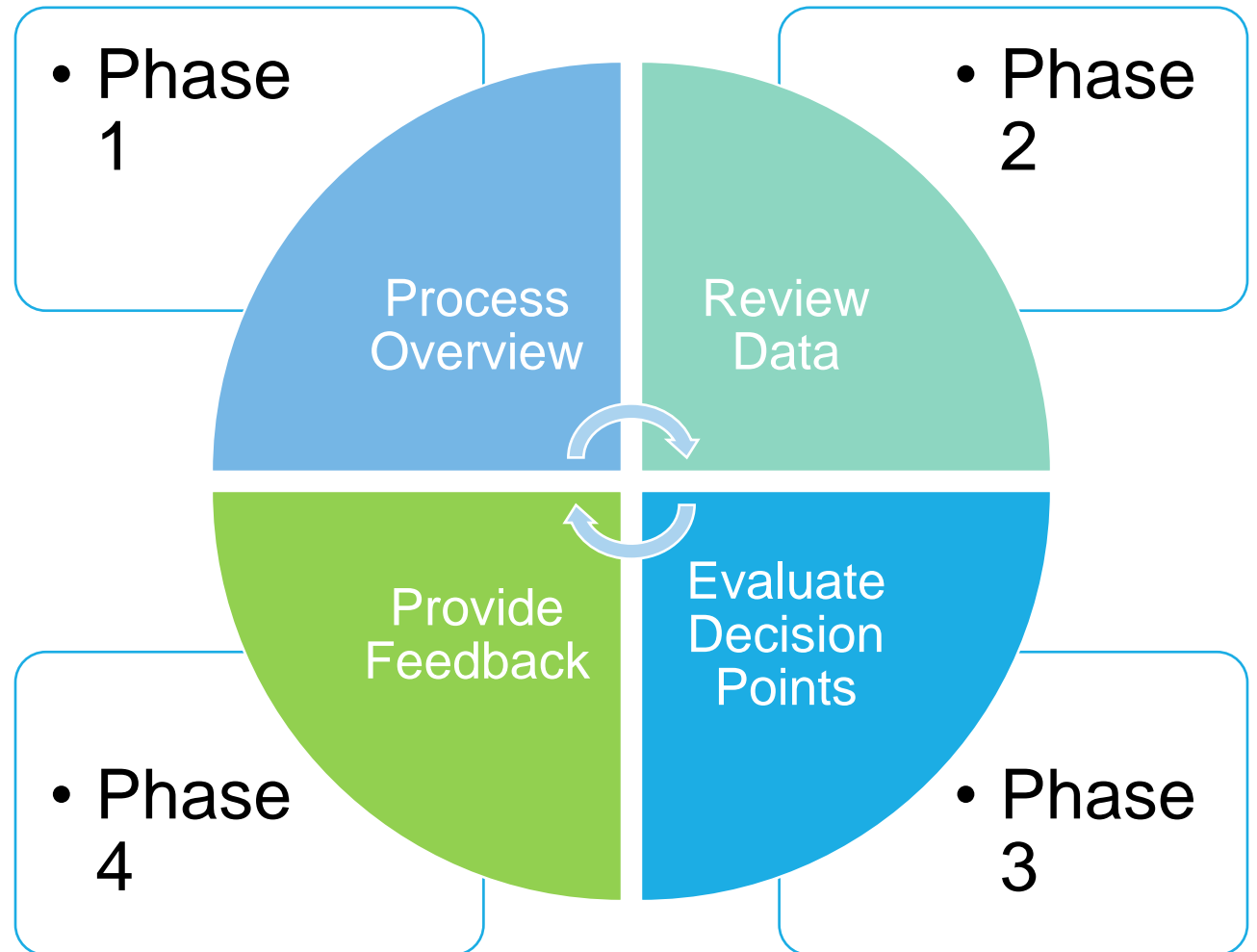


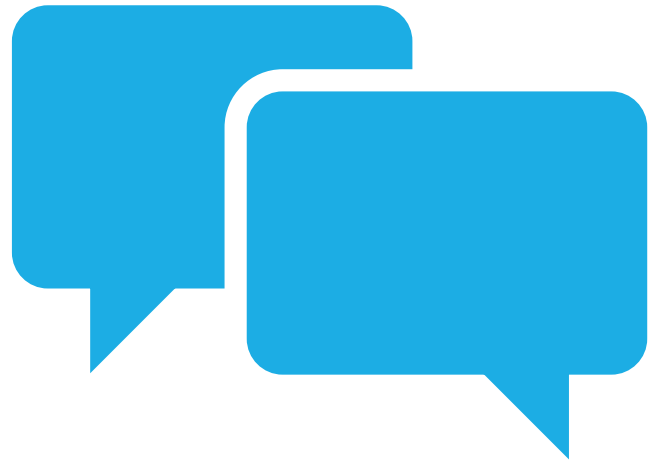


Public Involvement Committee Purpose

- Examine methodology developed to determine AW's cost of providing service
- Discuss how various factors impact costs
- Provide input to Project Team

Public Involvement Committee Process





Public Involvement Committee – Feedback and Communication Methods

Provide input in two ways:

- Meeting discussion
- Speakup Austin

Cost of Service Objectives and History



Cost of Service Objectives

- Provide a basis for and develop rates that:
 - Meet annual financial sufficiency needs of the Financial Plan
 - Ensure the water and wastewater services are each self-sustaining
 - Meet the objectives of AW while ensuring equitable cost recovery from customer classes
- Engage Public Involvement Committee for community representation and feedback
- Develop cost of service rate model for AW's future use



Cost of Service History

4 Previous Cost of Service Rate Studies

14

💧 1992 - CH2MHill

- Settlement to wholesale rate challenge
- Rate structure changes to create inclining block rates for residential
- Transition to cost-based rates
- Individual wholesale customer rates

💧 1999 - Black & Veatch

- Add a 5th block to residential volume rates
- Use of non-coincident peak method to allocate peak costs

💧 2007 - Red Oak Consulting

- Disaggregated Large Volume customers
- Allocation of fire demand charges by meter size
- Allocation of Inflow and Infiltration by volume

💧 2016/2017 Cost of Service Rate Study – Raftelis Financial Consultants, Inc.

- Review cost of service methodologies
- Public Involvement Process
- Implementation of Community Benefit Charge
- Wholesale Rate Challenge to PUCT



System Overview



System Overview

💧 Austin Water

- City Department
- Enterprise Fund

💧 Services Provided

- Water
- Wastewater
- Reclaimed Water

💧 Service Area

- 538 Square Miles
- 1 Million Population



System Overview Cont.

💧 Water System

- 3 water plants – Davis, Ullrich, Handcox
 - Combined rated capacity of 335 million gallons per day
- 3,964 miles of water mains
- 31 major reservoirs, 21 major pump stations and 29,721 fire hydrants

💧 Wastewater System

- 2 wastewater plants – Walnut Creek, South Austin Regional
 - Combined rated capacity of 150 million gallons per day
- 2,996 miles of sanitary wastewater mains and lines
- 143 lift stations

💧 Reclaimed Water System

- 72.8 miles of mains
- 4 reservoirs and 3 pump stations



System Overview Cont.

💧 Water Supply and Water Rights

- 100% surface water from Colorado River system
- 325,000 Acre Feet firm water source through contracts with LCRA

💧 Water Use

- 54,850 Million Gallons (MG) total pumpage in FY 2023
- 150,245 Thousand Gallons (kgal.) total average daily consumption for FY 2023
- 168,328 Acre Feet of pumpage in FY 2023

💧 Biosolids Handling Facility

- Hornsby Bend sludge treatment and beneficial reuse facility



Financial Overview



FY 2024 Amended Budget

Description	FY24 Amended
Beginning Fund Balance	\$267.1
Revenue & Transfers In	\$698.2
Expenditures & Transfers Out	\$748.5
Change in Fund Balance	(-\$50.3)
Ending Fund Balance	\$216.8
Average Residential Bill	\$83.44
Typical Residential Rate Payer Combined Rate Increase %	3.3%
FTEs	1,381

Budget Highlights:

- 💧 First rate increase since 2017
- 💧 Includes funding to continue employee recruitment and retention initiatives
- 💧 Includes funding for 20 new FTEs
- 💧 Includes funding for fall debt defeasance transaction

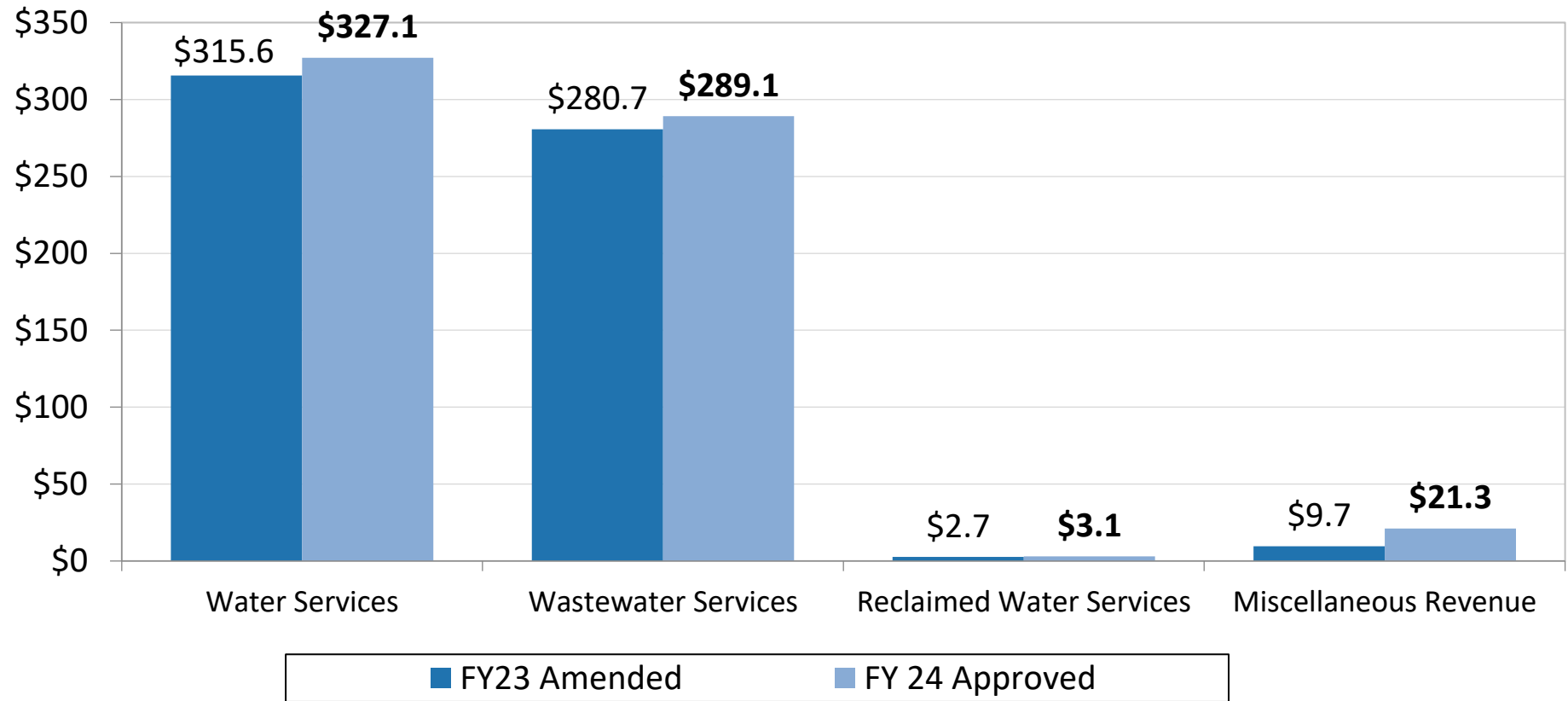


FY 2024 Budget - Sources of Funds

Department Service Revenue:

FY 2023 Amended:
\$608.8 million

FY 2024 Approved:
\$640.6 million

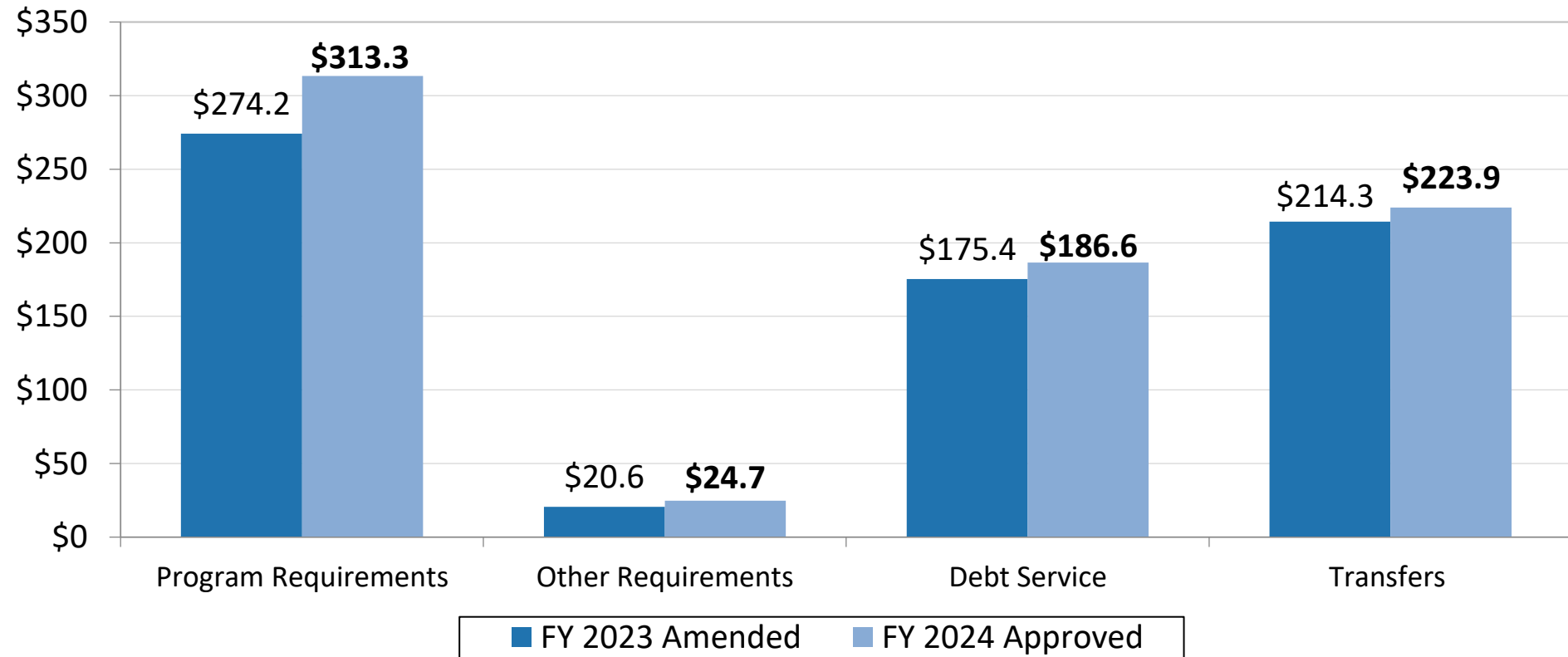


FY 2024 Budget - Uses of Funds

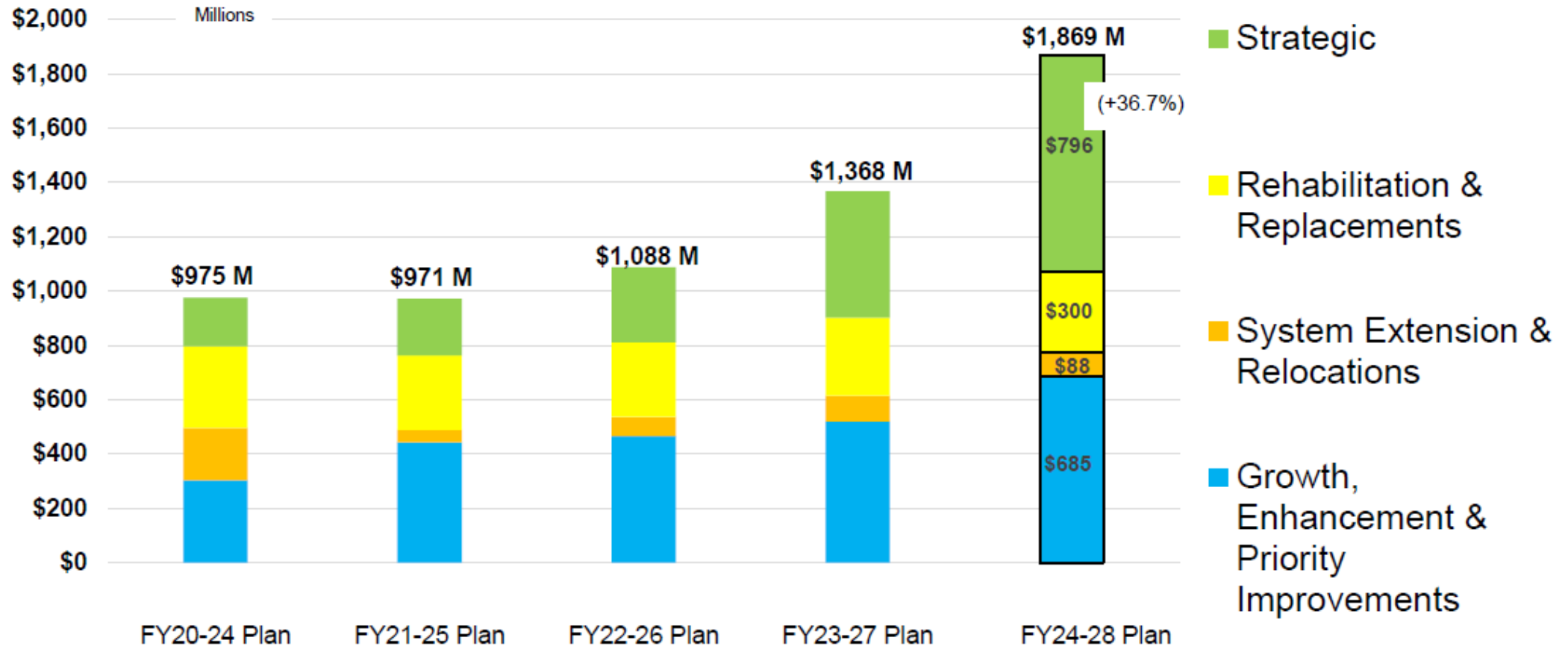
Department Expenditures:

FY 2023 Amended:
\$684.6 million

FY 2024 Approved:
\$748.5 million

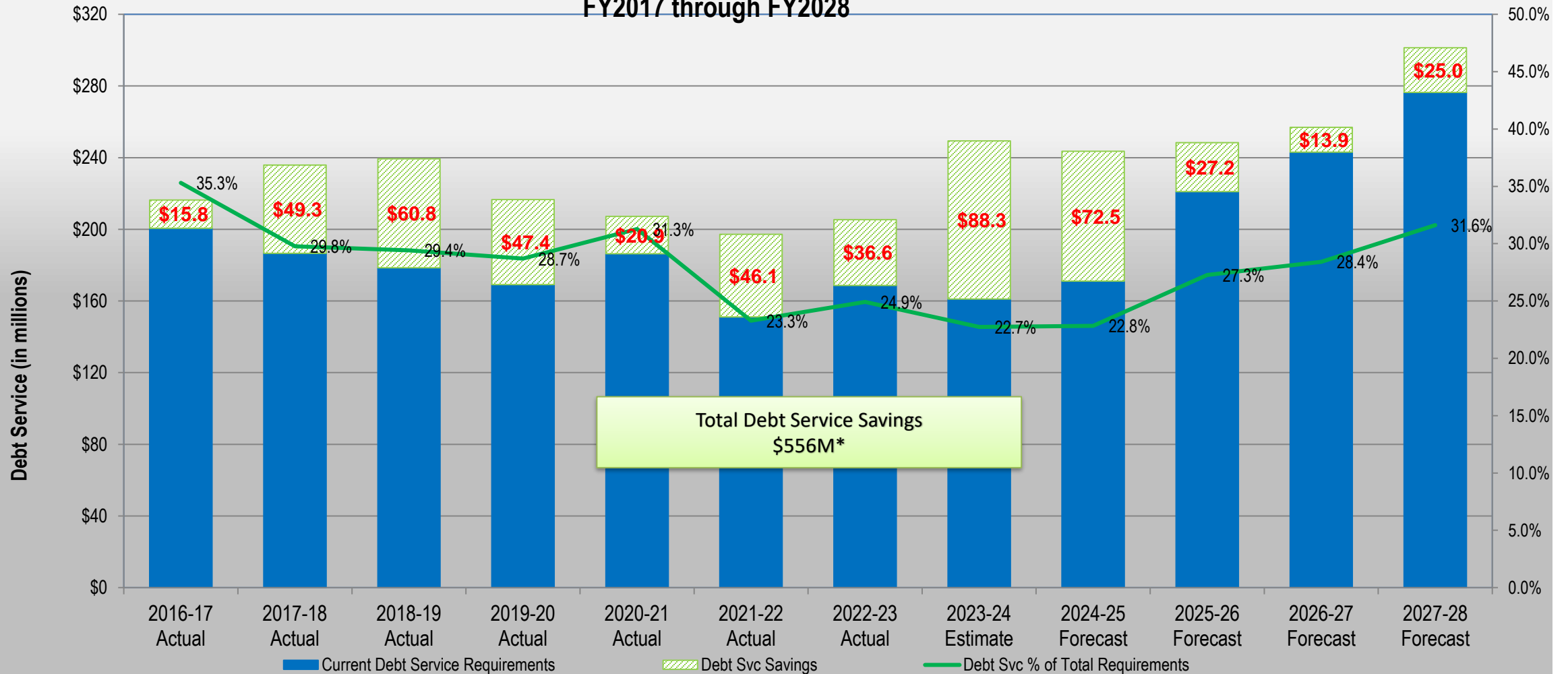


FY 2024 – 28 Capital Plan Funding



Debt Management

Total Debt Service Requirements Comparison
FY2017 through FY2028



(*) Total savings includes \$556M Present Value savings as of December 2023 includes several outward years of actual saving amounts not shown on graph.



Financial Metrics – FY 2023

Financial Metric	Financial Policy Target	2023 Estimate	2024 Budget
Number of Days Cash on Hand	245	326	292
Debt Service Coverage	1.85x	1.96x	1.80x
Cash Financing of Capital Improvement Projects	35% minimum to 50% maximum	31.0%	30.66%





Questions?



Austin
IN WATER





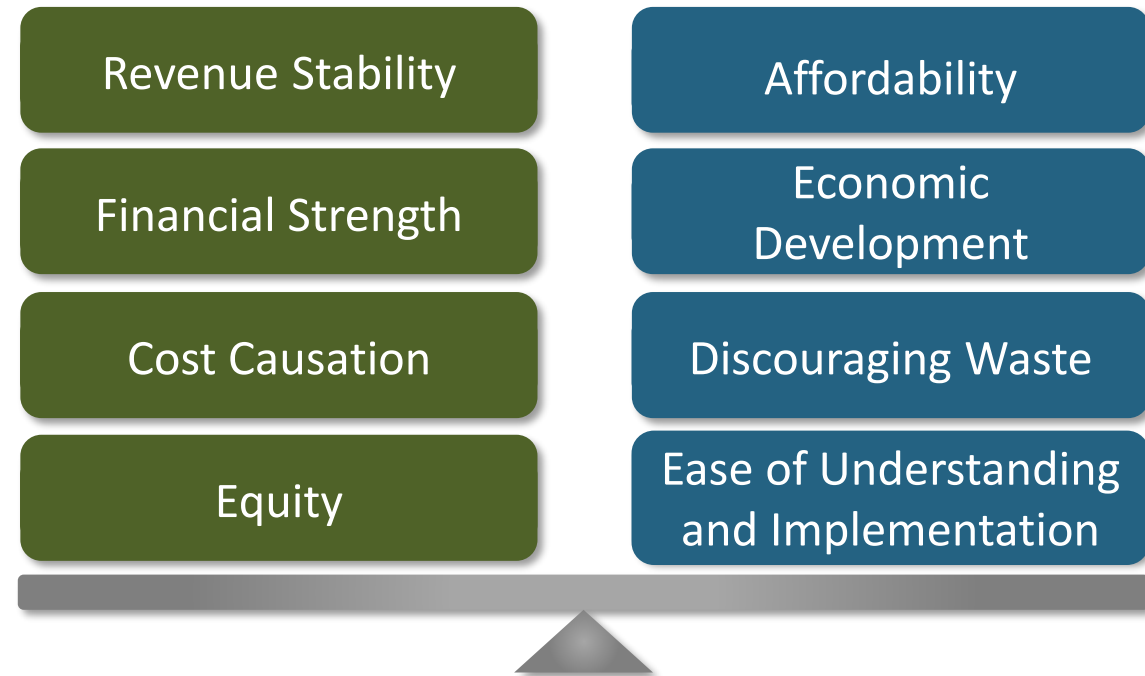
January 22, 2024

AUSTIN WATER RATE REVIEW
PUBLIC INVOLVEMENT COMMITTEE
MEETING NO. 1



OBJECTIVES OF THE RATE REVIEW

- Ensure the financial stability of Austin Water
- Adhere to the financial polices set by the City Council
- Enable the efficient provision of safe, reliable service
- Fund the capital improvement plan as well as necessary renewals and replacements
- Design rates aligned with the goals and policy objectives of the City, while balancing the interests of all stakeholders



GOVERNING FACTORS

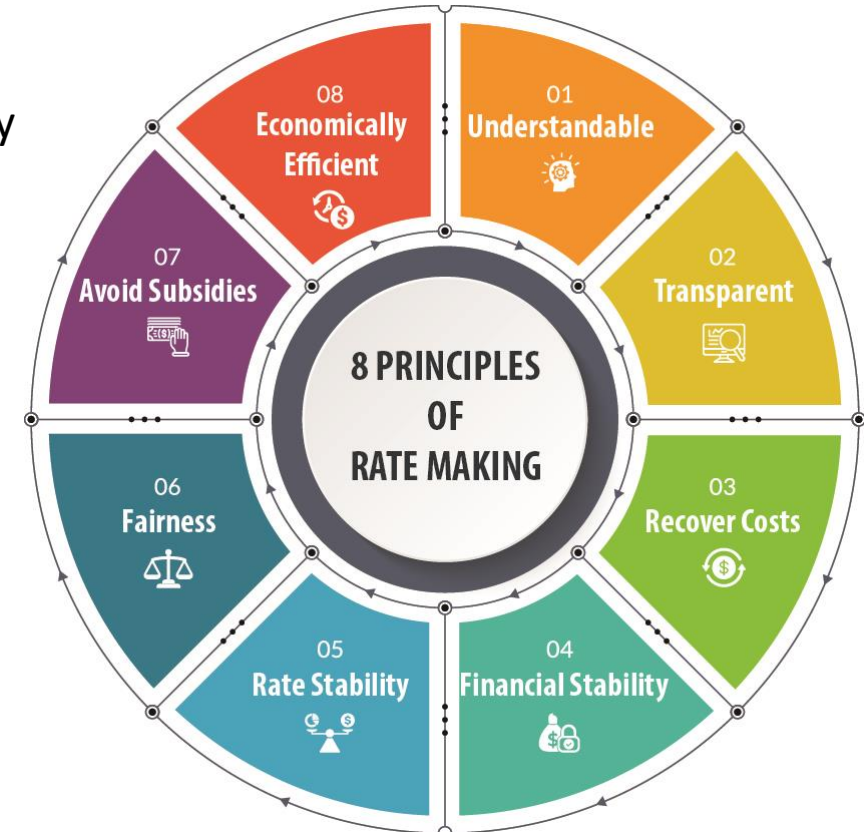
- Laws and Regulations
- Industry Standards
 - American Water Works Association Manual M1, *Principles of Water Rates, Fees, and Charges*, Seventh Edition (AWWA M1)
 - Water Environment Federation Manual of Practice 27, *Financing and Charges for Wastewater Systems*, Fourth Edition (WEF MOP 27)
- Best Practices
 - Texas Water Development Board (TWDB)
 - Rating Agencies
- Policy Input

FUNDAMENTAL PRINCIPLES

- Every water utility must receive sufficient total revenue to ensure... perpetuation of the system, and preservation of the utility's financial integrity (AWWA M1)
- Revenue is needed to maintain current service levels...meet new demands... maintain existing collection and treatment systems and to plan for future needs... (WEF MOP 27)

APPROACH

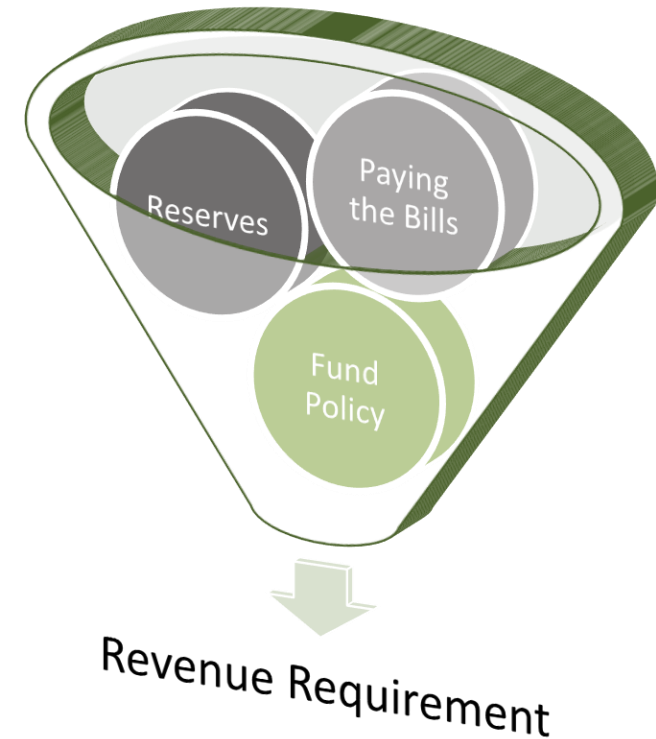
- **Bonbright's Principles of Public Utility Rates***
 1. Practical: readily understandable, acceptable, and feasible to apply
 2. Uncontroversial as to interpretation
 3. Effective in meeting revenue requirements
 4. Stable from a revenue perspective
 5. Stable from a rate perspective
 6. Fairness among customer classes
 7. Avoidance of undue discrimination
 8. Economically efficient: discouraging wasteful use of services and promoting optimal offerings of services
- **Acknowledge important role rate design plays in signaling desired behavior**
 - Fixed Rates \neq Fixed Costs
 - Variable Rates \neq Variable Costs



* Bonbright, "Principles of Public Utility Rates", Columbia University Press (1st ed., 1961)

RATE SETTING PROCESS

1. Determine Revenue Requirements
2. Perform Cost Allocations
 - Alignment of system costs with customers who cause them
3. Design Rates
 - Balance of goals and policy objectives



BASIS FOR REVENUE REQUIREMENT

- Cash Needs Basis*

- Cash Operations & Maintenance (O&M)
- Debt Service
- Cash Capital Spending
- Transfers (PILOT, Franchise Fee, General Fund Transfer, etc.)
- Reserve Contributions (if needed)
- Income Taxes (if any)

* Common for municipally-owned utilities

- Utility Basis**

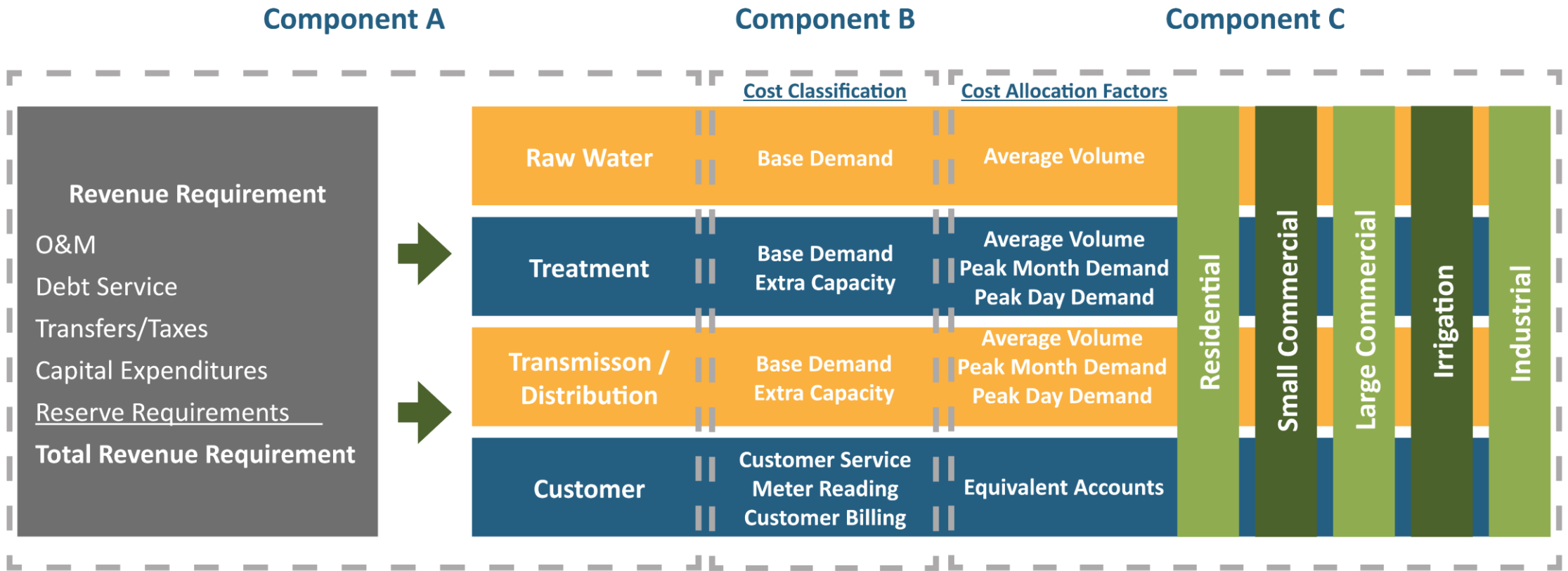
- Cash O&M
- Depreciation
- Return on Rate Base
- Transfers (PILOT, Franchise Fee, General Fund Transfer, etc.)
- Income Taxes

** Common for investor-owned utilities

AUSTIN WATER'S COST OF SERVICE

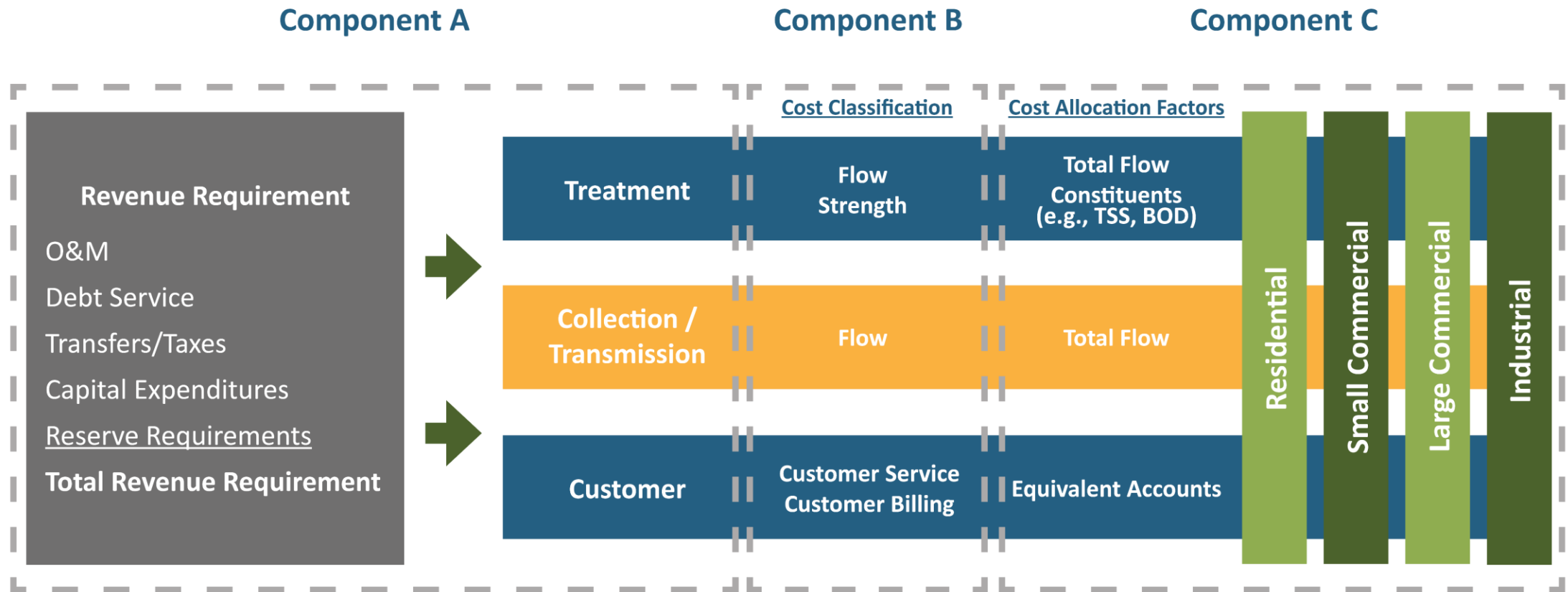
- Cash Needs Basis
- Embedded Cost of Service
- Actual (historical) Test Year with Adjustments
- Normalized Billing Data
- Cost Allocation
 - Base-Extra Capacity Method (water)
 - Volume and Strength (wastewater)

WATER COST ALLOCATION



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

WASTEWATER COST ALLOCATION



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

Austin

WATER



QUESTIONS?