

## Austin Water Utility

### Commission Budget Subcommittee Fund Summary Line Item Description

#### **Fund Summary General Description:**

Each of our water, wastewater and reclaimed water utilities' finances are accounted for in separate funds. The fund summary for each of these utilities provides historical actual and projected revenue and expenses. These fund summaries show 2 years of actual, the current fiscal year budget and estimate, and 5 years of projected revenue and expenses. The summaries include fund balances, system-wide rate increases and debt coverage ratios. The combined fund summary provides a roll-up total of all of the three utilities of water, wastewater and reclaimed funds.

#### **Fund Summary Line Item Description:**

Descriptions of the fund summary line items of revenue and expenses are detailed below.

#### **Beginning Balance:**

The beginning fund balance is the working capital balance of each fund. This balance is the ending balance from the prior year. The beginning balance of the current year estimate is the audited ending balance from the prior fiscal year. For enterprise funds, this includes current assets (cash and accounts receivable) less current liabilities (accounts payable) and reserve for encumbrances.

#### **Revenue:**

These line items detail the revenue received by AWU.

#### **Water Services**

Includes revenue from the sale of water to AWU water customers based on historical, current, and projected water rates.

#### **Water Services Drought Surcharge**

Standby line which could be implemented to offset the revenue losses incurred due to drought restrictions and conservation. As Austin Water works through its 2015 budget development, additional discussions on the possibility of implementing a drought surcharge could be appropriate.

#### **Wastewater Services**

Includes revenue from the sale of wastewater services to AWU wastewater customers based on historical, current, and projected wastewater rates.

#### **Reclaimed Water Services**

Includes revenue from the sale of reclaimed water to AWU reclaimed water customers based on historical, current, and projected reclaimed water rates.

**Revenue Stability Fee**

Includes revenue from the revenue stability fee approved by Council in 2012. Subsequent to the approval of this fee, Council authorized the Joint Committee on AWU's Financial Plan to replace this fee. The fee was replaced in February 2013 with the implementation of the new water rate structures and tiered fixed fee recommended by the Joint Committee. This revenue source would only show revenue through fiscal year 2013.

**Reserve Fund Surcharge**

Includes revenue from the newly implemented reserve fund surcharge to build the Water Revenue Stability Reserve Fund approved by the Joint Committee. Each customer pays a surcharge based on their water consumption and the current rate. This was implemented in February 2013. Revenue collected from the surcharge is transferred into a separate reserve fund that is restricted by Council approved financial policies.

**Miscellaneous Revenue**

Includes revenue from miscellaneous fees and charges for various services provided by AWU. These revenue sources includes late payment penalties, interest subsidies from the US Treasury for Build America Bond issuances, Dillo Dirt sales, Backflow Prevention Permit Fees, Industrial Waste Permits, Septic Tank Haulers Fee, After Hours Turn On Fees, and numerous other small revenue sources.

**Interest Income**

Includes income earned from interest paid by financial institutions on AWU cash balances held in City's investment pool. Projections of interest income include assumptions for the cash balances and interest rates paid by financial institutions.

**Total Revenue:**

The total revenue line item represents the total of all revenue line items above.

**Transfers – In:**

These line items detail the transfers in to the AWU of other revenue sources or departments.

**Public Works**

This transfer in to AWU is from Public Works related to the allocated portion of their costs of debt service related to the past partial construction of the joint use Braker Lane Service Center. The construction of this facility was being fully paid by AWU during the early construction phases of the project when explosive material was found on the site that exploded and stopped construction. This transfer in to the AWU will continue until the bond funding for those construction costs are retired.

**Capital Recovery Fees**

This transfer in is for capital recovery fees or impact fees which are collected from developers, businesses, or homeowners that want to connect to our water and wastewater system. These fees are collected and accounted for in a separate fund which must be transferred to the appropriate water or wastewater fund and are

therefore shown as a transfer in. No fees are currently collected for the reclaimed water system.

**Water & Wastewater Utility Fund**

The water and wastewater utilities must transfer funds to the reclaimed water utility to offset costs not covered by the reclaimed water revenue. This line item is shown in the transfer in section of the reclaimed water utility and the combined summary only. A corresponding transfer out is shown in the water and wastewater utilities.

**Austin Resource Recovery**

This transfer in to AWU is from Austin Resource Recovery related to the allocated portion of their costs of debt service related to ARR's new eco-industrial park development. ARR will reimburse those costs over 30 years based upon the calculated allocation using the actual costs plus simple interest of 5%. The payment will be the same amount over a period of 20 years to fully reimburse the cost through a direct budgetary transfer from ARR to AWU starting in 2016.

**Conservation Rebates and Incentives Fund**

The Conservation Rebates and Incentives Fund receive revenue from Austin Energy and the Austin Water Utility. Austin Water Utility revenue provides residential, commercial, multi-family, municipal, and large volume water conservation rebates. Austin Water Utility revenue also funds repairs and renovations to City-owned pools.

**Total Transfers In:**

The total transfers in line item represents the total of all transfer in line items above.

**Total Available Funds:**

The total available funds line item represents the total of total revenue and total transfers in.

**Operations and Maintenance:**

These line items detail the operations and maintenance costs of AWU programs.

**Treatment**

Includes all operations and maintenance costs associated with producing and distributing water and collecting and treating wastewater. Costs include personnel, contractual services, commodities, and non-CIP capitals for the Treatment Program which is comprised of water treatment plants, wastewater treatment plants, pump stations and reservoirs, lift stations, process engineering, laboratory services, administrative support, and maintenance services.

**Pipeline Operations**

Includes all operations and maintenance costs associated with the maintenance and repair of water and wastewater pipeline infrastructure. These costs include water distribution system maintenance, collection system maintenance, valve and hydrant maintenance, construction services, and meter shop operations. Costs include personnel, contracts and services, commodities, and Non-CIP Capitals.

**Engineering Services**

Includes all operations and maintenance costs associated with engineering, project management, and technical support for the Utility's facilities and infrastructure systems. These costs include collection engineering, distribution engineering, and facility engineering. Costs include personnel, contracts and services, commodities, and Non-CIP Capitals.

**Water Resources Management**

Includes all operations and maintenance costs associated with engineering, technical, management, and administrative services to infrastructure field operations, maintenance, and support programs and wholesale customers. These costs include systems planning, infrastructure management, utility development services and pipeline engineering. Costs include personnel, contracts and services, commodities, and Non-CIP Capitals.

**Environmental Affairs & Conservation**

Includes all operations and maintenance costs associated with engineering, management, administrative, regulatory, and technical support services for water conservation, Wildland preservation, biosolids management. These costs include regulatory support, water conservation, Wildland conservation, and special services. Costs include personnel, contracts and services, commodities, and Non-CIP Capitals.

**Support Services – Utility**

Includes all operations and maintenance costs associated with operational support to AWU. These costs include human resources services, public involvement, internal audit, office of director, financial management, facility management, budget and accounting, information technology, security management, safety and technical training, and consumer services. Costs include personnel, contracts and services, commodities, and Non-CIP Capitals.

**Reclaimed Water Services**

Includes all operations and maintenance costs associated with the reclaimed water program. These costs include reclaimed water program management, meter shop reclaimed water support, reclaimed water distribution operations, reclaimed water distribution maintenance, and reclaimed water service miscellaneous. Costs include personnel, contracts and services, commodities, and Non-CIP Capitals.

**One Stop Shop**

The One Stop Shop (OSS) was created to serve as a central location at One Texas Center where the community could address all of its development needs including review, permitting, and inspections. The OSS is comprised of several divisions located within the same building that are designed to work together to ensure that development in Austin meets both long and short term planning goals.

**Other Operating Expenses**

Includes Utility-wide expenses for legal services, bad debt, general liability insurance, contingency funds, Austin Fire Department hazardous material removal services, and other miscellaneous contractual services.

**Total Operations and Maintenance:**

The total operations and maintenance line item represents the total of operations and maintenance line items above.

**Other Requirements:**

These line items detail the other operating costs not within specific AWU programs.

**Accrued Payroll**

This requirement is to allocate funds every year for the City's 27th pay period which occurs every six years. The next occurrence of a 27th payday in the calendar year is 2015. The first payday of 2016 would have been Friday, January 1st. The next fiscal year to have 27 paydays is fiscal year 2021-2022.

**Public Improvement District**

On April 15, 1993, Austin City Council created a Public Improvement District (PID) to provide constant and permanent funding to implement downtown initiatives. The PID is a means for the Downtown Austin community to provide adequate and constant funds for quality of life improvements and planning and marketing of Downtown Austin. On October 11, 2012, the Austin City Council reauthorized the Austin Downtown Public Improvement District for ten years. Austin Water Utility transfers \$75,000 per year to the PID due to the Waller Creek Center being within the PID.

**AE Billing & Customer Care**

This requirement is AWU's allocation to fund the AE Billing & Customer Care centers which provide billing and revenue collection services for all City of Austin utilities.

**311 System Support**

This requirement is AWU's allocation to fund the 311 System Support which provides a single point of contact for Austin's citizens and visitors offering information to callers regarding all City departments including Austin Police Department non-emergency requests.

**Compensation Adjustment**

This requirement is to fund projected salary increases associated with City-wide wage adjustments

**Additional Contribution to Retirement**

This requirement is for an equivalent of 2% of payroll costs to help improve the funded status of the City's pension system. The City increased the contribution to the retirement fund by 8% over 4 years. This line was eliminated in the 2013 budget as these costs were included in the operations and maintenance personnel costs.

**Total Other Requirements:**

This line item represents the total of all other operating line items above.

**Total Operating Requirements:**

This line item represents the total of operations and maintenance and other operating requirements.

**Debt Service:**

These line items detail AWU's debt service costs from existing and projected debt issuances.

**Revenue Bond Debt Service**

This line item represents existing and projected revenue bond principal and interest paid historically projected to be paid by AWU. Revenue bonds are payable from identified sources of revenue.

**Commercial Paper Debt Service**

This line item represents existing and projected interest and fees associated with the commercial paper program paid historically and projected to be paid by AWU. AWU finances capital needs through commercial paper programs because it allows a project to be financed on an ongoing "just-in-time" basis at a lower initial rate. Commercial paper is generally refunded into long-term revenue bonds on an annual basis.

**General Obligation Debt Service**

This line item represents existing and projected general obligation bond principal and interest payments paid historically and projected to be paid by AWU. AWU's General obligation debt includes Public Improvement Bonds (PIBs) and Contractual Obligation Bonds (KOs). PIBs are issued for voter-approved capital projects, usually with a 20-year final maturity. KOs are issued for personal property that does not require voter approval; they usually have a five to seven year final maturity, depending on the useful life of the personal property purchased. These have been used primarily for the purchase of fleet vehicles and equipment.

**Water District Bonds**

This line item represents existing and projected tax and revenue bond principal and interest payments paid historically and projected to be paid by AWU. AWU assumed these bonds when various Municipal Utility Districts were annexed by the City of Austin.

**Total Debt Service:**

This line item represents the total of all debt service line items above.

**Transfers Out:**

These line items detail the transfers out of AWU's operating funds to other City funds.

**Capital Improvement Program Funds**

The goal of AWU is to cash-fund a minimum of 20% of capital projects with cash, so AWU budgets annual transfers of cash from the operating fund to the CIP funds accordingly.

**General Fund**

Per City Council policy, The General Fund receives annual transfers of funds from Austin Water Utility at 8.2% of a 3-year average total revenue. These transfers serve as

payments in lieu of property taxes, dividends, or return-on-equity-type payments commonly paid to municipal governments by investor-owned utilities. The transfers are calculated based on a rolling average of actual revenue from the last two years and estimated revenue in the current year.

**Revenue Stability Reserve Fund**

A revenue fund surcharge, approved by the Joint Committee and implemented in February 2013, requires each customer to pay a surcharge based on their water consumption and the current rate. Revenue collected from the surcharge is transferred into this separate reserve fund, restricted by Council, which will be used to offset future revenue shortfalls according to a new AWU financial policy.

**Radio Communications Fund**

The purpose of the Wireless Communications Services program is to provide cost effective maintenance services in support of customer two-way radio communication and other vehicular equipment needs. This line item represents AWU’s allocation of these city-wide costs.

**Sustainability Fund**

The Sustainability Fund provides resources that help the City of Austin build a more sustainable economy, environment, and equitable infrastructure. The fund is entirely funded by transfers in from several City enterprise funds. This line item represents AWU’s allocation of those city-wide costs. AWU’s participation in paying for these costs is proposed to be phased out over 4 years.

**EGRSO**

The mission of the Economic Growth and Redevelopment Services Office (EGRSO) is to create a cultural and economic environment that enhances the vitality of the community in a manner that preserves Austin’s character and environment. This line item represents AWU’s allocation of these city-wide costs.

**Reclaimed Utility Fund**

The water and wastewater utilities must transfer funds to the reclaimed water utility to offset costs not covered by the reclaimed water revenue. This line item is shown in the transfer in section of the reclaimed water utility and the combined summary only. A corresponding transfer out is shown in the water and wastewater utilities.

**Administrative Support – City**

This requirement is AWU’s allocation to fund the General Fund Administrative Support Departments and Offices (City Clerk, Mayor & Council, Management Services, Communication & Public Information, Law, Human Resources, City Auditor, Financial Services, Building Services, Small & Minority Business, Contract Management, Office of Real Estate, and Government Relations) for the various support services they provide the Utility. This item is considered an operating requirement within the debt service coverage calculation.

**Communication & Technology Management Fund**

This requirement is AWU's allocation to fund the Communications Technology Management Department for the various support services they provide the Utility. This item is considered an operating requirement within the debt service coverage calculation.

**CTECC Emergency Operation Center**

This requirement is AWU's allocation to fund the Combined Transportation and Emergency Communications (CTECC) Emergency Operation Center. This item is considered an operating requirement within the debt service coverage calculation.

**Liability Reserve Fund**

This requirement is AWU's allocation to fund the Liability Reserve Fund which is responsible for paying claims and losses related to third party –liability for bodily injury and property damage, including contractual and professional liability. This item is considered an operating requirement within the debt service coverage calculation.

**Workers' Compensation Fund**

This requirement is AWU's allocation to fund the Worker's Compensation Fund which provides payments mandated by State law for City employees' medical expenses associated with job-related injuries and illnesses. This item is considered an operating requirement within the debt service coverage calculation.

**Economic Incentives Reserve Fund**

The Economic Incentives Reserve Fund provides incentive grants and other economic incentive agreements established on the grounds that they provide higher levels of employment, economic activity, and stability. The fund is funded by transfers from the General Fund, Austin Energy, and Austin Water. The transfers are completed in anticipation of future payouts as specified in the agreements. This line item represents AWU's allocation of these city-wide costs.

**PARD CIP-Swimming Pools**

Austin Water Utility has budgeted \$100,000/year to transfer to a PARD CIP fund for contribution to a water conservation program of converting fill and drain pools to filtered pools not requiring daily draining.

**Environmental Remediation Fund**

The purpose of the Environmental Remediation Fund is to provide remediation of sites which could affect ground and surface water quality or public health and safety. Use of these funds is limited to those sites for which the City has either partial or total liability. Transfers to this fund from Austin Water are based on the number of sites scheduled for remediation and their associated costs. This line item represents AWU's allocation of these city-wide costs.

**Total Transfers Out:**

This line item represents the total of all transfers out line items above.



**Total Requirements:**

This line item represents the total of all operating and other requirements, debt service, and transfers out.

**Excess / Deficiency of Total Available Funds Over Total Requirements:**

This line item represents the net of the increase/decrease of total available funds received over total requirements expensed.

**Adjustment to GAAP:**

This represents the differences of line items included in the General Accepted Accounting Principles (GAAP) basis ending balance calculation and not included in the current budget fiscal year (budget basis).

**Ending Balance:**

The ending fund balance is the unrestricted working capital balance of each fund and must reconcile to the audited ending balance on a GAAP basis. For enterprise funds, this includes current assets (cash and accounts receivable) less current liabilities (accounts payable) and reserve for encumbrances.

**Combined Rate Increase:**

This line item provides the combined, water, wastewater, and reclaimed historical and projected rate increases for these funds. These rate increases are system-wide rate increases and do not specifically identify customer class rate changes. Customer class rate changes are calculated separately through AWU's cost of service rate methodologies and models.

**Debt Service Coverage Ratio:**

The debt service coverage ratio is a financial metric designed to be a measurement of a utility's ability to produce enough revenue to cover its debt service payments. For AWU, the calculation is defined as the total revenue less total operating requirements divided by revenue bond debt service. Total operating requirements also includes line items within the Transfers Out section including Administrative Support – City, Communication and Technology Mgmt Fund, CTECC Emergency Operations Center, Liability Reserve Fund, and Workers' Compensation Fund. AWU's financial policy requires a debt service coverage ratio of at least 1.50x. AWU's current financial plan over the next 5 years targets a debt service coverage of above 1.60x.