

FY 2026-2027 BUDGET QUESTION

Response to Request for Information

DEPARTMENT(S): Austin Water;

CBQ NO.: 06

REQUESTED BY: (District 5) Ryan Alter

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REQUEST:

If we wanted to keep a typical resident's bill (water and wastewater) the same as last year, how would Austin Water Utility (AWU) propose adjusting its rates (including any changes to commercial rates) to achieve this?

RESPONSE:

Austin Water's (AW) proposed Fiscal Year (FY) 2027 budget prioritizes service reliability, long-term infrastructure improvements, financial stability and affordability. AW's FY 2027 proposed retail rate increases are part of a 6-year phased rate alignment plan from FY 2025 through FY 2030 to align service rates with increasing capital-related expenses and operating costs.

In 2024, AW conducted a Cost-of-Service (COS) study with NewGen Strategies and Solutions, LLC, focusing on affordability, customer impact, water conservation, revenue stability and system reliability. A core principle of water rate design is allocating costs based on how customers use the system. This approach uses industry accepted COS principles to develop fair and equitable rate structures by customer class. Increasing other customer class rates to maintain the average residential bill at the current level would create a residential rate subsidy, which is inconsistent with the COS principles. In addition, maintaining the current residential average bill would delay AW's ability to achieve full cost recovery from the residential class and would require an increase in residential rates over the next few years.

Public engagement was foundational to the 2024 COS study and included robust efforts to incorporate the amount of feedback we received. A Public Involvement Committee (PIC) of diverse customer representatives—including a residential rate advocate—met bi-monthly from January to July 2024 to review and provide feedback on the COS study. Additional customer engagement and outreach efforts reached 200,000 Austinites and gathered input from over 400 community members.

These efforts produced participant's top priorities, which were:

1. Affordability for essential water use
2. A rate structure that promotes water conservation
3. Enhancements for water and wastewater system reliability

The proposed rates for FY 2027 support AW's continued financial stability and are consistent with community priorities set by our customers during our 2024 COS study. Based on these priorities, AW's FY27 proposed rate increase continues to implement a phased approach to

rate increases for retail customers over the coming fiscal years to align with increasing capital-related expenses and operating costs.

The impact of the FY 2027 residential rate increase includes:

- An increase of approximately \$7.76 for the average non-CAP residential bill (based on usage of 5,800 gallons of water and 4,000 gallons of wastewater).
- At the proposed rates, the cost per gallon is less than \$0.01 per gallon of water and slightly more than \$0.01 per gallon of wastewater.

AW is committed to balancing high-quality service, reliable infrastructure with customer affordability. AW has a robust Customer Assistance Program (CAP) for both residential and multifamily customers. The Residential CAP will provide a 49% discount to over 26,000 residential non-CAP customers, totaling \$16.1 million in FY 2027.

Additionally, AW prepares an annual Affordability Metric Report (AMR) that compares AW service rates to regional and national benchmark cities. The 2025 AMR outlines AW's affordability approach to provide affordable and reliable water and wastewater services without compromising quality. The report can be found at the following link. [2025-Affordability-Metrics-Report_Final.pdf](#).