

FY 2026-2027 BUDGET QUESTION

Response to Request for Information

DEPARTMENT(S): Austin Water;

CBQ NO.: 05

REQUESTED BY: (District 5) Ryan Alter

DATE REQUESTED: Thursday, July 16, 2026 5:24 PM

DATE POSTED:

REQUEST:

If we wanted to keep a typical resident's bill the same as last year, how would Austin Water Utility (AWU) propose adjusting its proposed expenditures 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 operates as an enterprise, funded through service rates, not tax dollars. 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 operating and capital-related costs, including investments in renewing aging infrastructure as well as generational projects to prepare for the future. Although the proposed retail rate increases are expected to generate approximately \$51.3 million in additional service revenue in FY27. AW's proposed FY 2027 budget results in a \$16.8 million budget deficit due to the phased rate increase approach.

Maintaining the typical resident's bill at the same level as last year would require a significant reduction in operating costs and result in a larger budget deficit for AW, since there are limited budget reduction opportunities without negatively affecting operations. To minimize the rate impact associated with higher supply chain costs, AW reviews historical budget utilization annually to align budget levels with past spending patterns and current trends. AW's proposed budget already includes reductions totaling approximately \$11.9 million, including budget utilization, as well as reductions in water conservation advertising, water conservation incentives and outside consulting contracts.

AW's proposed operating budget for FY 2027 includes necessary increases to cover the cost of providing service. The following is a list of FY 2027 significant increases accounting for approximately 94% of the proposed rate increase revenue. These increases are primarily due to increased capital costs, debt service requirements, interdepartmental transfers and personnel costs:

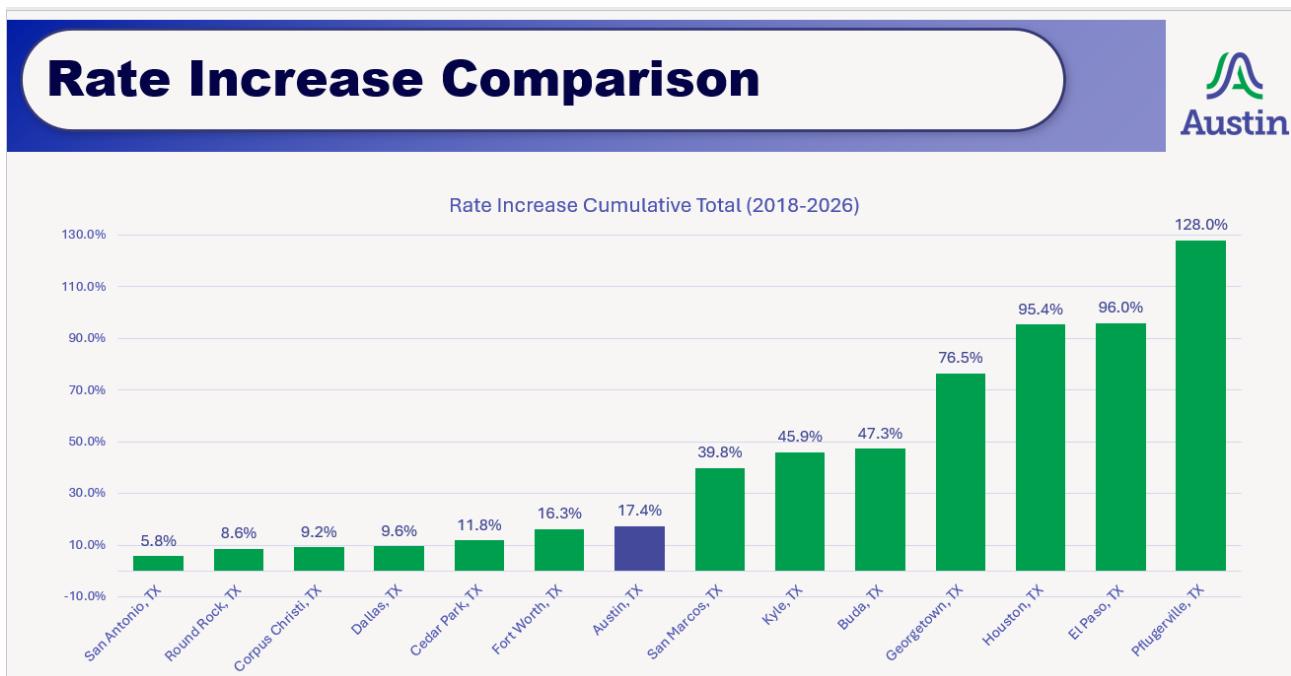
- \$18.7 million increase in CIP cash transfers to support capital projects
- \$11.8 million increase in debt service requirements
- \$4.3 million increase in wage and benefits costs for employee wage adjustments,
- \$2.4 million increase in market study adjustments
- \$5.1 million increase in proposed new FTEs.
- \$3.3 million increase in General Fund Transfer
- \$2.4 million increase in Other City Transfers

\$48.0 million total

AW conducts a Cost-of-service (COS) study every 5-7 years to ensure a rate design is fair and equitable. These studies develop cost allocation models to set customer rates that recover the cost to serve each customer class based on their demands on the system.

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

In the development of the most recent annual affordability report, AW analyzed rate increases for similar Texas cities from 2018 through 2026. AW implemented a 4.8% retail rate reduction in FY 2018, followed by 5 years without a rate increase. This highlights AW's affordability-focused approach to rate increases. In addition, many of the cities with lower cumulative rate increases over this period are also implementing significant multi-year rate increases to address increasing operating and capital-related costs and will be moving closer to peer cities who have already implemented significant rate increases. As shown in the following chart, AW's cumulative rate increases over the past eight years have been among the lowest of our benchmark cities with a 17.4% cumulative rate increase through 2026:



AW's FY 2027 proposed rate increase continues to implement a phased approach to rate increases for retail customers over the coming fiscal years to align service rates with increasing capital-related expenses and operating costs necessary to maintain service levels and diversify our water supply.

The impact of the FY 2027 residential rate increase includes:

- An increase of approximately \$7.76 for the average non-customer assistance program (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 CAP for both residential and multifamily customers. The Residential CAP program provides a 49% discount to over 26,000 residential non-CAP customers, for an average CAP bill of \$54.91 in FY 2027.