

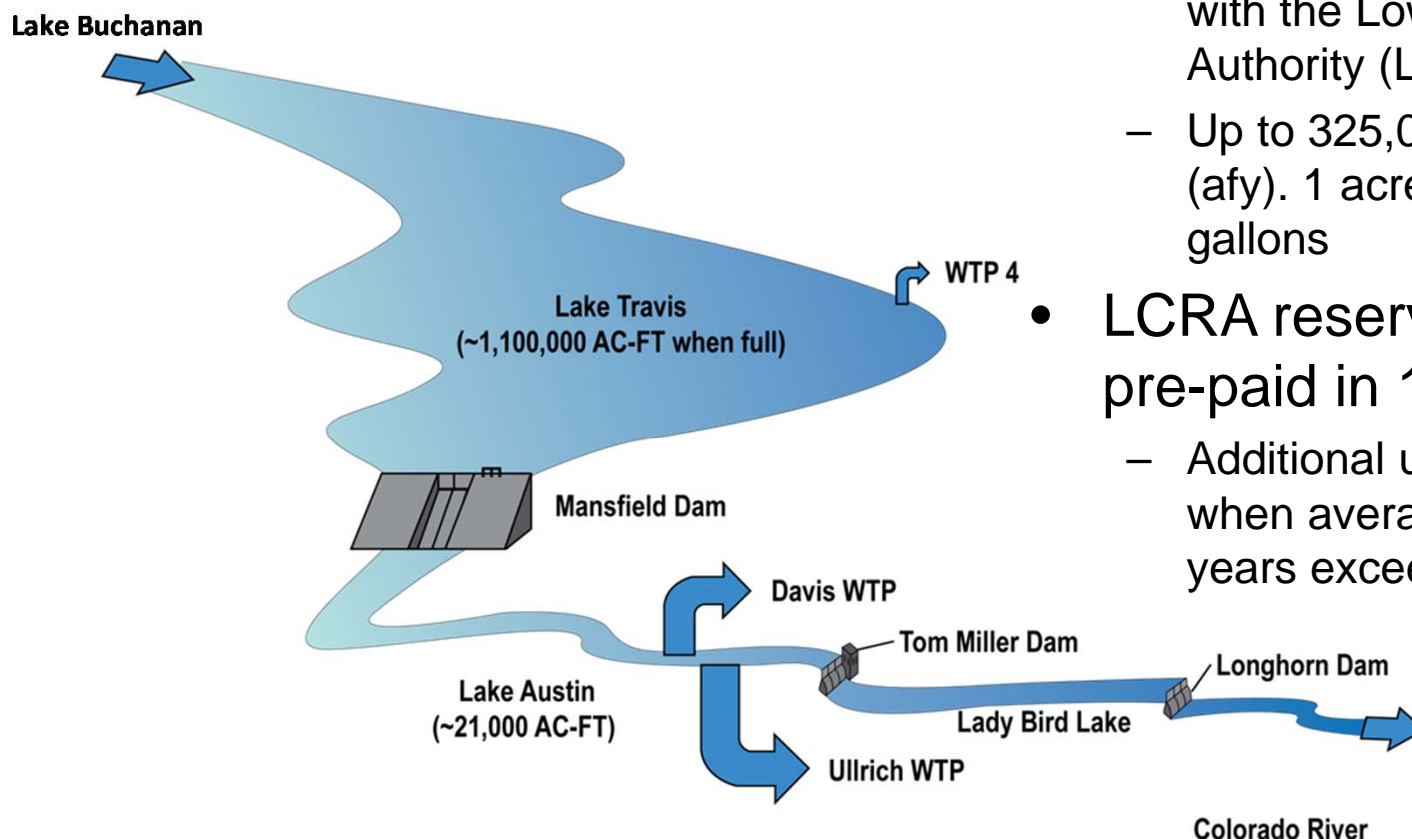


Mayor & Council

Austin Water Drought, Water Supply & Business Model

February 9, 2015

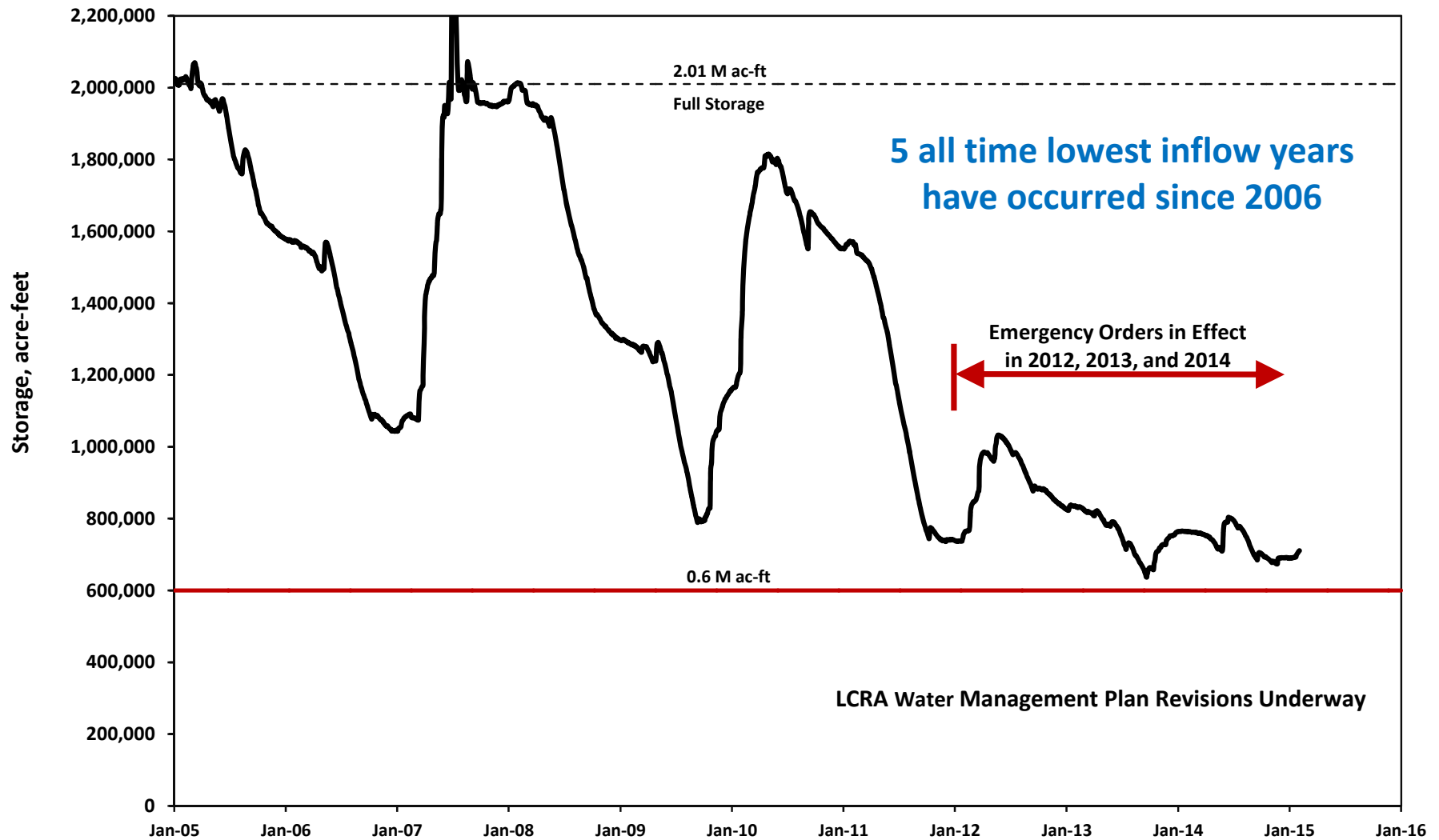
Austin Water Supply



- Colorado River:
 - Combination of State-granted water rights & long-term contract with the Lower Colorado River Authority (LCRA)
 - Up to 325,000 acre-feet per year (afy). 1 acre-foot = 325,851 gallons
- LCRA reservation & use fees pre-paid in 1999
 - Additional use payments trigger when average for 2 consecutive years exceeds 201,000 afy

Combined Storage of Lakes Buchanan and Travis

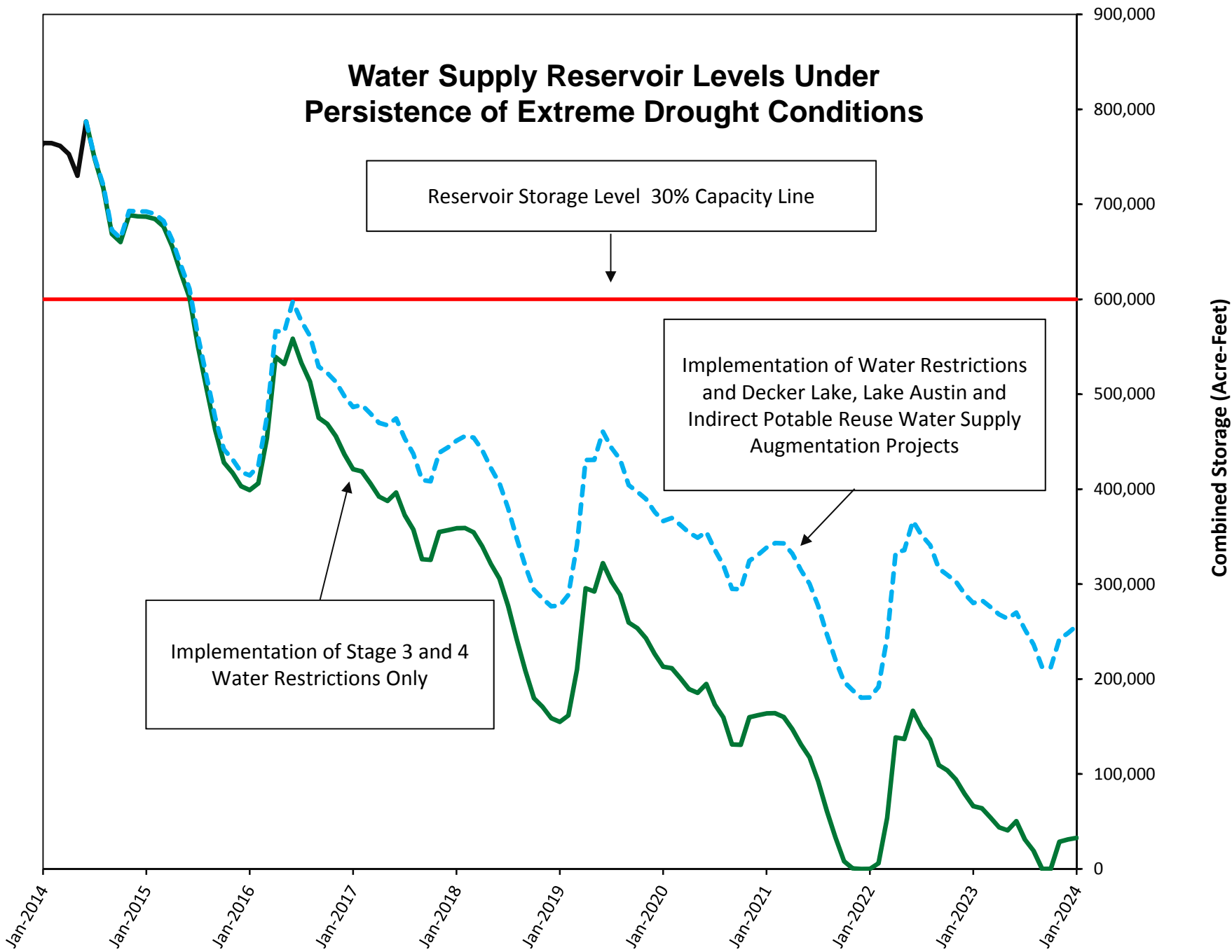
January 1, 2005 through February 1, 2015



Multi-Faceted Response Strategies

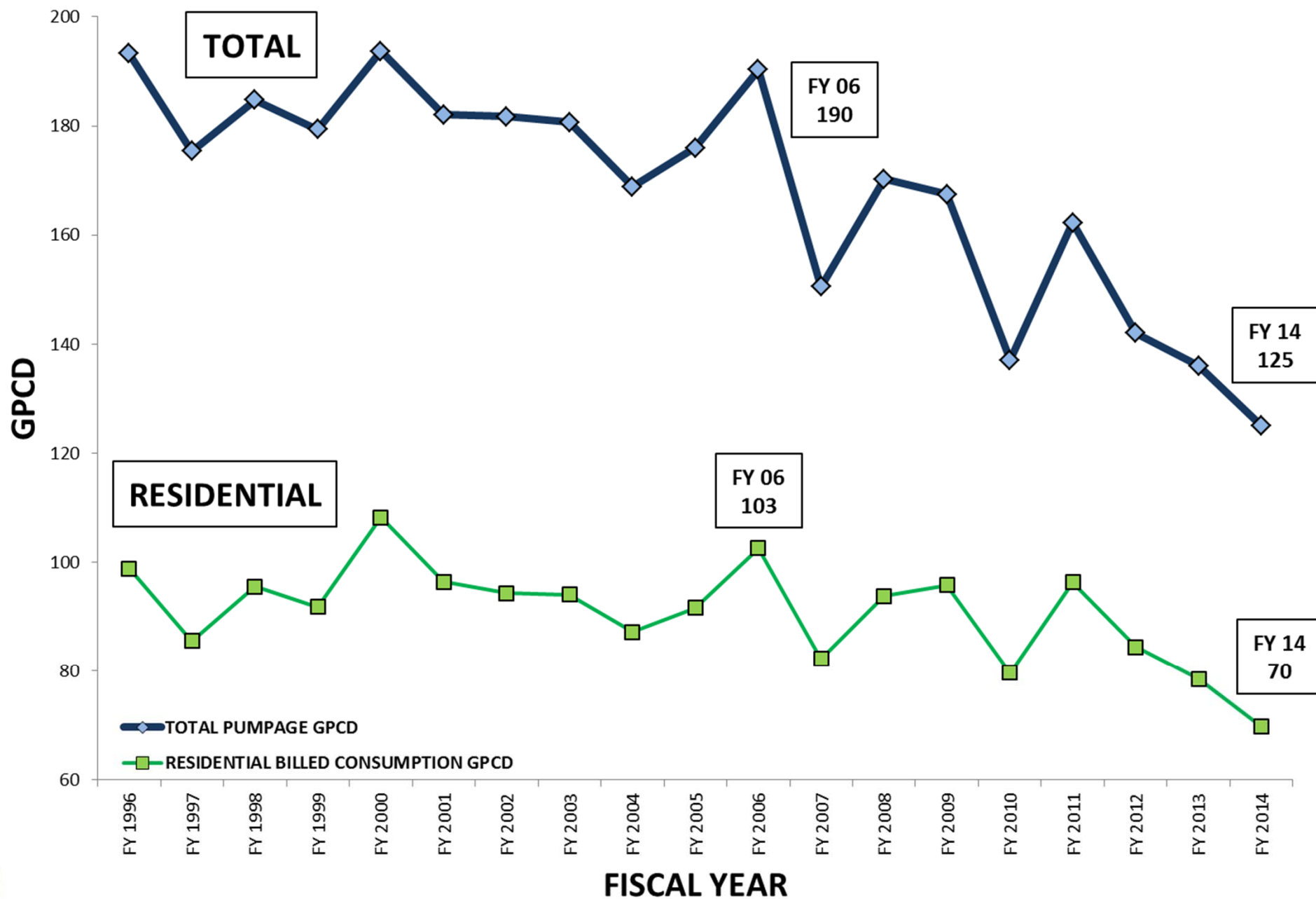
- Engage in LCRA Water Management Plan revisions and Emergency Orders
- Staged drought restrictions and water conservation
- Implement Austin Water Resource Planning Task Force strategy options:
 - Demand-side management and water conservation strategies
 - River and reservoir system operational enhancements
 - System augmentation projects (Decker Lake, Lake Austin, Indirect Potable Reuse)
- Develop Integrated Water Resources Plan (IWRP)
 - To include longer-range scenario-based planning for demand management and supply-side options
 - Supply diversification

Water Supply Reservoir Levels Under Persistence of Extreme Drought Conditions

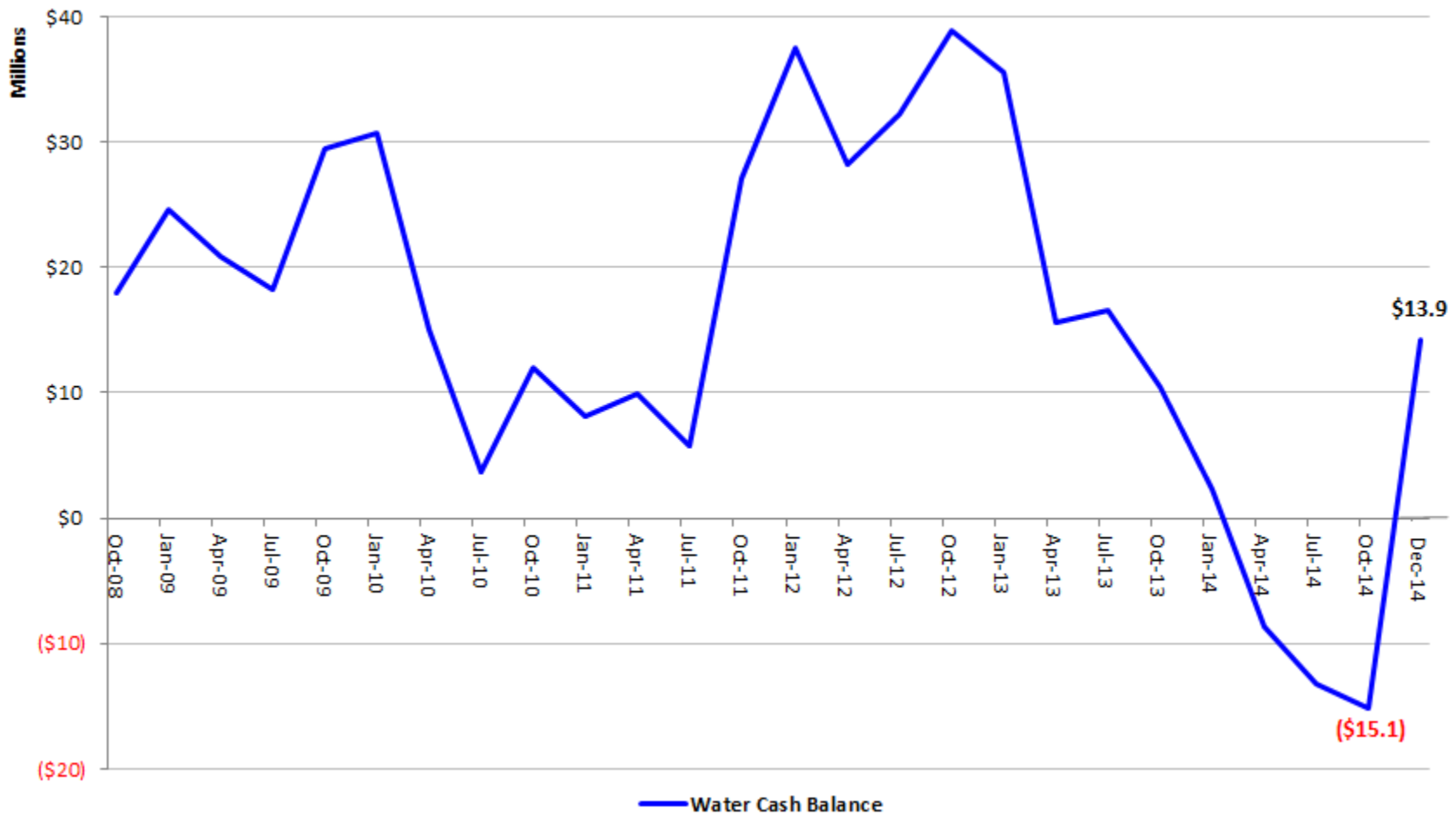


Austin Water Financial Considerations

WATER USE - GALLONS PER CAPITA PER DAY (GPCD)



Water Cash Balance History: Oct 2008 - Dec 2014



Bond Rating Agency Issues

Current Bond Rating: AA

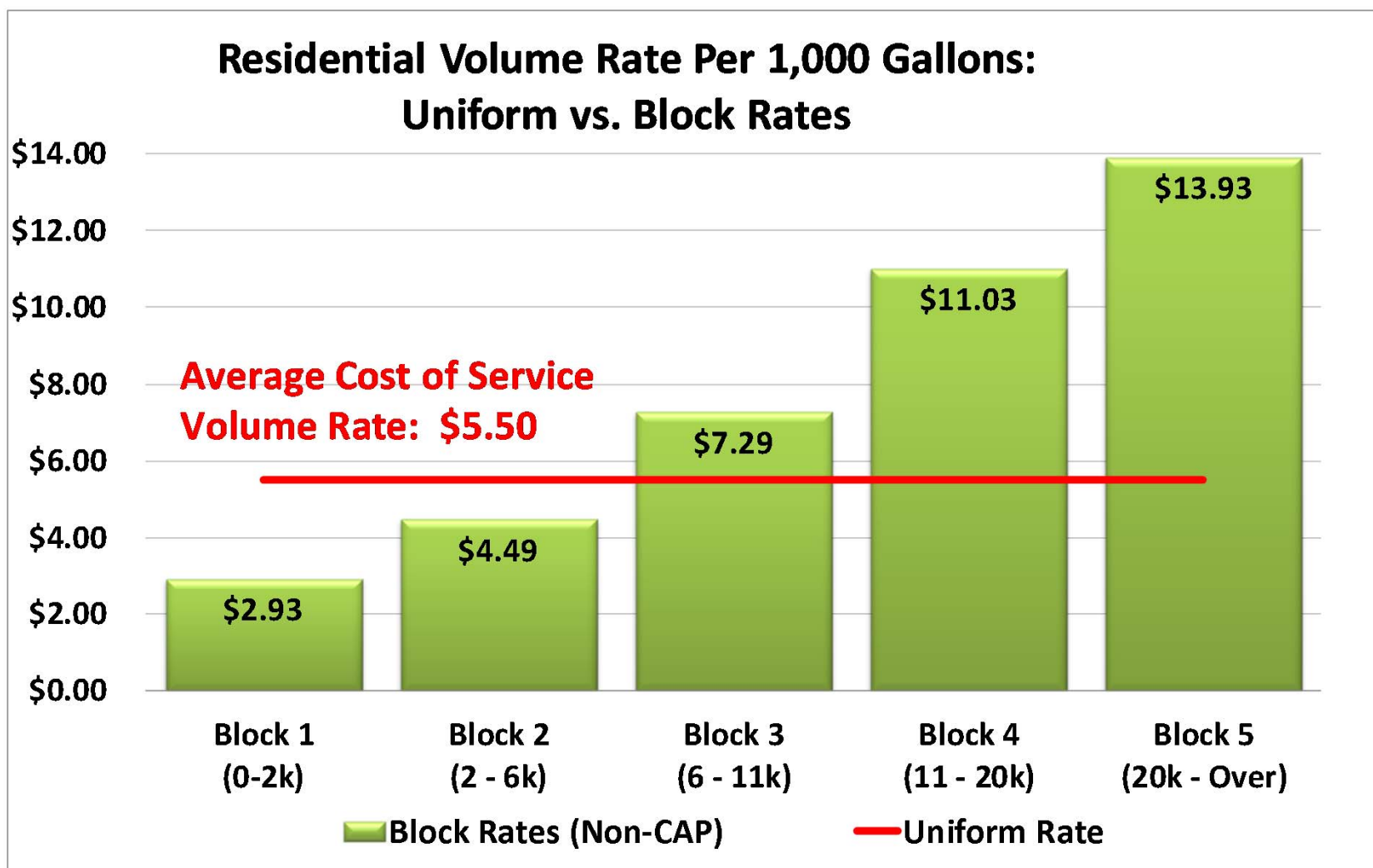
Bond Issuance June 2014: Rating Agency Report

- Revised Outlook to Negative from Stable
- Weak financial metrics for debt service coverage and liquidity (cash balances)

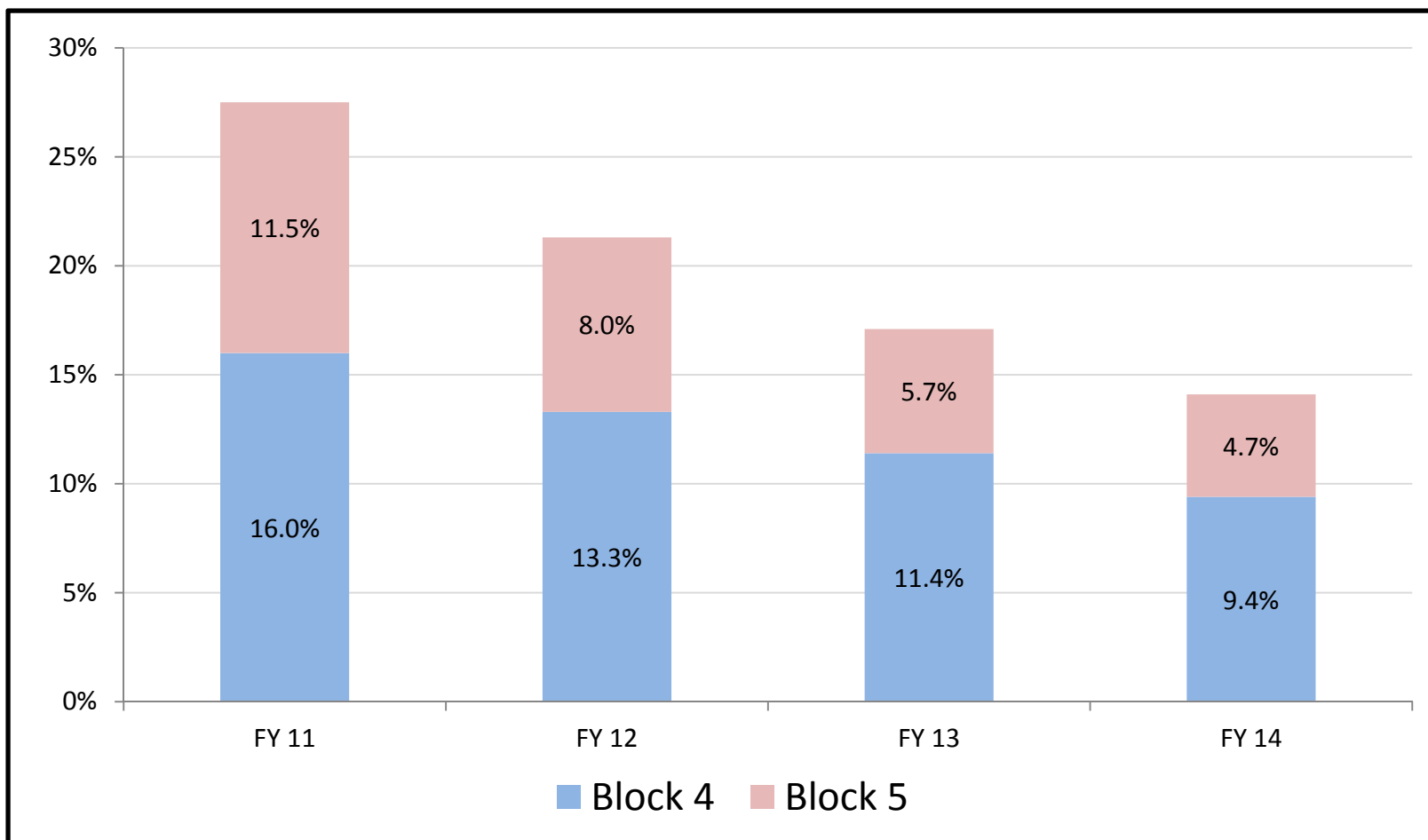
Rate Structure & Financial Policies

- Creation of Joint Financial Subcommittee
- Rate Design Changes
 - Fixed fee restructuring (tiered fees, % mix fixed/volumetric)
 - Residential rate redesign (intervals, spread, cost of service)
- Creation of Revenue Reserve Fund, & Use Policies
- Creation of Surcharges Linked to Drought Stages
- Policies for Growth to Pay for Itself
 - Impact Fee revisions to remove discounts/incentives
 - Service Extension Request (SER) Ordinance revisions
- Cost Containment
 - \$25M reduction FY2014 to FY2015

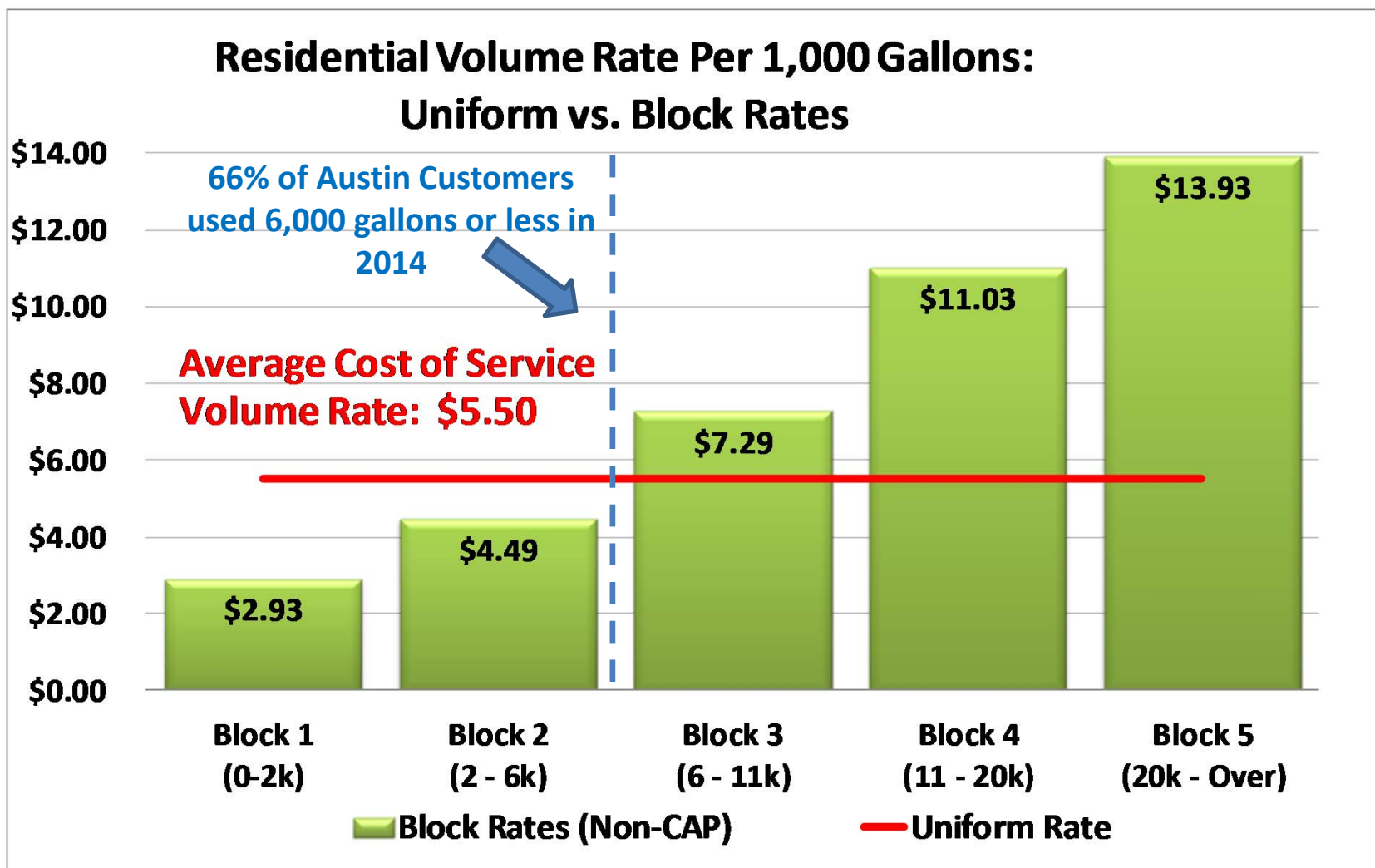
FY 2015 Water Rates: Residential



Residential Percentage of Total Consumption: Blocks 4 & 5



FY 2015 Water Rates: Residential



Upcoming Items

- Next 60 Days
 - Tuesday: Discuss naming of Integrated Water Resource Plan (IWRP) Task Force Members
 - Walter E. Long (Decker Lake) Golf Course
 - Wholesale Rate Case Matters
- By End of Fiscal Year
 - Approval of a firm to assist in IWRP development
 - Water supply augmentation project transactions (Decker Lake, Lake Austin, Indirect Potable Reuse)
 - FY2016 Austin Water Forecast, Budget, Rates
 - Possible need to implement Stage 3 & 4 water restrictions & rate surcharges

End