

RESOLUTION NO. _____

WHEREAS, Austin Water is a municipally-owned water utility and the second largest enterprise department in the City of Austin; and

WHEREAS, Austin Water's total project revenue for FY 2015/16 is \$548,807,215; and

WHEREAS, Austin Water has almost \$2,500,000,000 in debt; and

WHEREAS, according to Fitch Ratings report (July 29, 2015) Austin Water's "high" debt levels "escalated by 45% since fiscal year 2008" while debt service accounts for "43% of gross revenues, almost twice the median percentage for similarly rated systems;" and

WHEREAS, in 2014, Austin Water's bond rating went from Stable to Negative due to increased debt and "narrow operating margins after making transfers to the city's general fund;" and

WHEREAS, despite more than a 20% increase in population, since 2008 Austin Water has raised rates every year, resulting in a 61.6% increase in customer bills; and

WHEREAS, in order to improve the financial outlook of the utility, Austin Water anticipates annual rate increases in each of the next 5 years; and

WHEREAS, Fitch already considers Austin Water rates "high relative to income levels of city residents, and in comparison to other large urban systems;" and

WHEREAS, instead of increasing customer bills, Austin Water could decrease the amount of non-utility related expenditures; and

WHEREAS, in FY 2015/16 Austin Water will transfer a total of \$42,804,534 (8.2%) of utility revenue to the General Fund and Economic Development Department; and

~~**WHEREAS**, those transfers, in total, cost the average customer \$192 per year; and~~

~~**WHEREAS**, not only do those transfers contribute to rates charged by Austin Water but they compromise transparency in the cost of government and the services it provides; and~~

~~**WHEREAS**, because low-income residents pay a higher percentage of their income to utility bills, those transfers impact the affordability of Austin for those customers the most; and~~

~~**WHEREAS**, a nation-wide study by the American Public Power Association found that the median general fund transfer for municipally-owned utilities is 4%; and~~

~~**WHEREAS**, 4.0% of total revenues in Fiscal Year 2015/16 for Austin Water is \$21,952,289; and~~

~~**WHEREAS**, in FY 2015/16 the total General Fund and Economic Development transfers for Austin Water is 95% higher than the national average for municipally-owned utilities; and~~

~~**WHEREAS**, lower water bills would attract businesses to Austin, help existing businesses and residents, and positively impact the affordability of Austin;~~
NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Manager is directed to develop a report ^{which contains information} ~~with options for both~~
~~reducing and eliminating~~ ^{on} the General Fund and Economic Development transfers
~~from Austin Water.~~ ^{at 1% increments} ^{reductions} ~~over a period of time or for~~
~~other changes to the transfer policy.~~

~~The report should include options for reducing the transfer to 4% and 6% of~~
~~total revenues as well as options for eliminating it completely, both over a period~~
~~time and immediately in the FY2016/17 budget.~~

^{City Council}
The report shall be presented to the ~~Public Utilities Committee~~ no later than
May 31, 2016.

ADOPTED: _____, 2016

ATTEST: _____

Jannette S. Goodall
City Clerk