

## **Austin Water**

### **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.

##### **Revenues:**

These line items detail the revenue received by AW.

##### **Water Services/Wastewater Revenue**

Water Services includes revenue from the sale of water to AW water customers based on historical, current, and projected water rates.

Wastewater Services includes revenue from the sale of wastewater services to AW wastewater customers based on historical, current, and projected wastewater rates.

Reclaimed Water Services includes revenue from the sale of reclaimed water to AW reclaimed water customers based on historical, current, and projected reclaimed water rates.

Reserve Fund Surcharge includes revenue from the 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.

**Other Revenue**

Includes revenue from miscellaneous fees and charges for various services provided by AW. These revenue sources include late payment penalties, new services connections, private fire hydrant fees, backflow prevention compliance fees, Dillo Dirt sales, and numerous other small revenue sources.

**Public Health Licenses, Permits, Inspec.**

Includes revenue from industrial waste permits and liquid waste/septic tank hauler fees.

**Miscellaneous Franchise Fees**

Includes revenue from various telecommunication companies to lease ground space owned by AW. Several telecommunication companies have contractual agreements with the City of Austin to lease ground space for their cellular network towers.

**Interest**

Includes income earned from interest paid by financial institutions on AW 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.

**Building Rental/Lease**

Includes revenue from other city departments to rent/lease space at AW sites or facilities.

**Land & Infrastructure Rental/Lease**

Includes revenue from outside agencies to rent/lease space at AW sites or facilities.

**Property Sales**

Includes revenue from the sale related to the disposal of equipment and other assets.

**Scrap Sales**

Includes revenue from the sale of scrap metal.

**Development Fees**

Includes water/wastewater plat fees and private lateral fees.

**Other Fines**

Includes collection of water use enforcement fines.

**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 AW from other revenue sources or departments.

**CIP Recovery Fees**

This transfer in is for capital recovery fees (CRF) 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.

**Austin Water - Reclaimed**

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.

**Support Services/Infrastructure Funds**

This transfer in to AW 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 AW 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 AW will continue until the bond funding for those construction costs are retired.

**Austin Resource Recovery Fund**

This transfer in is to cover their departmental portion of costs to extend a wastewater line including land/easement, labor, fee, design, and construction to serve ARR's new eco-industrial park development. ARR is developing a 100 acre tract of land that was previously set aside for development of future landfill capacity that is located along Farm-to-Market (FM) 812. ARR is utilizing undeveloped land around the City's closed landfill for the Austin [re]Manufacturing Hub for the purpose of attracting new, green industry, investment and jobs in the reuse and recycling sectors, that can build local markets for materials being collected and diverted under Austin's Zero Waste Master Plan (page 105, adopted by City Council on December 15, 2011).

**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.

**Program Requirements:**

These line items detail the expenditure for AW.

**Operations and Maintenance:**

These line items detail the operations and maintenance costs of AW 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 and remote facilities, process engineering, laboratory services, electrical services, instrumentation and control, and administrative support.

**Pipeline Operations**

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

**Support Services**

Includes all operations and maintenance costs associated with operational support to AW. These costs include office of director, information technology, human resources services, safety and technical training, internal audit, facility management, security management, financial management, budget and accounting, supply chain management, and consumer services. 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, and biosolids management. These costs include environmental and regulatory services, water conservation, Wildland conservation, special services, and public affairs. Costs include personnel, contracts and services, commodities, and Non-CIP Capitals.

**Other Utility Program Requirements**

Includes Utility-wide expenses for legal services, bad debt, general liability insurance, contingency funds, and other miscellaneous contractual services.

**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 facility engineering, distribution system engineering, collection system engineering, and engineering design and construction standards. 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, and utility development services. Costs include personnel, contracts and services, commodities, and Non-CIP Capitals.

**One Stop Shop**

Includes all operations and maintenance costs associated with engineering and regulatory review and services pertaining to water, wastewater, and reclaimed water utility services of site and building plans, subdivisions, planned unit developments, zoning cases, development assessments, and easement release, service verification, and tap permits. These costs include land use review, permit and license center, building plan review for industrial waste, and building plan review for water protection. 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.

**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 AW programs.

**Utility Billing System Support**

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

**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 2021-2022.

**Market Study Adjustment**

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

**Services-PID Contract Expense**

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 transfers \$75,000 per year to the PID due to the Waller Creek Center being within the PID.

**Interdepartmental Charges**

This requirement is AW'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 for City of Austin employee general wage increase.

**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 AW's debt service costs from existing and projected debt issuances.

**Utility D/S Separate Lien**

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

**Utility D/S Sub Lien**

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

**GO Debt Service**

This line item represents existing and projected general obligation bond principal and interest payments paid historically and projected to be paid by AW. AW'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.

**D/S Prior Lien**

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

**Utility D/S Tax/Revenue Bonds**

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

**Commercial Paper Interest**

This line item represents existing and projected interest associated with the commercial paper program paid historically and projected to be paid by AW. AW 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.

**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 AW’s operating funds to other City funds.

**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 AW’s allocation of those city-wide costs. AW’s participation in paying for these costs ended in 2014.

**General Fund**

Per City Council policy, The General Fund receives annual transfers of funds from Austin Water 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.

**Wastewater CIP Funds**

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

**Water CIP Funds**

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

**Support Services Fund**

This requirement is AW'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.

**Water Revenue Stability Reserve**

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 AW financial policy.

**CTM Support**

This requirement is AW's allocation to fund the Communications Technology Management Department for the various support services they provide the Utility.

**Debt Service-CRF Defeasance**

This line represents the transfer out of Capital Recovery Fee or Impact Fee revenue to set up an escrow account used to defease outstanding bond issues. A defeasance is a method of paying off outstanding bond issues early.

**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.

**Economic Development**

This requirement is AW's allocation to fund the Economic Development Department for cultural arts contracts, Economic Incentive payments, small business loans, and business retention and music venue assistance.

**Reclaimed Water CIP Funds**

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

**Workers' Compensation**

This requirement is AW's allocation to fund the Worker's Compensation Fund which provides payments mandated by State law for City employees' medical expenses associated with job-relate injuries and illnesses.

**Liability Reserve**

This requirement is AW'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.

**Wireless Communication**

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 AW's allocation of these city-wide costs.

**CTECC Fund**

This requirement is AW's allocation to fund the Combined Transportation and Emergency Communications (CTECC) Emergency Operation Center.

**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 AW's allocation of these city-wide costs. AW's participation in paying for these costs ended in 2014.

**Capital Projects Management Fund**

The Capital Projects Management Fund (CPMF) is an internal service fund that accounts for the project delivery costs of engineering, construction and inspection costs for the City of Austin Capital Improvements Program (CIP). This transfer is to help fund the CPMF for services related to Austin Water's Capital Improvement Program. Prior to FY 2017, CPMF charged projects directly for services related to individual projects.

**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 AW's allocation of these city-wide costs. AW's participation in paying for these costs ended in 2015.

**PARD CIP Fund**

Austin Water 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. AW's participation in paying for these costs ended in 2014.

**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 funds received over funds 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 AW'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 AW, the calculation is defined as the total revenue less total operating requirements (including some transfer out line items that represent support service on a GAAP basis) divided by revenue bond debt service. AW's financial policy requires a debt service coverage ratio of at least 1.50x. AW's current financial plan over the next 5 years targets a debt service coverage of above 1.60x.