

Austin Water

Significant Changes

Austin Water Fund

| Revenue Changes | Dollars |
|-----------------|---------|
|-----------------|---------|

| | |
|---|--------------|
| Increase in Water Service revenue from the combined impact of water consumption projections, which includes moving from Stage 2 Water restrictions to Conservation Stage Water restrictions, and a proposed 3.4% water rate revenue increase. | \$15,099,884 |
| Increase in Wastewater Service revenue from the combined impact of an increase in flow projections, an increase in wastewater averages, and an increase in revenue resulting from a proposed 3.0% wastewater rate revenue increase. | \$16,406,522 |
| Increase in Reclaimed Water Service revenue from a proposed 5.8% system-wide base reclaimed water rate revenue increase. | \$1,879,904 |
| Increase in Reserve Fund Surcharge revenue is due to maintaining the volumetric rate at \$0.19 per 1,000 gallons for all customer classes and the increased consumption from moving from Stage 2 Water restrictions to Conservation Stage Water restrictions. Revenue from this surcharge is placed into a separate reserve fund to be used for future water revenue shortfalls and remain in compliance with an Austin Water financial policy. | \$90,698 |
| Increase in Interest Income revenue from an increase in the interest rate assumption for FY 2016-17, which is partially offset by a decrease in Miscellaneous revenue from Miscellaneous Telecom and Industrial Waste Permits. | \$430,549 |
| Increase in Transfers-in from Capital Recovery Fees from impact fee collections due to higher fees implemented in January 2014. | \$1,964,000 |

| Expenditure Changes | FTEs | Dollars |
|---------------------|------|---------|
|---------------------|------|---------|

| | | |
|---|--|-------------|
| Citywide Cost Drivers | | |
| Additional funding to cover the cost of a 1.9% wage increase in FY 2016-17, to implement a Citywide market study, and to increase City contributions for health insurance by 12%. | | \$4,478,248 |
| Decrease in Accrued Payroll and Workers' Compensation. | | (\$365,065) |
| Increase in fleet fuel charges and fleet preventative maintenance costs. | | \$713,394 |
| Increase in the Communication Technology Management support allocation. | | \$387,127 |
| Increase in the City Administrative Support Transfer. | | \$928,861 |

| Expenditure Changes | FTEs | Dollars |
|---|--------|-------------|
| A new transfer to the Capital Project Management Fund. The Capital Project Management Fund (CPMF) is an internal service fund that accounts for the project delivery costs of engineering, construction and inspection costs for 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 FY2017, CPMF charged projects directly for services related to individual projects. | | \$1,813,549 |
| Department Cost Drivers | | |
| 4 new FTEs in Pipeline Operations to focus on troubleshooting, investigating and inspecting water distribution systems and to assist with the Small Meter Exchange Program and annual large water meter testing. | 4.00 | \$316,088 |
| 1 new FTE in Engineering Services to address an increasing workload that the Facility Engineering SCADA (Supervisory Control and Data Acquisition) group is experiencing due to a number of reasons, especially with the significant addition of over 150 major pieces of SCADA equipment. | 1.00 | \$148,036 |
| 1 new FTE in Engineering Services to address additional responsibilities for emergencies related to large diameter transmissions, operation of large valves, implementation of Capital Improvement Program projects and overall Engineering Support of the Transmission/Distribution system. | 1.00 | \$139,408 |
| 1.5 new FTEs in Treatment to provide Instrumentation and Automation support for the expanded service area for the water, wastewater and reclaimed facilities and to provide additional assistance for work in the Septic Recovery Station. | 1.50 | \$128,219 |
| 5 new FTEs in Support Services to provide support for planning and delivering Security system improvement projects to the Utility, assisting Customers with Tap Sales requests, assisting with the support of the Laboratory Information Management System (LIMS), promoting accident injury prevention and strengthening the Records and Information Management Program. | 5.00 | \$543,028 |
| 5 new FTEs in Treatment for work related to the newly annexed Lost Creek and River Place Package plants and water systems, the growing reclaimed system, and several new lift stations. | 5.00 | \$444,565 |
| 2 new FTEs in Environmental Affairs & Conservation and Water Resource Management to address administrative efficiency for Public Information Requests and the Utility Development Services Division. | 2.00 | \$136,018 |
| 1 new FTE in Support Services to strengthen internal controls related to debt management, external agreements and the annexation process. This position will also assist with impact fee tracking and reporting. | 1.00 | \$124,746 |
| Transfer of 1.0 FTE to Corporate Human Resources Department. | (1.00) | (\$133,072) |
| Increase in temporary employees due to additional Staff needed to maintain service levels, provide administrative support, meet fiber installation project demand, and replace staff on Active Military Duty. | | \$478,705 |
| Decrease in vacancy savings (increased cost) to reflect current vacancy trends. | | \$1,237,990 |

| Expenditure Changes | FTEs | Dollars |
|--|-------------|----------------|
| Increase in Security Services costs to cover the new contract with an increased scope of work. | | \$1,000,000 |
| Increase in Services - Other for additional contracts cost for flow monitoring services, digitizing records, valve turns services and pressure testing for new water mains. | | \$1,956,947 |
| Increase in Rental-Other Equipment for chemical corrosion and odor treatment program implementation. | | \$110,204 |
| Decrease in Electric Services due to the City's plan to move all City accounts from the Green Choice rate to the Commercial Energizer rate. | | (\$3,314,305) |
| Increase in Intradepartmental Street Cut Repair costs. | | \$1,500,000 |
| Increase in Interdepartmental Charges for additional costs from Development Services Department for a Project Coordinator to assist with site plan plumbing reviews and costs associated with Amanda programming upgrades. | | \$695,807 |
| Increase in the transfer to Austin Energy for Utility Billing System support. | | \$2,084,235 |
| Decrease in Bad Debt expense based on revenue collection trends. | | (\$555,407) |
| Increase in Fire and Extended Coverage Insurance costs. | | \$225,052 |
| Increase in Legal Claims related to the Wholesale Rate Case for payment of refunds to the petitioners, which is in compliance with the Public Utility Commission Final Order. | | \$2,100,000 |
| Increase in Computer Software Maintenance costs as existing maintenance agreement costs have increased about 15%. There is also additional maintenance costs for new software. | | \$296,042 |
| Increase in Pipeline Maintenance expense for Pipeline Operations Leak Detection Program, Large Valve Exercising Program, and additional funding for Condition Assessment Program. | | \$1,206,080 |
| Increase in Seminar/Training and Educational Travel expense in order to maintain required professional licenses and to be inline with historical continuing educational needs. | | \$383,015 |
| Increase in Chemical costs due to a change in raw water quality that requires more chemicals to maintain treated water standards. | | \$862,940 |
| Increase in Meters purchased as part of the small meter replacement program. | | \$172,288 |
| Increase in Debt Service Requirements offset by savings from 2016 bond refinancing and defeasance. | | \$5,244,385 |
| Increase in the operating fund cash transfers for pay-as-you-go cash financing for Water, Wastewater, and Reclaimed Water capital projects. | | \$10,650,000 |

| Expenditure Changes | FTEs | Dollars |
|---|-------------|----------------|
| Decrease in Debt Service CRF Defeasance transfer to reduce Austin Water debt using impact fee/capitaly recover fee collections. | | (\$3,200,000) |
| Increase to the General Fund Transfer. | | \$2,107,251 |
| Increase to the Water Revenue Stability Reserve Fund Transfer. | | \$90,698 |
| Increase to the Economic Development Fund Transfer. | | \$801,420 |

Forecast vs. Proposed FY 2017 Cost Drivers Reconciliation
(in \$ Millions)

| | FY2017 Forecast | FY2017 Proposed | |
|--|--------------------|--------------------|---|
| FY2016 Amended Budget | \$518.3 | \$536.5 | |
| Operating Requirements | | | |
| Additional Staff | \$2.0 | | |
| Compensation Adjustments | \$1.9 | | |
| Health Insurance | \$1.8 | | |
| AE Customer Care | \$1.2 | | |
| Vacancy savings Realignment | \$1.2 | | |
| Market Study | \$1.0 | | |
| Fleet Fuel & Maintenance | \$0.6 | | |
| Other City Wide Operational Cost | \$0.1 | | |
| Debt Service | | | |
| Debt Service Cost | \$5.4 | | |
| Transfer Out | | | |
| CRF Defeasance | \$15.0 | | |
| CIP Cash Funding | \$10.6 | | |
| General Fund | \$2.0 | | |
| Capital Planning Management Fund | \$1.8 | | |
| City Administrative Support Cost | \$0.9 | | |
| Economic Development Fund | \$0.6 | | |
| CTM Fund Transfers | \$0.4 | | |
| Revenue Stability Fund | \$0.1 | | |
| Inflation Adjustments for Commodities/Contractuals | \$4.0 | | |
| | | | Justification |
| | | (\$4.0) | Forecast Inflation Adjustments was used to offset Commodities and Contractuals increases proposed during the budget development |
| Additional Cost Proposed | | | |
| Temporary Employees | | \$0.5 | Please see Temporary Employees supporting worksheet |
| Accrued Payroll | | (\$0.3) | Received Updated Amounts from the Budget Office |
| Services Security | | \$1.0 | Cover cost of new security force contract with increased Scope of Work. |
| Services IT Staffing | | \$0.1 | Supplement team to support AW's network. Permanent FTE is absent due to FMLA. |
| Services Other | | \$1.3 | Engineering services: Unit 8440 \$0.7M - new flow monitoring system contract; Water Res. Mgt. Units 6412/8412\$0.5M Contract for Valve turns & pressure testing for new water mains, service to scan SER and contract files for record retention; Treatment Unit 8053 \$0.1M for Sludge hauling from WWTP |
| Rental - Other Equipment | | \$0.1 | Engineering services: Unit 8440 Equipment rental for Chemical corrosion & Odor Treatment (new contract) |
| Street Cut | | \$1.5 | Increase requested by Public Works for FY17 |
| Interdeptl Public Works CPM charges | | \$0.4 | Charges from DSD for Project Coordinator position. The position provides site plan plumbing services. This function and funding will be shifted to DSD in October 2017; Charges from DSD for AMANDA programming costs by UNISYS related to tap plan, non-permitted project, and service extension request reviews |
| Worker's Compensation | | (\$0.1) | Received Updated Amounts from the Budget Office |
| Wireless Communication Install | | \$0.1 | Antenna, Router and Switch replacement for DSL/ISDN to 4G Cellular per SCADA Engineering DM. AT&T is sunsetting this technology. Therefore, it is necessary to migrate to wireless technology. |
| Fleet Fuel & Maintenance | | \$0.1 | Received Updated Amounts from the Budget Office |
| Fire/Extend Coverage Insurance | | \$0.2 | Received Updated Amounts from the Budget Office |

Forecast vs. Proposed FY 2017 Cost Drivers Reconciliation
(in \$ Millions)

| | FY2017 Forecast | FY2017 Proposed | |
|--|----------------------------|----------------------------|---|
| Maintenance - Computer Software | | \$0.3 | Existing maintenance went up about 15%, Office365 true up cost was unbudgeted in the prior year and new software that was purchased this year out of CIP will also need |
| Maintenance - Pipelines | | \$1.2 | \$500k for Pipeline Operations Leak Detection Program \$677k for Engineering Services (\$350k-Re-implementation of large valve exercising program and \$327k-Additional funding to allow for condition assessment of 24" cast iron river crossing installed in 1928. |
| Travel and Training | | \$0.4 | Please see Travel and Training summarization |
| Bad Debt Expenses | | (\$0.6) | Received Updated Amounts from AE |
| Chemicals Cost | | \$0.9 | The increase of \$198,490 for the Water Treatment plants is due to the chemical budgets for the water treatment plants being calculated using 2015 chemical dosages and 2017 projected flows. The increase is due to a change in raw water quality that requires more chemicals to maintain treated water standards. The \$376,000 increase for Walnut WWTP is due to the continuous increase of ammonia loading from industrial discharges to our facilities, additional alkalinity chemical feed is a must to stabilize the treatment process. The increase of \$108,975 for SAR WWTP is to account for costs dealing with frequent illegal dumping at SAR. During such events, we add polymers to improve settling ability, and additional chlorine to insure meeting disinfection goals. The increase of \$165,000 in chemicals for CSE in the Collection System are due to price increases related to a new chemical contract (Magnesium Hydroxide) that was bid and awarded in FY16. The cost of chemical went up approximately 20% since the last time this chemical was bid in 2013. In addition, this increase includes the costs associated with switching sites from Magnesium Hydroxide to Bioxide. |
| Meters | | \$0.2 | Small meter replacement program to identify under registering meters that need to be exchanged for increased revenue recovery. This requires additional funding for meters. |
| Minor Computer Hardware | | \$0.1 | SCADA parts inventory, PLC and Network equipment |
| Expense Refunds (Stores) | | (\$0.1) | Amount updated to reflect actual experience |
| Other Equipment - Non CIP Capital | | \$0.2 | Treatment Unit 8011: 11 new inline meters; Engineering Unit 8442: Replace 3 aging TV Trucks; Treatment Unit 8070 to measure COD, BOD, Ecoli and TSS at SAR |
| Economic Development Fund | | \$0.2 | Received Updated Amounts from the Budget Office |
| Other Misc. Personnel Cost | | \$0.3 | |
| Other Misc. Contractual Cost | | \$0.5 | |
| Other Misc. Commodities Cost | | \$0.3 | |
| Total Additional Cost Proposed since Forecast | | \$4.8 | |
| Total Forecast | \$50.6 | \$50.6 | |
| Total Proposed Increase for FY17 O & M Budget | | \$55.4 | As of 5/18/2016 |

Forecast vs. Proposed FY 2017 Cost Drivers Reconciliation
(in \$ Millions)

| | FY2017 Forecast | FY2017 Proposed | |
|--|----------------------------|----------------------------|--|
| Electric Service | | (\$3.3) | Move from Green Choice Rate to Commercial Energizer Rate |
| Treatment | | (\$0.3) | Reduction in Treatment Contractuals, Commodities and Non CIP Capital |
| Services IT Staffing | | (\$0.1) | Removed Services IT Staffing |
| Help Program-AWU | | (\$0.1) | Reduced \$100K from grant program. |
| Regular Wages & Fringe | | (\$0.1) | Transfer Business Process Consultant, Sr. to HRD |
| Other Miscellaneous | | (\$0.1) | Reductions such as Temporary employees SCADA Computer, and other maintenance costs |
| Services -Other | | \$0.7 | Additional Funds for unforeseen events and emergencies |
| AE Customer Care | | \$0.9 | Allocation from AE for CC&B |
| Rates Case Refunds | | \$2.1 | Expected outlay for legal damages for rate case |
| Debt Service (Reduction in Separate Lien) | | (\$0.2) | Reduction in Separate Lien per Option #07 |
| Remove CRF Defeasance increase from Forecast | | (\$15.0) | Remove \$15M recorded during forecast because this amount is no longer applicable due to FY16 Budget Amendment |
| Reduction in CRF Defeasance | | (\$3.2) | Transfer to Debt Defeasance - CRF |
| General Fund Transfer | | \$0.1 | Increase in General Fund transfer due to change in revenue |
| Total Change from FY2016 Amended Budget | \$50.6 | \$36.8 | As of 6/10/2016 initial proposed |
| Total FY2017 O&M Budget | \$568.9 | \$573.3 | |