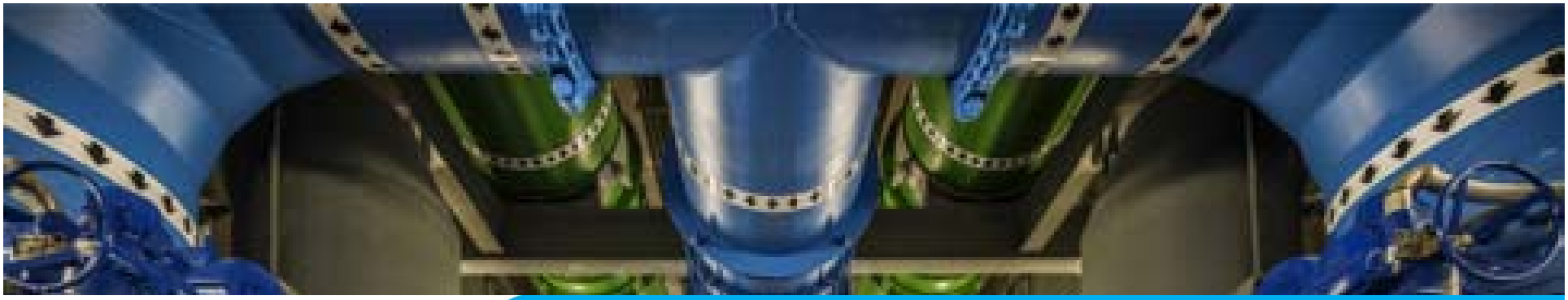


AW Budget Subcommittee

June 19, 2017

Joseph Gonzales, Financial Manager

Customer Assistance Program

Customer Assistance Program/CBC

Customer Assistance Program - Current

- Approximately 17,000 CAP participants
- Waived monthly water meter charge
- Waived monthly water tiered fixed fee
- Discounted volumetric water rates
- Waived monthly wastewater customer charge

	2017 Average Monthly Bill Comparison: Non-CAP vs. CAP			
	Non-CAP	CAP	$ Discount	% Discount
Water	$ 41.59	$ 22.86	$ 18.73	45.0%
Wastewater	41.60	31.30	10.30	24.8%
Combined	$ 83.19	$ 54.16	$ 29.03	34.9%

Note: Bills based on 5,800 Gals water and 4,000 Gals. wastewater

Customer Assistance Program/CBC

Customer Assistance Program Enhancement – FY 18

- Approximately 17,000 CAP participants
- Waived monthly water meter charge
- Waived monthly water tiered fixed fee
- Discounted volumetric water and wastewater rates
- Waived monthly wastewater customer charge

	2018 Average Monthly Bill Comparison: Non-CAP vs. CAP			
	Non-CAP	CAP	$ Discount	% Discount
Water	$ 41.59	$ 22.86	$ 18.73	45.0%
Wastewater	41.60	27.05	14.55	35.0%
Combined	$ 83.19	$ 49.91	$ 33.28	40.0%

Note: Bills based on 5,800 Gals water and 4,000 Gals. wastewater

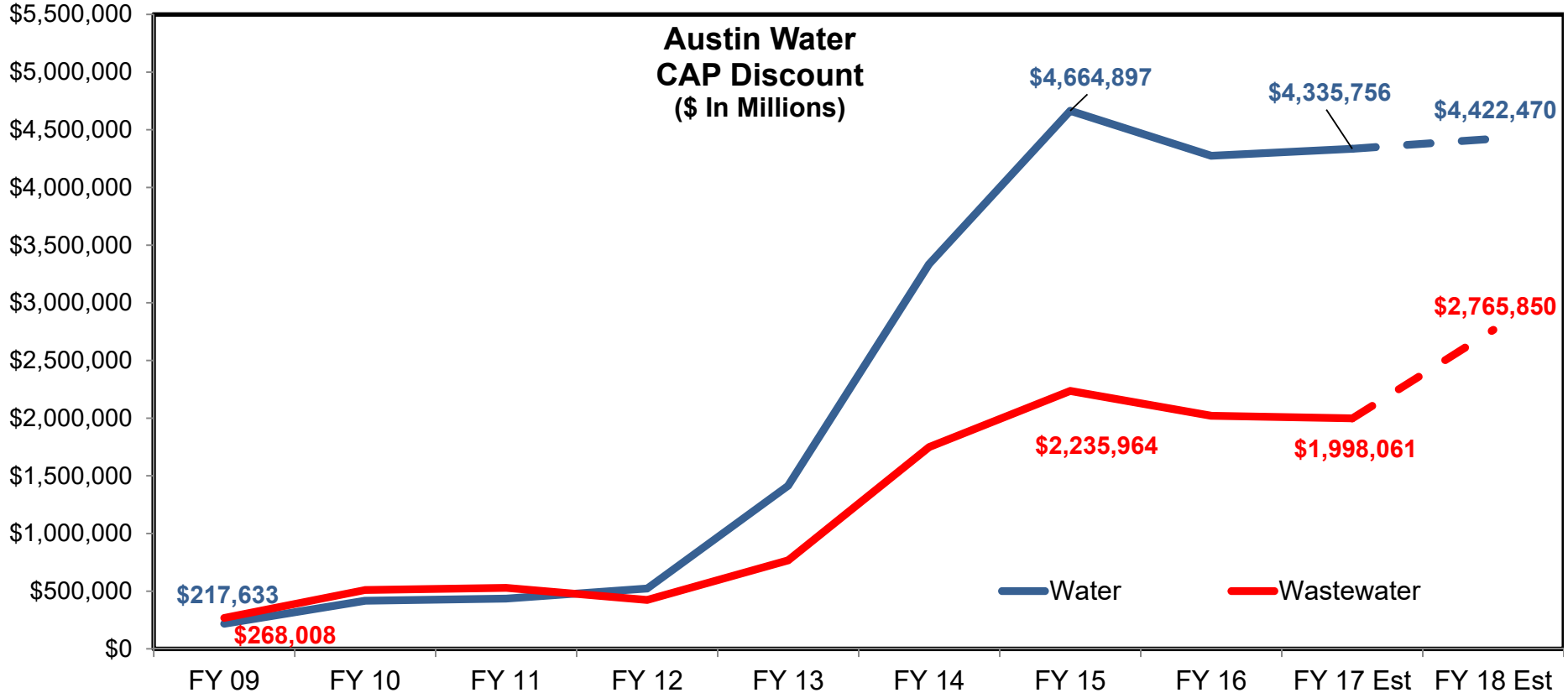
Customer Assistance Program/CBC

Austin Water Residential Rates

Water Rates	Non-CAP Customers Approved FY 2017	Non-CAP Customers Forecasted FY 2018	CAP Customers Approved FY 2017	CAP Customers Forecasted FY 2018
Meter Charge:	$ 7.10	$ 7.10	$ -	$ 7.10
Tiered Fee Block 1	$ 1.25	$ 1.25	$ -	$ 1.25
Tiered Fee Block 2	3.55	3.55	-	3.55
Tiered Fee Block 3	9.25	9.25	-	9.25
Tiered Fee Block 4	29.75	29.75	-	29.75
Tiered Fee Block 5	29.75	29.75	-	29.75
Volumetric Block 1	$ 3.18	$ 3.03	$ 2.50	$ 2.50
Volumetric Block 2	5.05	4.90	4.13	4.13
Volumetric Block 3	8.56	8.41	6.74	6.74
Volumetric Block 4	12.92	12.77	11.58	11.58
Volumetric Block 5	14.43	14.28	14.43	14.43
Community Benefit Charge	-	0.15	-	-

Wastewater Rates	Approved FY 2017	Forecasted FY 2018	Approved FY 2017	Forecasted FY 2018
Customer Charge:	$ 10.30	$ 10.30	$ -	$ 10.30
Volumetric Block 1	$ 5.30	$ 5.15	$ 5.30	$ 4.50
Volumetric Block 2	10.35	$ 10.20	10.35	8.80
Community Benefit Charge	-	0.15	-	-

Customer Assistance Program/CBC



- AW COS discount target approximately 35%
  - FY 2017 COS discount is $6.3 million
    - $4.3 million water
    - $2.0 million wastewater
  - FY 2018 projected CBC revenue is $7.1 million ($9.5 million full year)

Customer Assistance Program/CBC

	Water	Wastewater	Total
CAP Costs Current	4,422,470	2,038,020	6,460,490
CAP Costs Enhanced WW	-	727,830	727,830
Arrearage Management	147,173	102,827	250,000
CAP Program Costs-FY18	4,613,002	2,777,523	7,390,525
Potential CAP Enhancements			
Multifamily Benefit	883,039	616,961	1,500,000
Payment Assistance	294,346	205,654	500,000
Total CAP Program Costs	5,790,388	3,600,137	9,390,525

Debt Management

Debt Service Management

FY 2017 Approved Budget

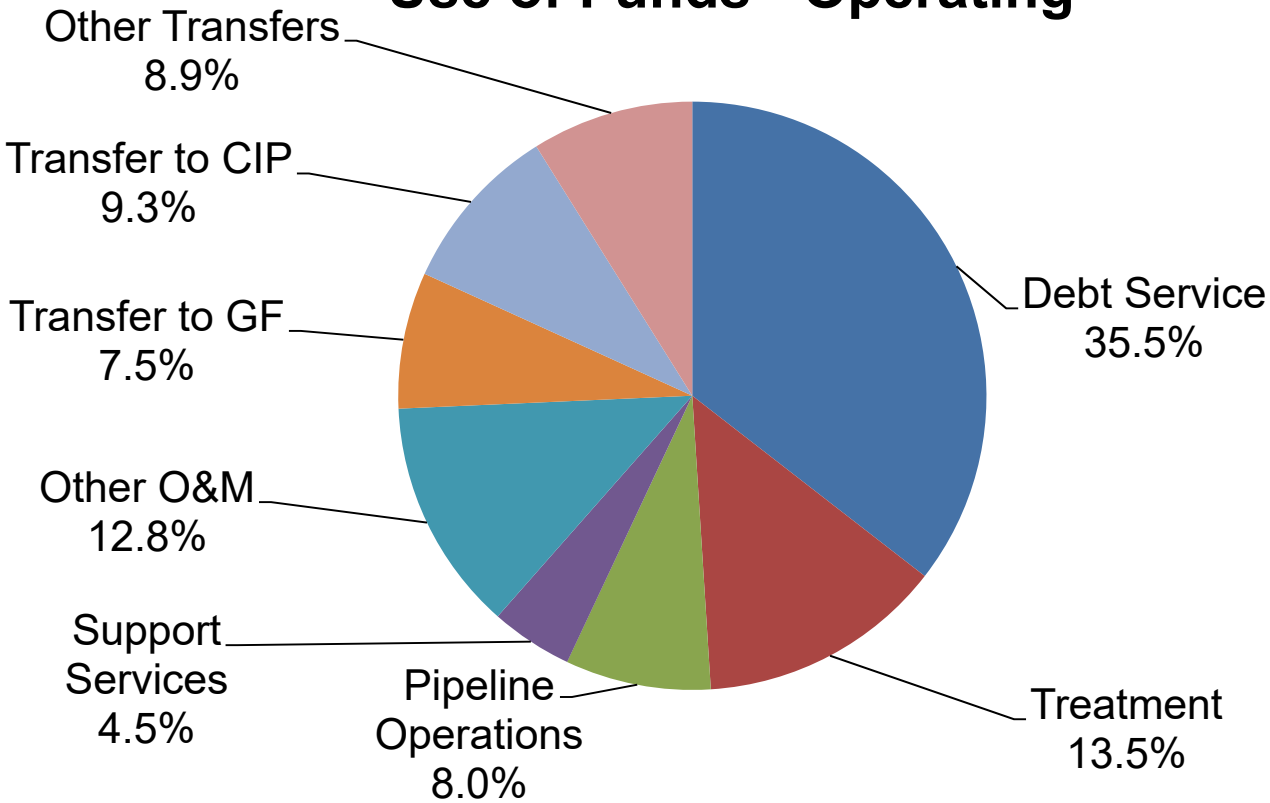
Department Expenditures:

FY 16 Amended: $542.4 million

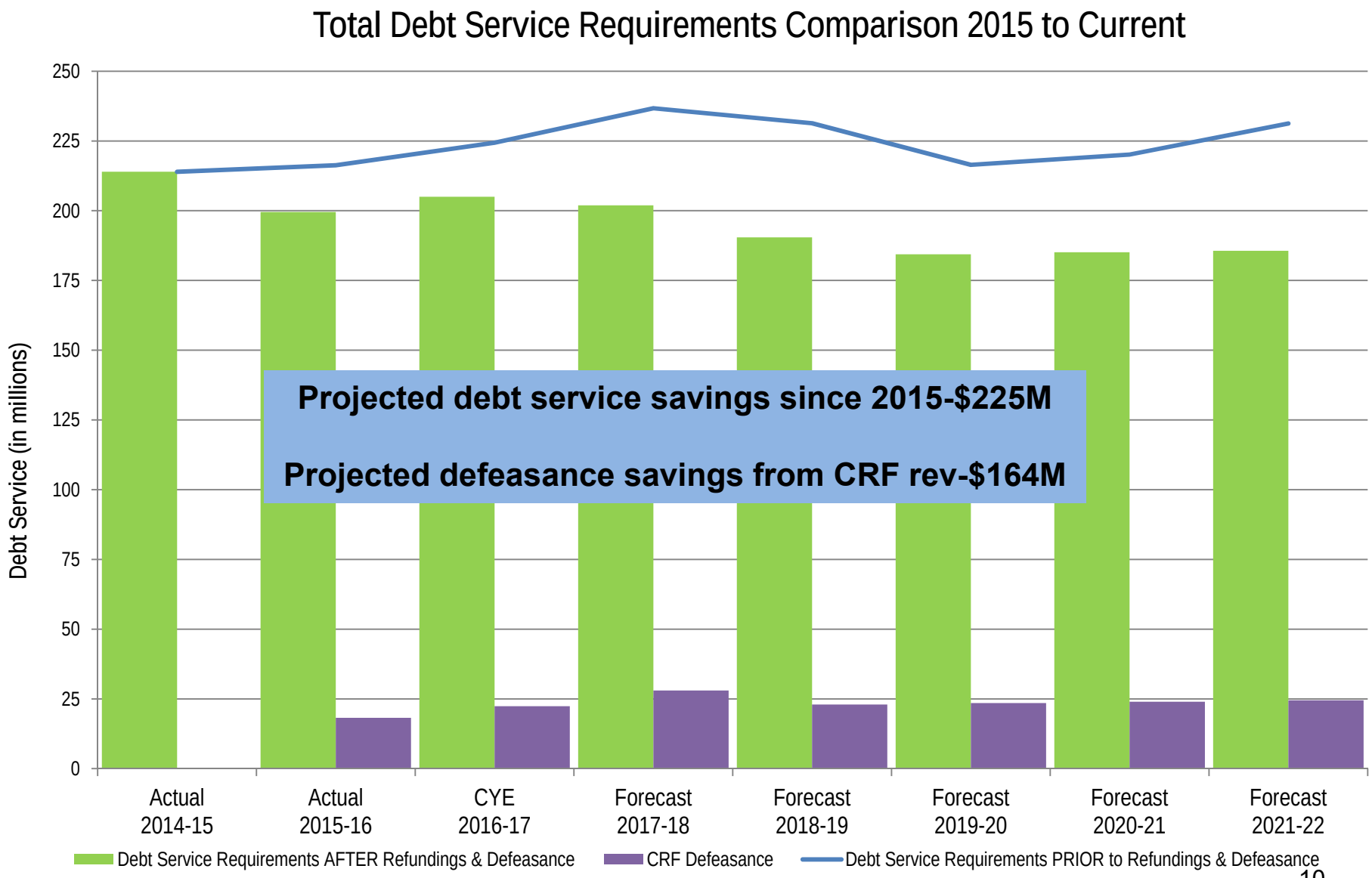
FY 17 Approved Operating: $577.5 million

FY 17 Approved Capital: $164.9 million

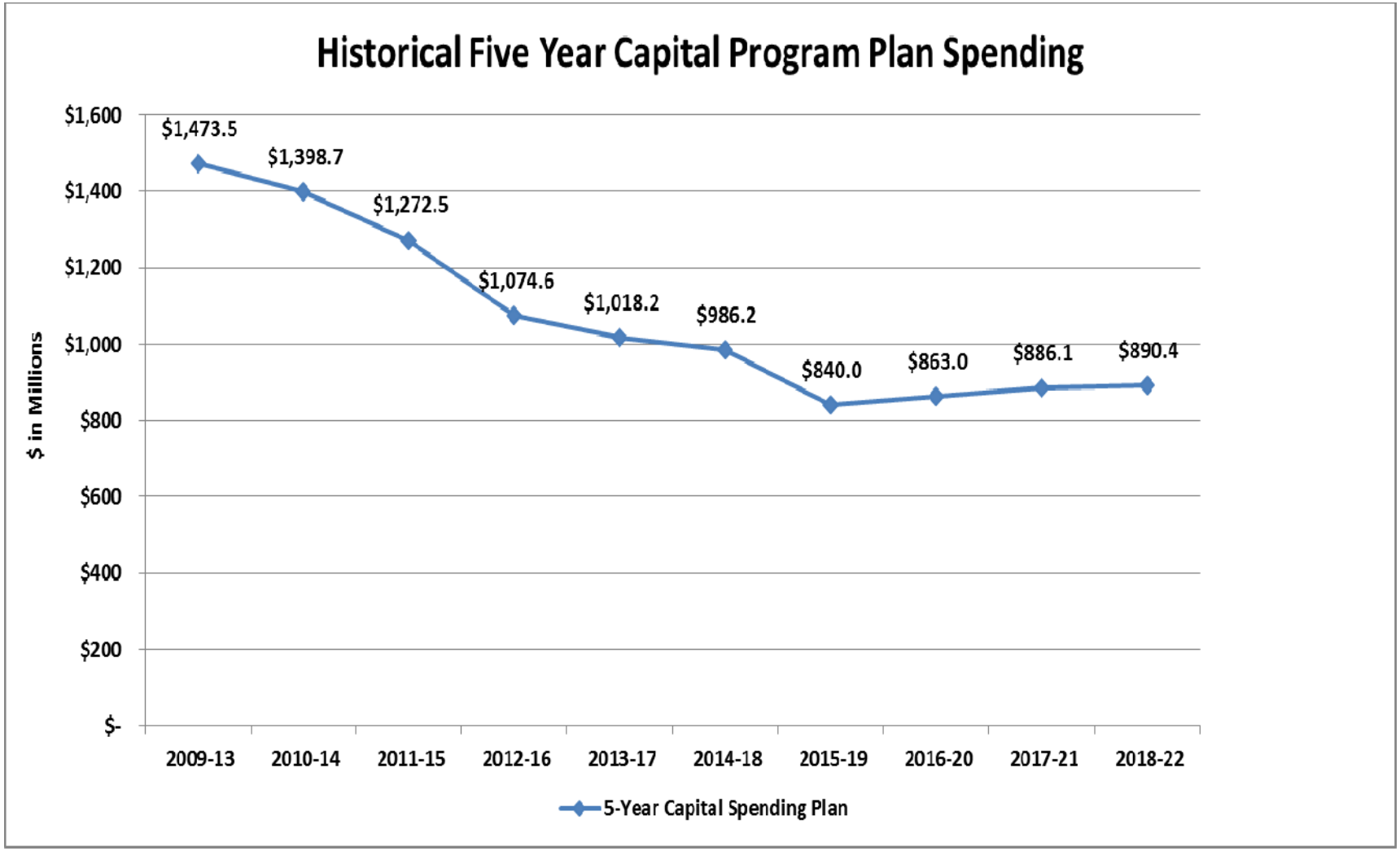
Use of Funds - Operating



Debt Service Management



5-Year Capital Spending Plan



Financial Benchmarks

Financial Policies

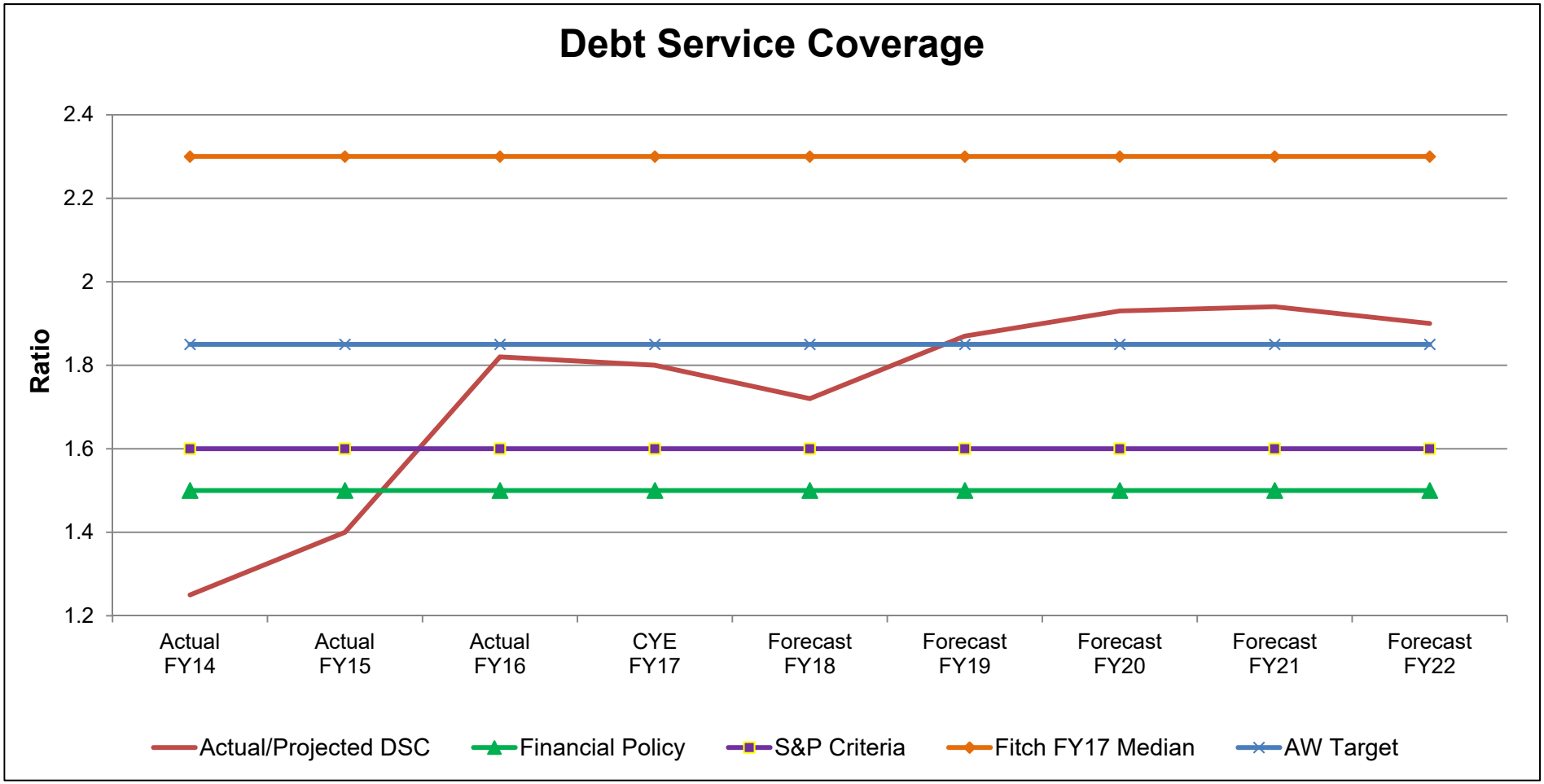
- Debt Service Coverage
  - DSC of at least 1.50 should be targeted
- Operating Cash Reserves
  - Minimum of 60 days of budget O&M
- Revenue Stability Reserve Fund
  - Surcharge to build reserve of 120 days of O&M
- Capital Project Cash Funding
  - Pay-as-you-go cash funding of at least 20%

Financial Benchmark-Debt Service Coverage

- Purpose
  - Indicates the financial margin to meet current debt service with current revenues available for debt service
- Rating Agency Median
  - Fitch median for AA credits: 2.3x [1]
  - S & P strong rating criteria: 1.6x [2]
- Financial Policy and AW Goal
  - Financial Policy: 1.5x
  - AW Target: 1.85x

1 – Source 2017 Fitch Water and Sewer Medians Report
2 – Source 2016 S & P Utilities Rating Methodology and Assumptions

Financial Benchmarks-Debt Service Coverage



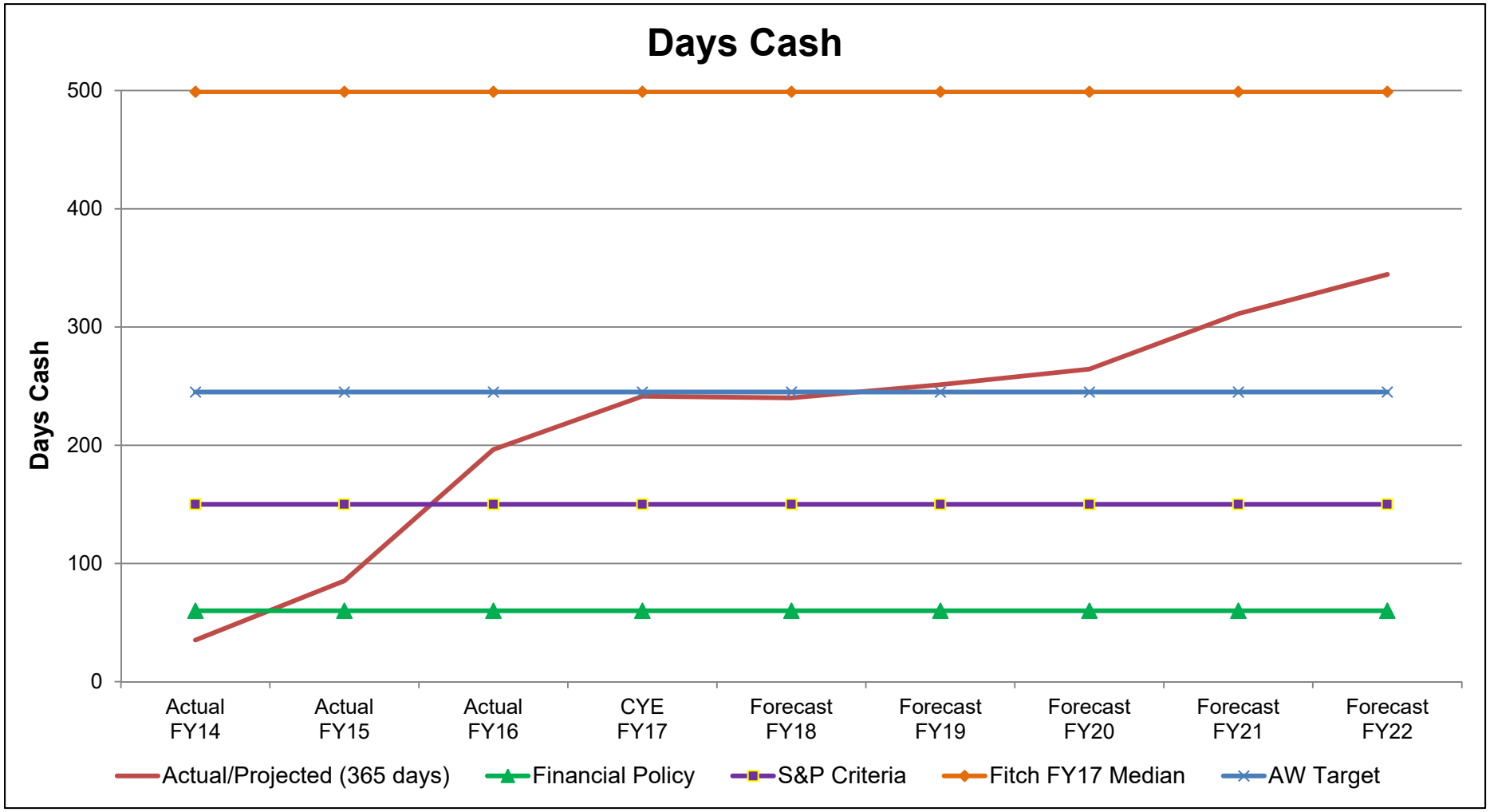
Financial Benchmark-Days Cash

- **Purpose**
  - Measures an entity's available resources to meet short-term liabilities, particularly in the event of unforeseen hardships or difficult operating conditions
- **Rating Agency Median**
  - Fitch median for AA credits: 499 days [1]
  - S & P strong rating criteria: 150 days [2]
- **Financial Policy and AW Goal**
  - Financial Policy: 60 days
  - AW Target: 245 days

1 – Source 2017 Fitch Water and Sewer Medians Report

2 – Source 2016 S & P Utilities Rating Methodology and Assumptions

Financial Benchmark-Days Cash



Revenue Stability Reserve Fund

- **Revenue Stability Reserve Fund**
  - Financial policy target of 120 days by 2018
  - Restricted for water service revenue shortfalls of 10% or greater
  - Maximum use of 50% of the existing balance in any one year
  - Requires Council approval
  - Five year replenish of balance following use of funds

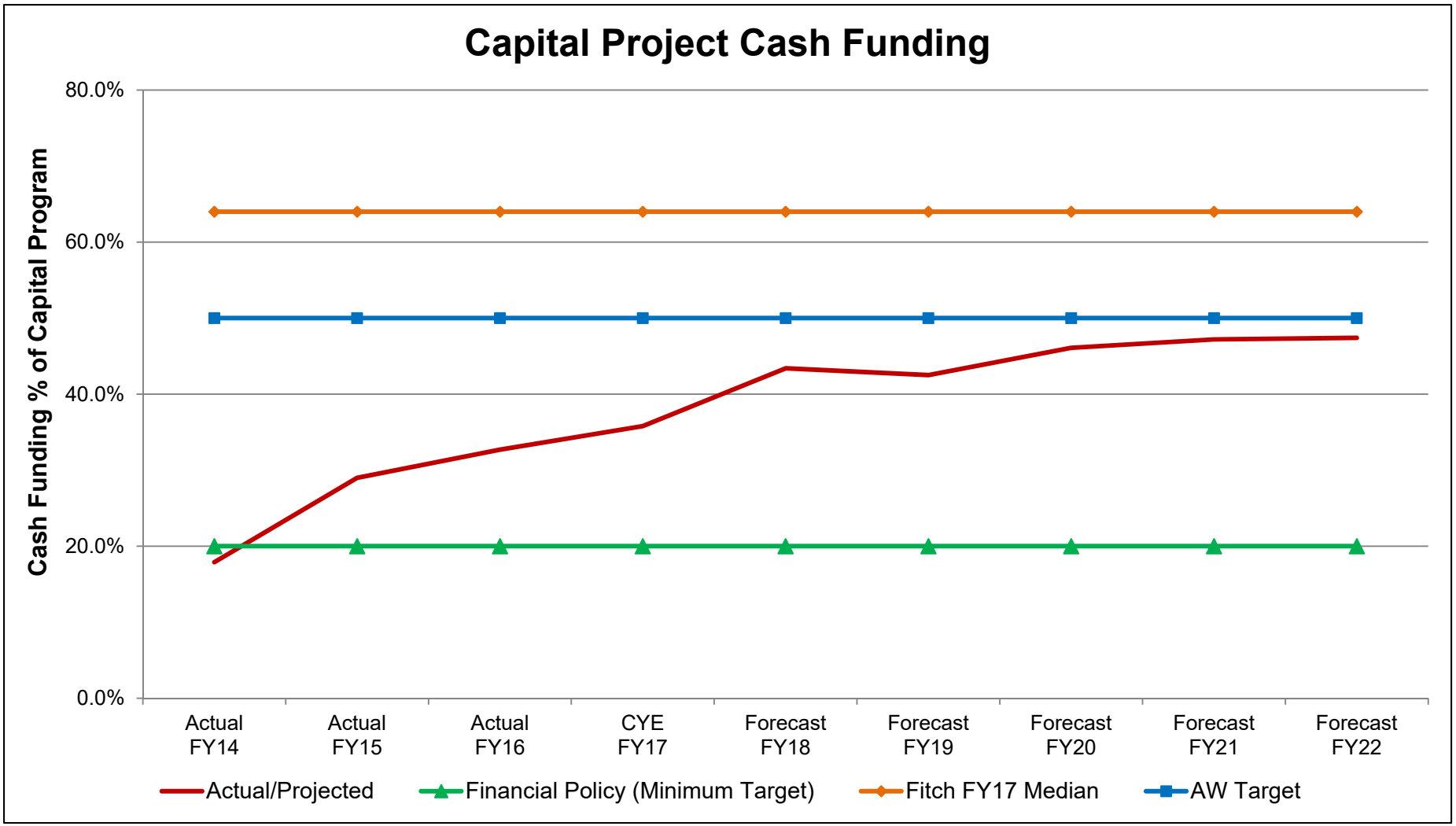
Reserve Fund Surcharge	**Actual**				**CYE**	**Forecast**				
(In Millions)	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Water Reserve Fund (Cumulative)	$ 2.9	$ 11.3	$ 18.3	$ 26.6	$ 37.3	$ 46.7	$ 49.2	$ 51.2	$ 53.2	$ 55.3
Rate per 1,000 gallons - Retail	0.15	0.15	0.19	0.19	0.19	0.19	0.05	0.05	0.05	0.05
Rate per 1,000 gallons - Wholesale	0.15	0.15	0.12	0.10	0.10	0.10	0.02	0.02	0.02	0.02
Goal	120	120	120	120	120	120	120	120	120	120

Financial Benchmark-Equity Financing

- **Purpose**
  - Measures the degree to which an entity limits debt exposure by utilizing cash funding for a significant portion of its' capital programs
- **Rating Agency Median**
  - Fitch median for AA credits: 64% [1]
- **Financial Policy and AW Goal**
  - Financial Policy: Minimum target of 20%
  - AW Goal: Maximum target of 50%

1 – Source 2017 Fitch Water and Sewer Medians Report

Financial Benchmark-Equity Financing



Questions?