



Water and Wastewater Commission

FY 2018 Proposed Budget

August 9, 2017





Proposed Budget Overview

- **0% Rate Increase for 2018**
 - First time in 15 years without a rate increase
 - Improvements in affordability
 - Revenue neutral Community Benefit Charge implementation
- **Continued debt management strategies**
 - Debt defeasances and refinancing
- **Continued improvements to financial benchmarks**
 - Debt coverage, cash on hand, CIP cash financing
- **15 new full-time positions**
 - Longhorn Dam operations, support services, infrastructure and engineering services, oversight of emergency response efforts

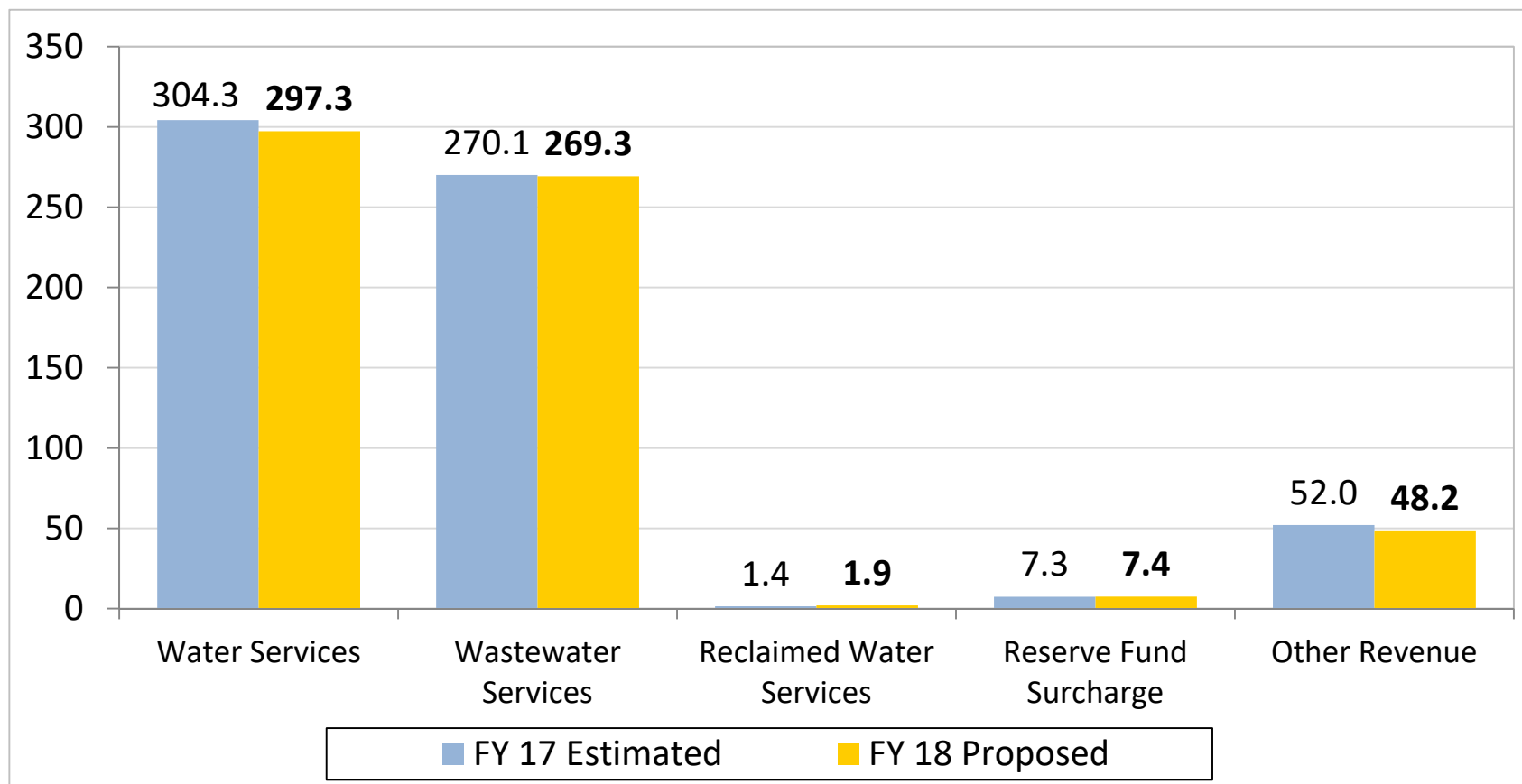


Sources of Funds

Department Revenue:

FY 17 Estimated: \$635.1 million

FY 18 Proposed: \$624.1 million



Uses of Funds

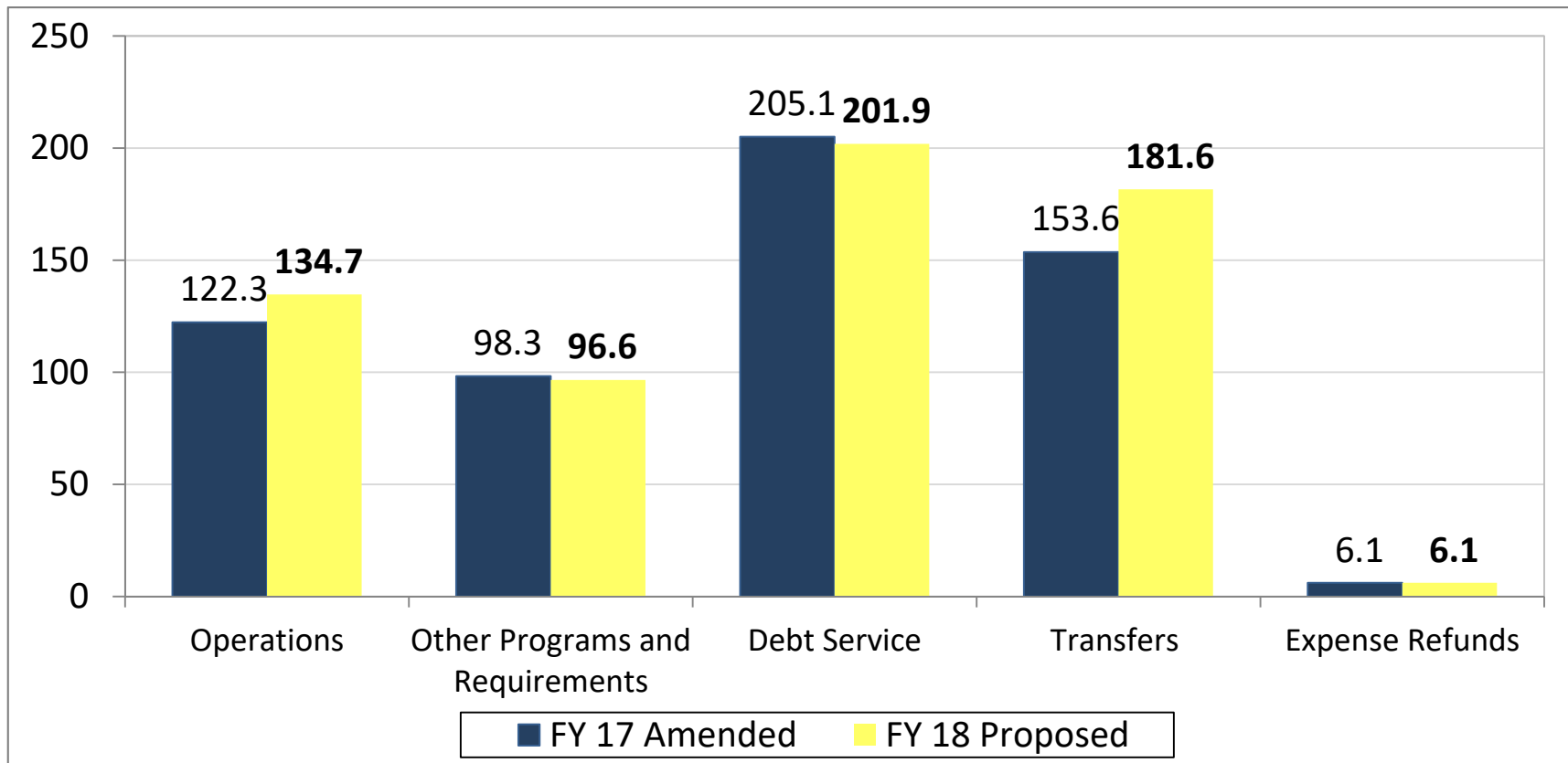
Department Expenditures:

FY 17 Amended: \$585.4 million

FY 18 Proposed: \$620.9 million

FY 2018 Positions:
1,185

 15.0





Significant Budget Changes

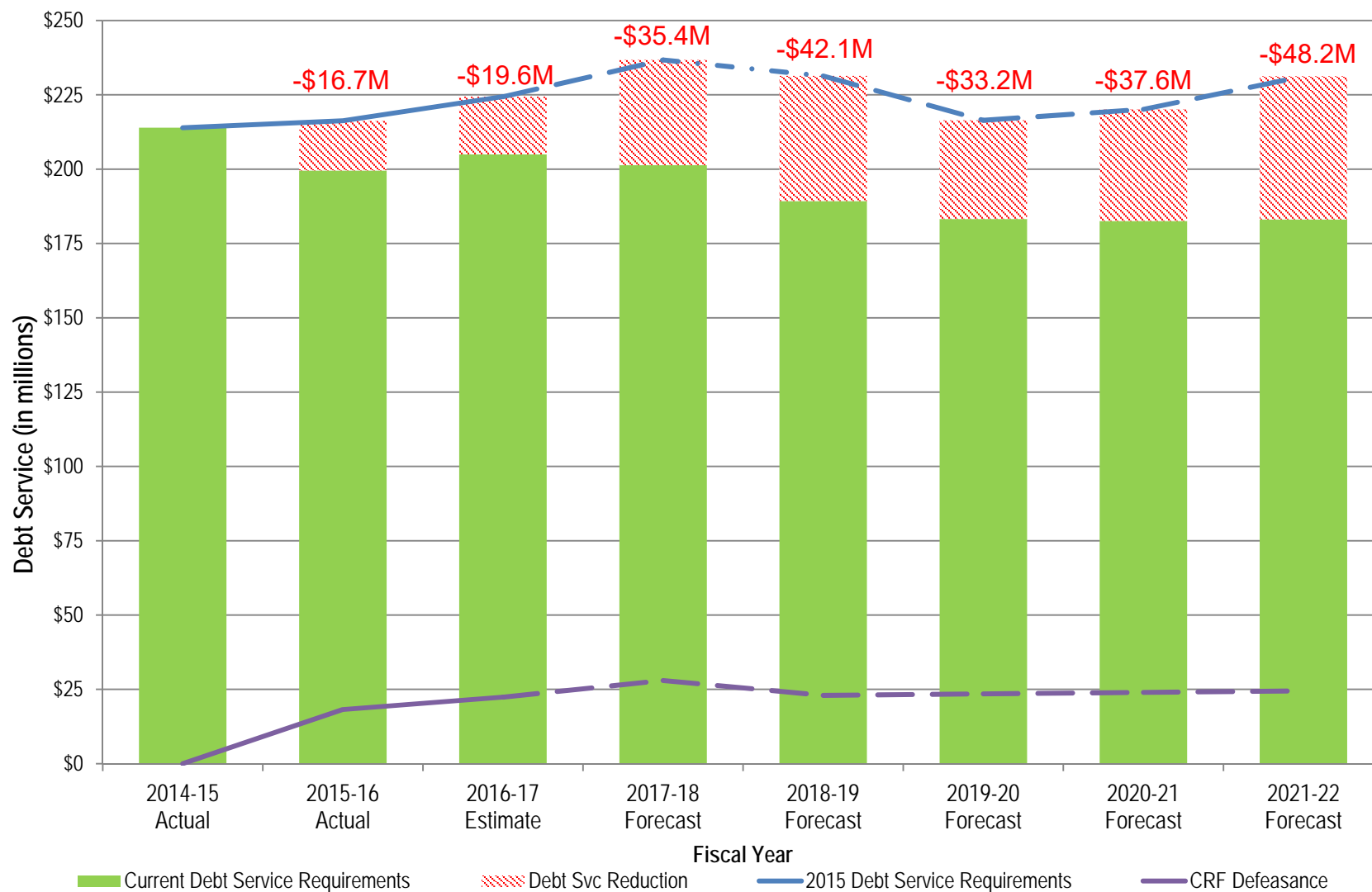
Description	Amount
Increased cash transfers for pay-as-go CIP financing	\$18.8 million
Increase in transfers for debt defeasance	\$5.6 million
Increase in street cut repair costs	\$5.0 million
Increased General Fund transfer	\$3.0 million
Increased employee wages and benefits	\$2.6 million
15 new full-time positions	\$1.5 million
Increase in chemical costs	\$1.1 million
Increase in electrical services	\$0.7 million
Decrease in Debt Service requirements	(\$3.2 million)
Decrease in bad debt expense	(\$1.8 million)

Debt Management Strategies

- **Capital Recovery Fees (“CRF”)**
 - Significant fee increase in 2014 to have development pay for itself
 - 2018 projected net revenue of \$27.6 million
- **Use of Capital Recovery Fee revenues for debt defeasance**
- **Refinancing opportunities to reduce debt**
- **CIP Cash Funding - increased equity financing of capital projects from 36% in 2017 to projected 50% in 2022**

Debt Management Impact

Total Debt Service Requirements Comparison 2015 to Current





Rates and Charges

- **0% water and wastewater rate increase**
- **Community Benefit Charge**
 - Revenue neutral implementation
 - \$0.15 per 1,000 gallons charged to all customers except CAP
 - Generates \$7.1 million in revenue
 - Used for CAP assistance programs only
 - Reduction of volumetric rates by \$0.15 per 1,000 gallons
 - Implementation in January 2018



Average Residential Customer Proposed Bill Impacts

	Current 2017 Rates ¹	Proposed 2018 Rates ¹	\$ Variance	% Variance
Water Service ²	\$41.59	\$40.72	\$ (0.87)	0.0%
Community Benefit Charge - Water	0.00	0.87	0.87	N/A
Wastewater Service	41.60	41.00	(0.60)	0.0%
Community Benefit Charge - Wastewater	0.00	0.60	0.60	N/A
Total Revenue	<u>\$83.19</u>	<u>\$83.19</u>	<u>\$ 0.00</u>	0.0%

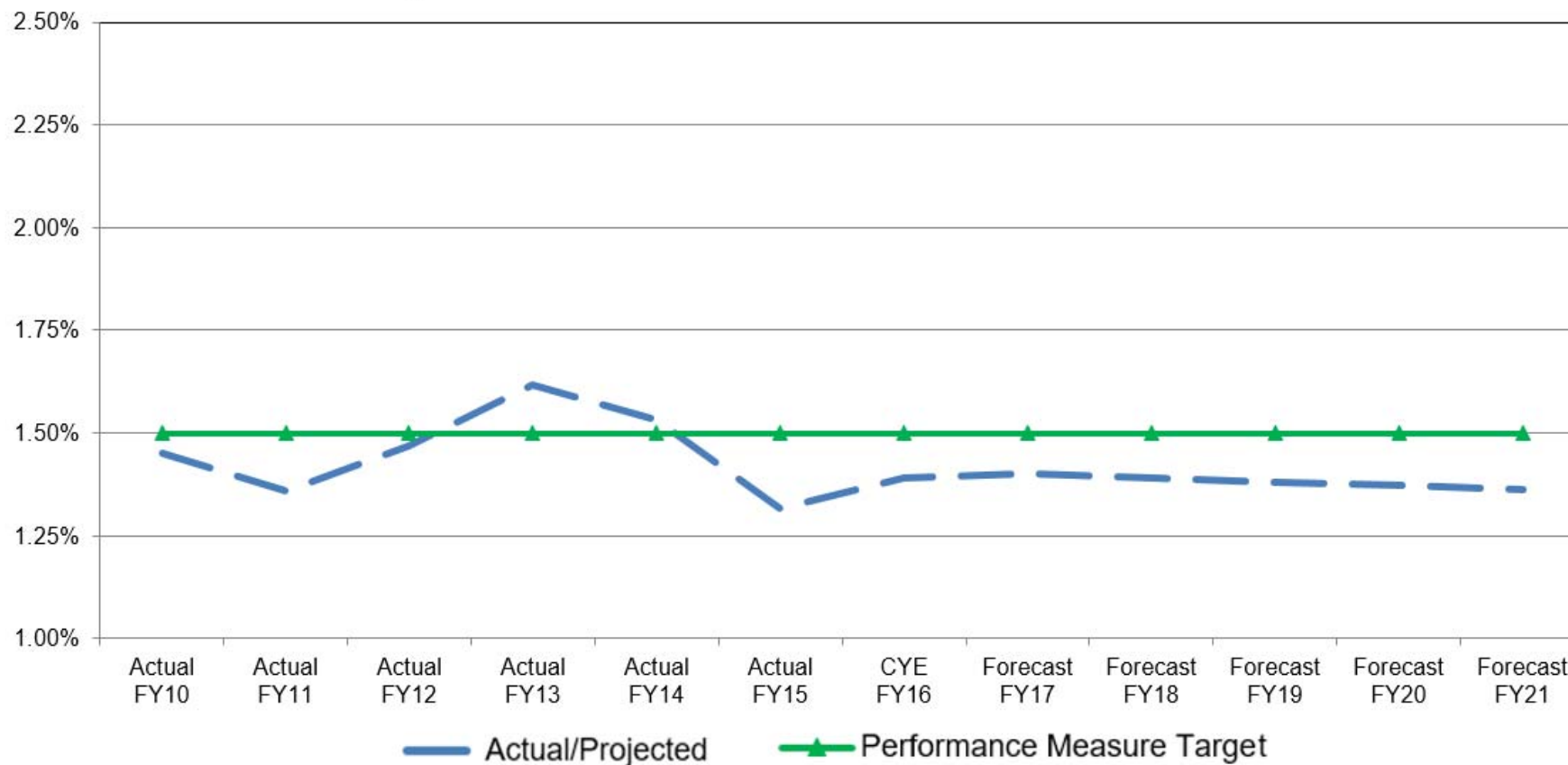
Notes:

1. Bills based on 5,800 gallons of water and 4,000 gallons of wastewater discharge
2. Water bills include the Reserve Fund Surcharge



Affordability Benchmark

Average Annual Bill % of Median Household Income



AW Goal: 1.5% or less



Customer Assistance Program

Customer Assistance Program Overview

- 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	26.60	15.00	36.1%
Combined	<u>\$ 83.19</u>	<u>\$ 49.46</u>	<u>\$ 33.73</u>	<u>40.5%</u>

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



Capital Improvement Spending Plan

\$890.4 Million 5-year Capital Spending Plan

\$498.5 Million in appropriation for 2018

\$ in millions

	2018	2019	2020	2021	2022	Total
Water	\$ 68.4	\$ 91.1	\$ 100.8	\$ 74.1	\$ 51.7	\$ 386.1
Wastewater	103.9	118.6	102.3	65.8	75.9	466.5
Reclaimed	12.6	13.3	7.4	1.9	2.6	37.8
Combined	<u>\$ 184.9</u>	<u>\$ 223.0</u>	<u>\$ 210.5</u>	<u>\$ 141.8</u>	<u>\$ 130.2</u>	<u>\$ 890.4</u>



Proposed 5-Yer CIP Spending Plan

Capital Spending Category	5-Year Spending Plan
Treatment Plant Improvements	\$365.5
Transmission/Distribution/Collection	\$176.8
Line Rehabilitation	\$141.9
Reservoirs/ Pump Stations/Lift Stations	\$87.7
Reclaimed Water System	\$37.8
Relocations	\$23.3
Other Projects	\$20.2
Service to Annexed Areas	\$14.5
Vehicles and Equipment	\$12.5
SER Reimbursements	<u>\$10.2</u>
Total 5-Year CIP Spending Plan	\$890.4



Fund Summary

(In Millions)	Estimated 2017	Amended 2017	Proposed 2018
Beginning Balance	\$ 139.4	\$ 134.7	\$ 200.2
Revenue	593.8	580.1	585.9
Transfers In	41.3	25.8	38.2
Available Funds*	\$ 635.1	\$ 605.9	\$ 624.1
Operating Requirements	216.8	220.5	231.3
Debt Service	204.8	205.1	201.9
Transfers Out	152.7	153.6	181.6
Total Requirements*	\$ 574.3	\$ 579.2	\$ 614.8
Excess (Deficiency)	60.8	26.7	9.3
Ending Balance	\$ 200.2	\$ 161.4	\$ 209.5

Debt Coverage	1.79	1.70	1.72
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Proposed complies with all Council approved financial policies.



Financial Benchmark-Debt Service Coverage

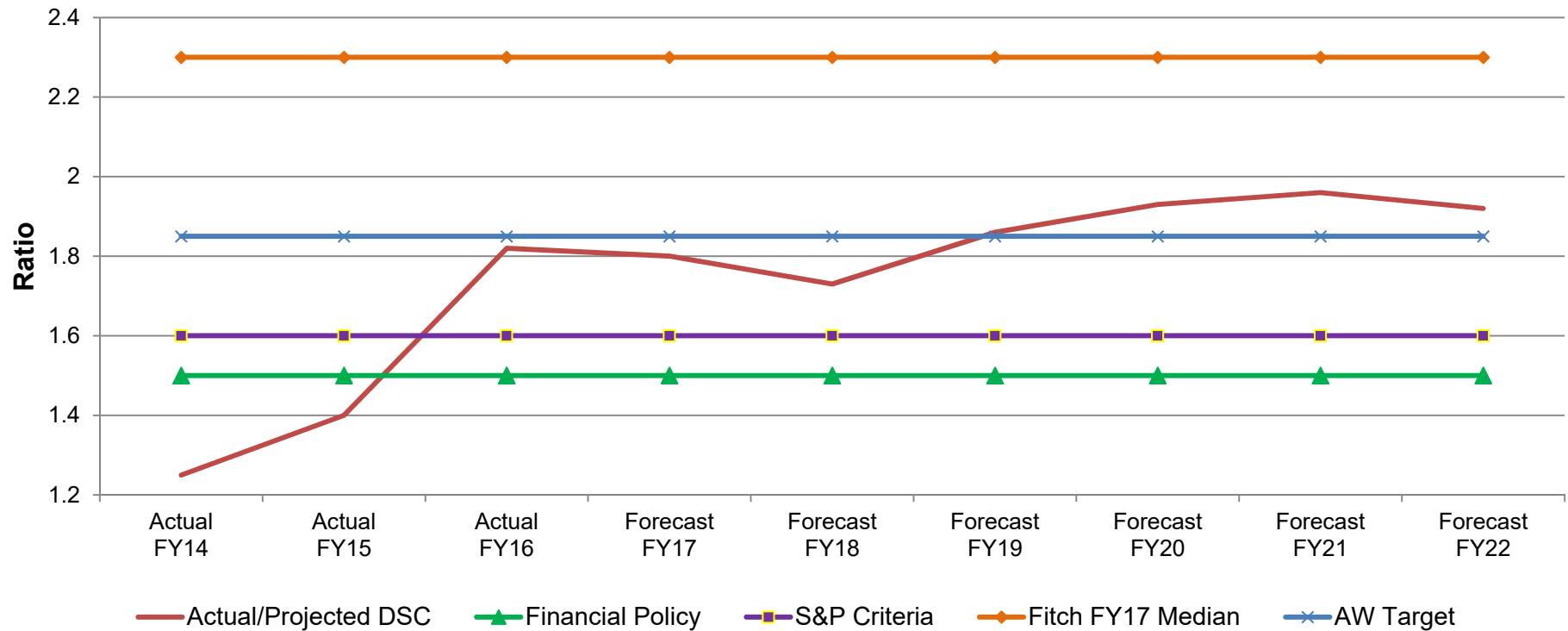
- Purpose
 - Indicates the financial margin to meet current debt service with current revenues available for debt service
- Rating Agency Median
 - Fitch median for AA credits: 2.3x ¹
 - S & P strong rating criteria: 1.6x ²
- Financial Policy and AW Goal
 - Financial Policy: 1.5x
 - AW Target: 1.85x

1 – Source 2017 Fitch Water and Sewer Medians Report

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

Financial Benchmarks-Debt Service Coverage

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

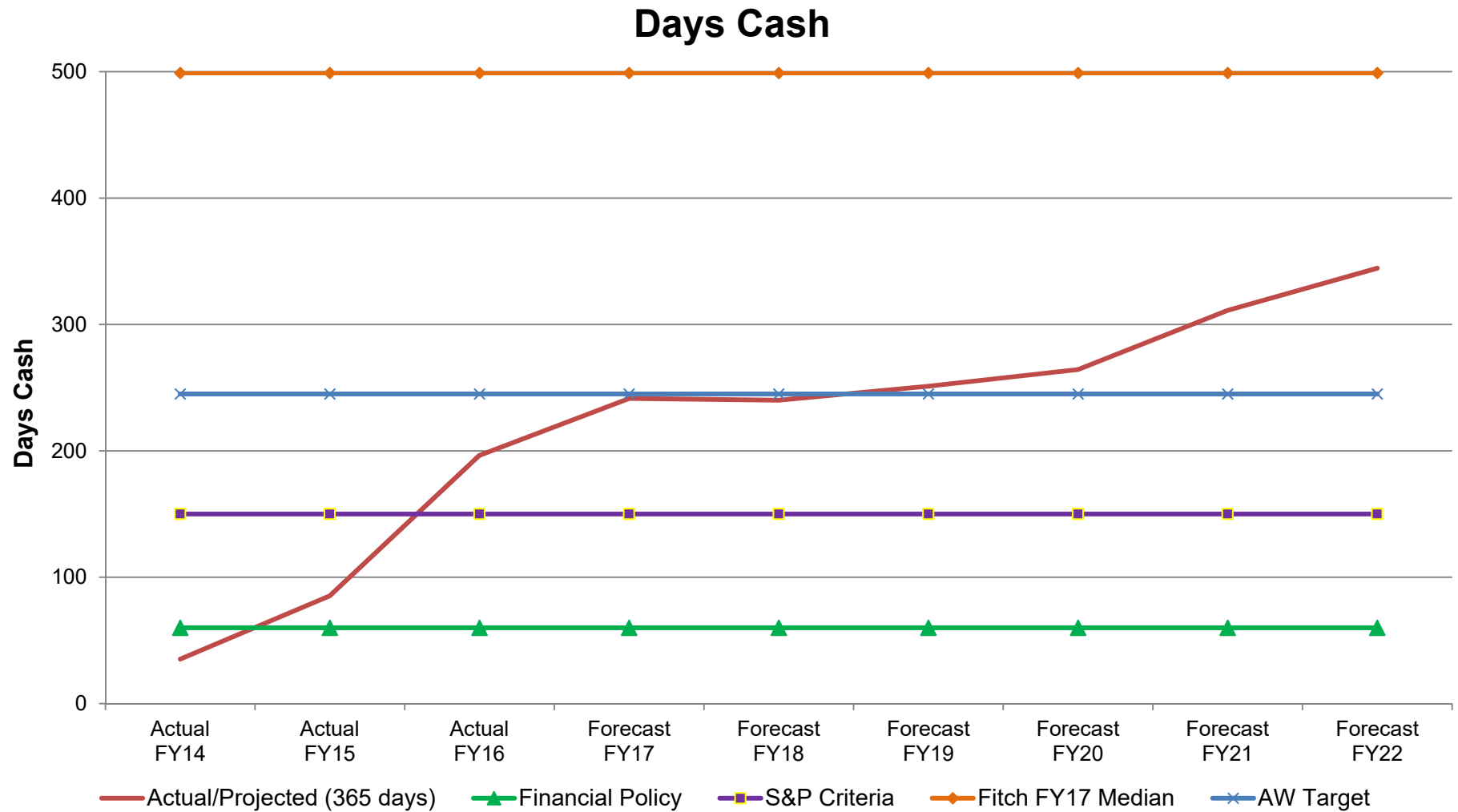
- **Financial Policy and AW Goal**

- 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

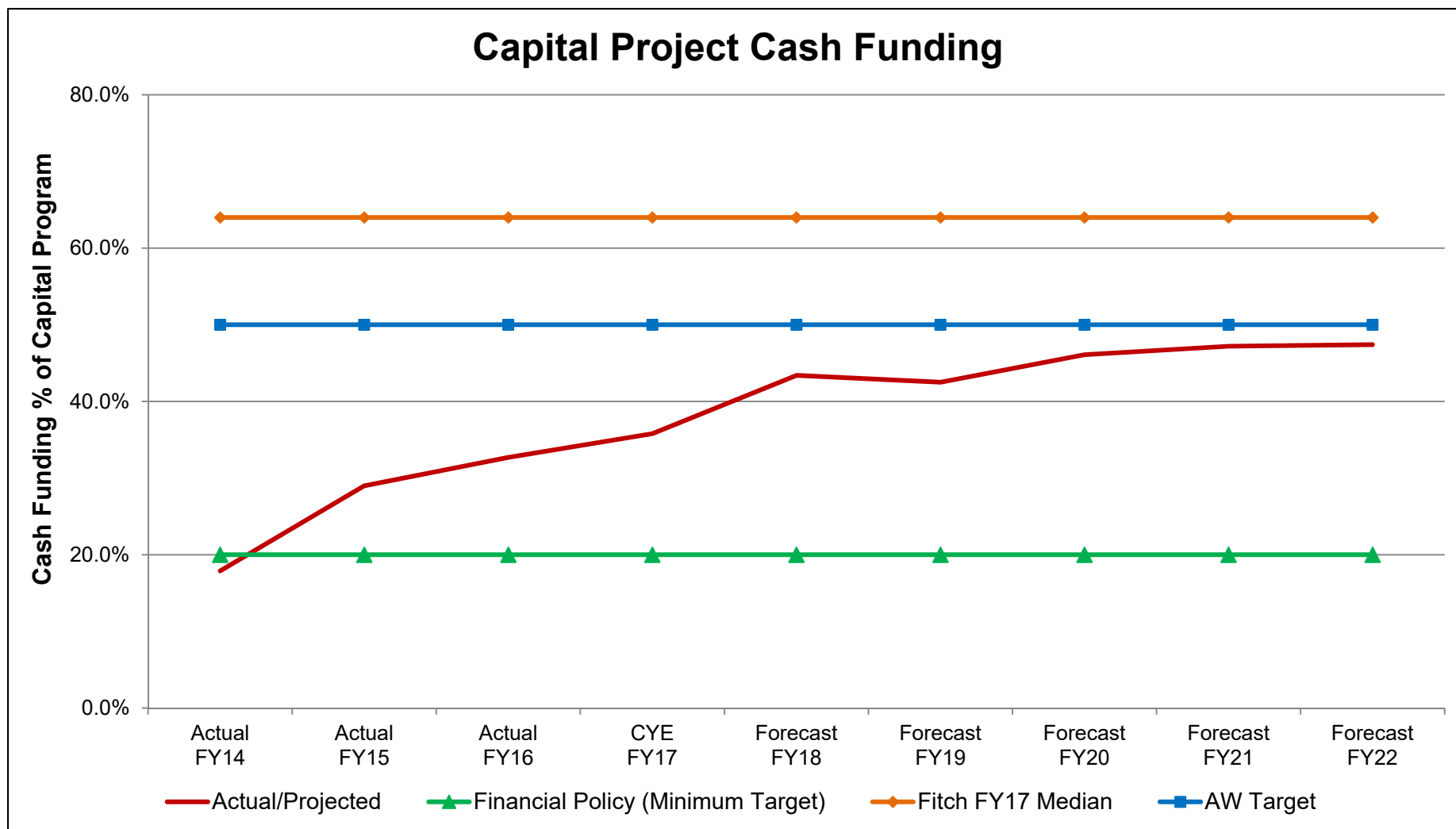
Reserve Fund Surcharge (In Millions)	Actual				CYE	Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water Reserve Fund (Cumulative)	\$ 2.9	\$ 11.3	\$ 18.3	\$ 26.6	\$ 37.3	\$ 46.7	\$ 49.2	\$ 51.2	\$ 53.2	\$ 55.3
Rate per 1,000 gallons - Retail	0.15	0.15	0.19	0.19	0.19	0.19	0.05	0.05	0.05	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
Actual/Forecast	17	33	58	85	110	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?

