



# City of Austin 2021-22 BUDGET

## Proposed Changes to Financial Policies

Audit and Finance Committee | May 26, 2021



# Letters of Credit Financial Policies (Austin Energy)

- Clarification around letters of credit supporting Energy Market Agreement

## Recommendation

- Adds new language: “Letters of credit that support an Energy Market Agreement (Power Purchase Agreement, ISDA, EEI, or NAESB) with Austin Energy are governed by Austin Energy’s Letter of Credit Policies for Energy Market Agreements, as enacted and overseen by Austin Energy’s Risk Oversight Committee.”

# Aviation Financial Policies

## Recommendation #1

- Revises financial policy to align with metric used by credit agencies for assessing airports
- Current policy requires Airport to maintain ratio of current assets plus operating reserve to current liabilities of at least 1.5 times
- Recommended language: “The Airport shall maintain a minimum of 400 days cash on hand based on the budgeted operating and maintenance costs for a given year.”

## Recommendation #2

- Removes “working capital” and replaces with “operating cash reserves” to align with bond ordinance
- Recommended language: “Aviation shall maintain operating cash reserves equivalent to a minimum of 60 days of budgeted operations and maintenance expense.”

# Austin Water Financial Policies

- First 3 recommendations align with Austin Water’s financial goals and are to strengthen bond ratings; 4th recommendation streamlines Board and Commissions review process for certain Austin Water capital improvement projects

## Recommendation #1

- Increases minimum debt service coverage from 1.5x to 1.75x

## Recommendation #2

- Increases desired equity contribution rate of current revenues for capital projects from 20% to 35%-50%

## Recommendation #3

- Increases minimum operating cash reserves from 60 days to 180 days

## Recommendation #4

- Revises process for submitting capital projects for new water and wastewater treatment plants, capital expansions, and growth-related projects that are in the Drinking Water Protection Zone from multiple commissions to solely the Water and Wastewater Commission

For more information:  
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