



City of Austin **2021-22 BUDGET**

Proposed Changes to Financial Policies

Audit and Finance Committee | June 16, 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

Austin Water Debt Service Coverage – City Comparison

AW Proposed Debt Service Coverage: 1.75x

Moody's Medians: 2.3x

(Information pulled by AW from Annual Financial Reports for each City)

City	FY18	FY19
Austin Water	1.57	1.83
Austin Energy	3.56	4.00
City of Arlington	4.80	3.46
City of Dallas	1.96	1.74
City of Fort Worth	2.31	2.34
City of Houston	1.49	1.39
Oklahoma City	3.42	3.64
City of Phoenix	2.15	1.82
City of Portland	1.48	1.34
City of San Antonio	1.98	2.14
City of Seattle	2.40	2.46
Average Debt Service Coverage	2.47	2.38

Austin Water Days Cash on Hand – City Comparison

AW Proposed Days Cash on Hand: 180 Days

Moody's Medians: 467 Days

(Information pulled by AW from Annual Financial Reports for each City)

City	FY18	FY19
Austin Water	280	263
Austin Energy	224	218
City of Arlington	109	165
City of Dallas	279	291
City of Fort Worth	156	141
City of Houston	1201	1345
Oklahoma City	698	848
City of Phoenix	368	378
City of Portland	1232	1201
City of San Antonio	547	509
City of Seattle	215	264
Average Days Cash on Hand	483	511

For more information:
[AUSTINTEXAS.GOV/BUDGET](https://austintexas.gov/budget)



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