



Financial Policies FY 2022 Updates Budget Committee

Austin
WATER



June 30, 2021

Proposed Financial Policy Changes

Debt Service Coverage

Current

Minimum of 1.50x shall be targeted



Proposed

Minimum of 1.75x shall be targeted

Days Cash on Hand

Minimum of 60 days shall be targeted



Minimum of 180 days shall be targeted

Cash Financing of CIP Projects

Minimum of 20% is desirable



Minimum of 35% and maximum of 50% is desirable

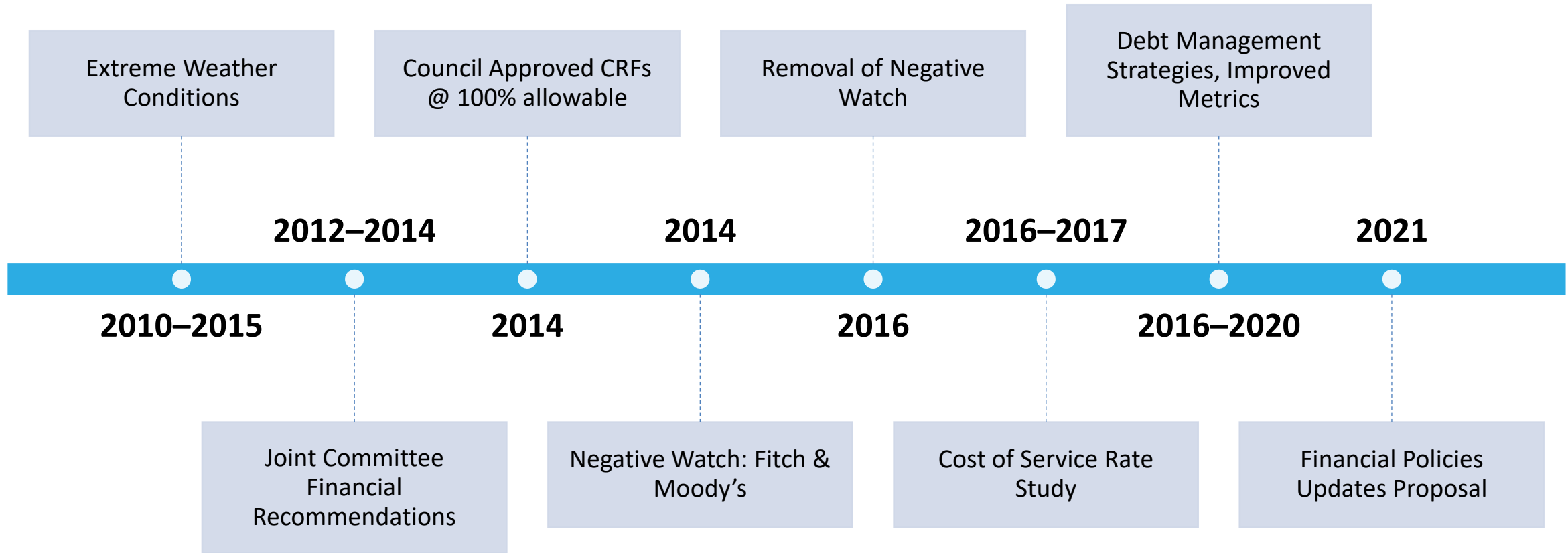
Drinking Water Protection Zone

5 Boards & Commissions and City Council Public Hearing



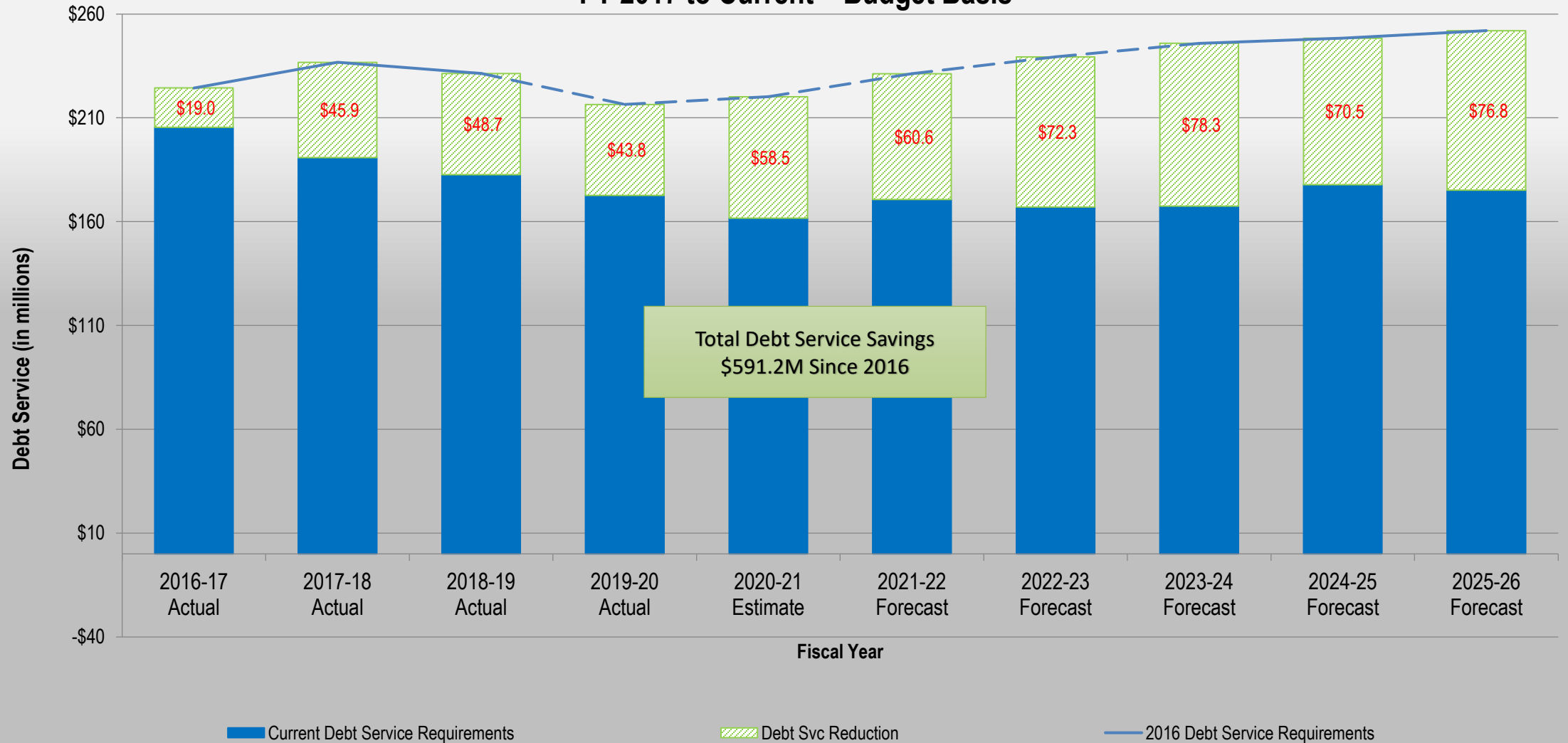
Public Input at 3 Boards & Commissions and Budget Public Input Process

Background Timeline of Events



Debt Management Strategy Impacts

**Total Debt Service Requirements Comparison
FY 2017 to Current – Budget Basis**





Debt Service Coverage – City Comparison

AW Proposed Debt Service Coverage: 1.75 ~~1.85x~~

Moody's Medians: 2.3X

Information pulled from each City's Annual Reports

| 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 |



Days Cash on Hand – City Comparison

AW Proposed Days Cash on Hand: 180 days ~~245 days~~

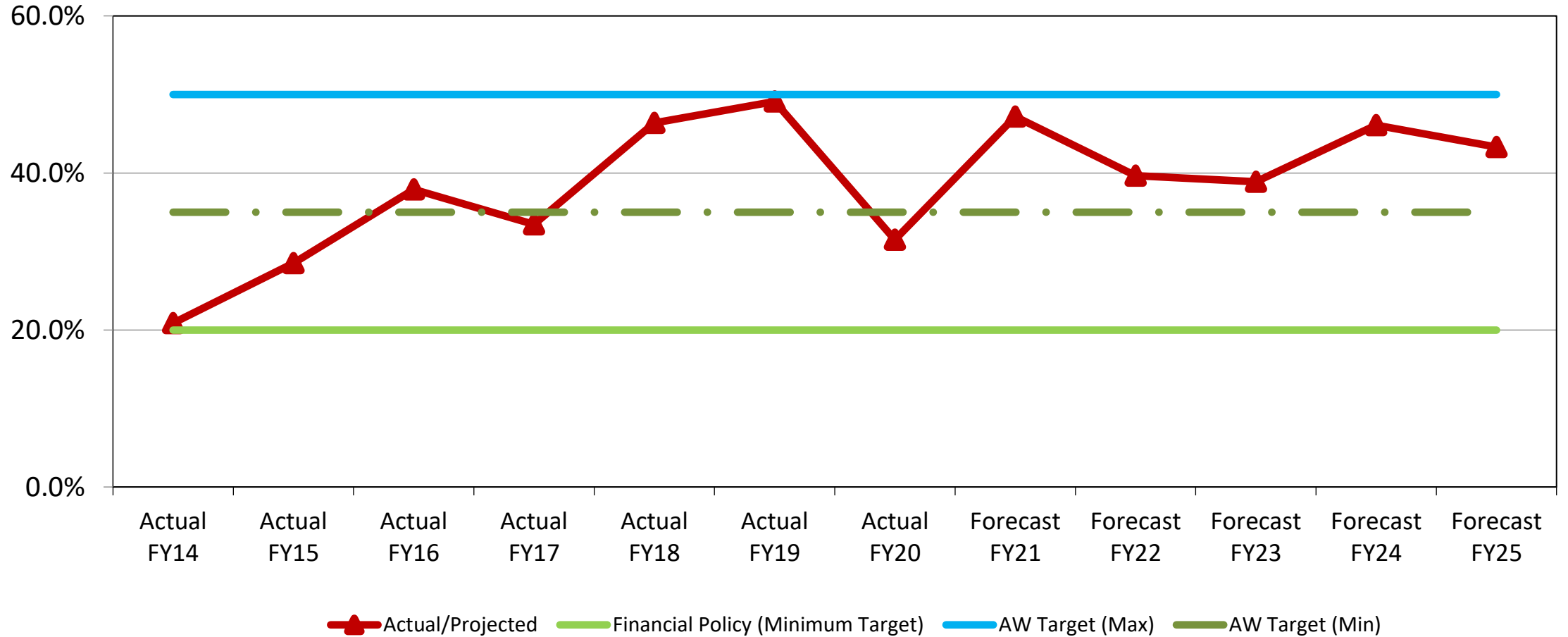
Moody’s Medians: 467 days

Information pulled from each City’s Annual Reports

| 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 |

Cash Financing of Capital Projects

Cash Financing of Capital Projects



- **Stakeholder Meetings:**

- February 9, 2021
- April 29, 2021
- June 8, 2021

- **Audit & Finance Committee**

- 6/16/2021 – Recommended financial policy updates with one amendment to Drinking Water Protection Zone

- **Residential Rate Advocate Report:**

“Given that AW is able to achieve and maintain its target ‘AA’ credit rating with its existing financial policies, there does not seem to be a compelling need to change AW’s financial policies. However, **NewGen does not oppose the proposed changes to Financial Policies 5, 10, and 8, as the proposed changes largely align with the internal policies** AW has set for itself and relevant credit ratings criteria as justification. NewGen does find the proposed change to Financial Policy 12 to be unsupported by the ratings criteria (or any other compelling rationale or study). **NewGen recommends that if Financial Policy 12 is to be changed it be amended to target a more reasonable, moderate level of operating cash reserves, such as 150 days.”**

City Council Budget Public Input and Budget Adoption

- July 22, 2021
- July 29, 2021
- August 11, 12, 13

