

FY 2023 Proposed Budget

Water and Wastewater Commission
July 20, 2022

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Financial Services Assistant Director



Agenda

- 💧 Proposed FY 2023 O&M Budget Overview
- 💧 Capital Improvement Plan
- 💧 Affordability



Budget Considerations

💧 **Increase operational and infrastructure resiliency**

- AW priority since 2019

💧 **Maintain financial strength and stability**

- Financial condition significantly improved since drought of record from 2011 – 2015
- Stable bond ratings since 2016

💧 **Maintain rate affordability**

- 4.8% Retail reduction in FY 2018
- No rate increase for 5 years (FY 2019 – FY 2023)

Proposed FY 2023 Budget Highlights

💧 Resiliency Efforts

- \$13.6 million in O&M
- \$441.3 million in the 5-Year CIP (FY23-FY27)

💧 FTEs

- 47 total new FTEs proposed in FY 2023
- Support enterprise resiliency, enhance customer satisfaction and operational optimization

💧 Continued debt management strategies

- \$47.0 million debt defeasance proposed in FY 2023
- Potential debt refunding opportunity in FY 2023
- Texas Water Development Board Loans anticipated closing in FY 2023

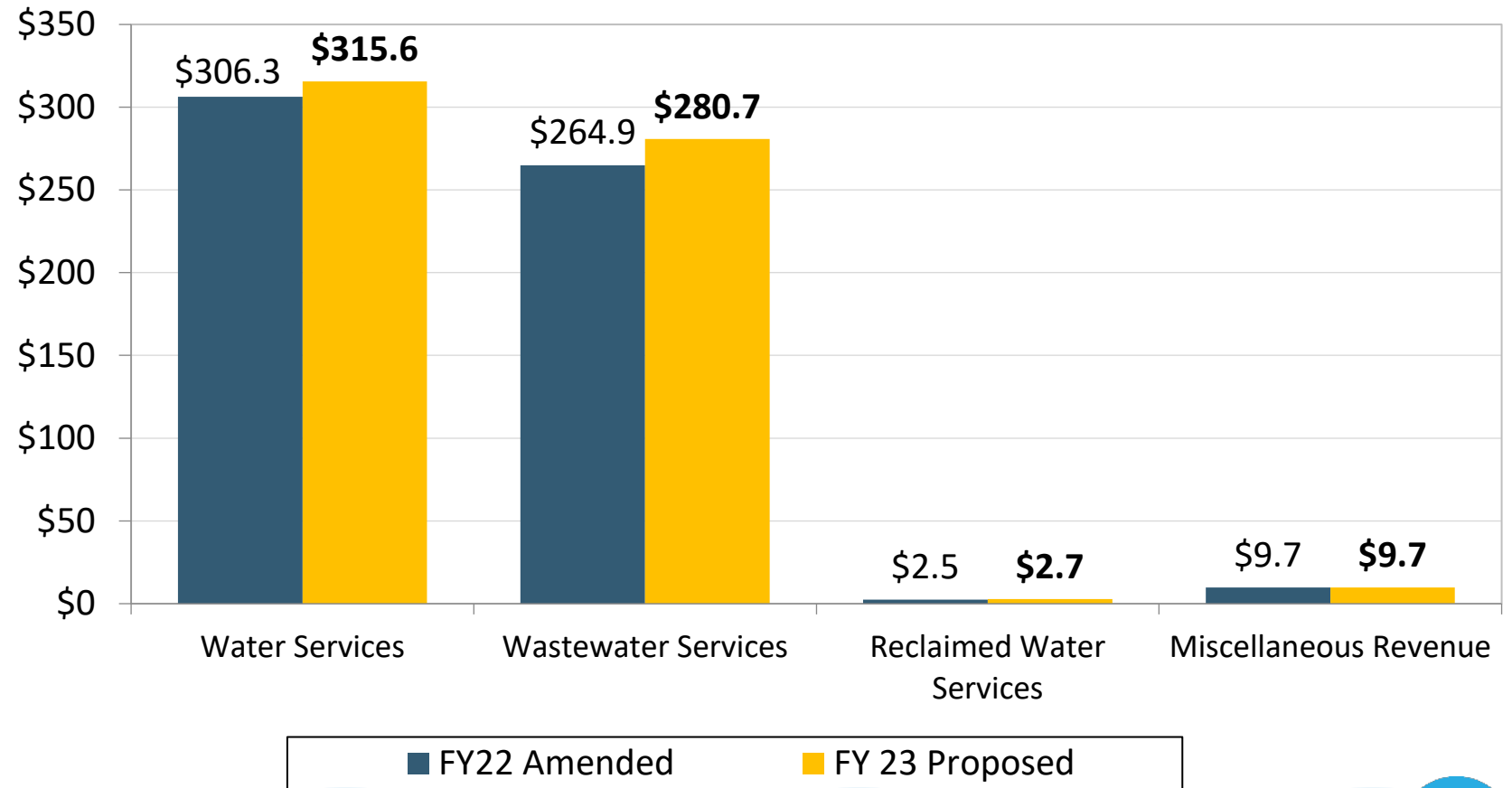
Proposed FY 2023 Budget Overview

Sources of Funds

Department Service Revenue:

FY 2022 Amended:
\$583.4 million

FY 2023 Proposed:
\$608.7 million



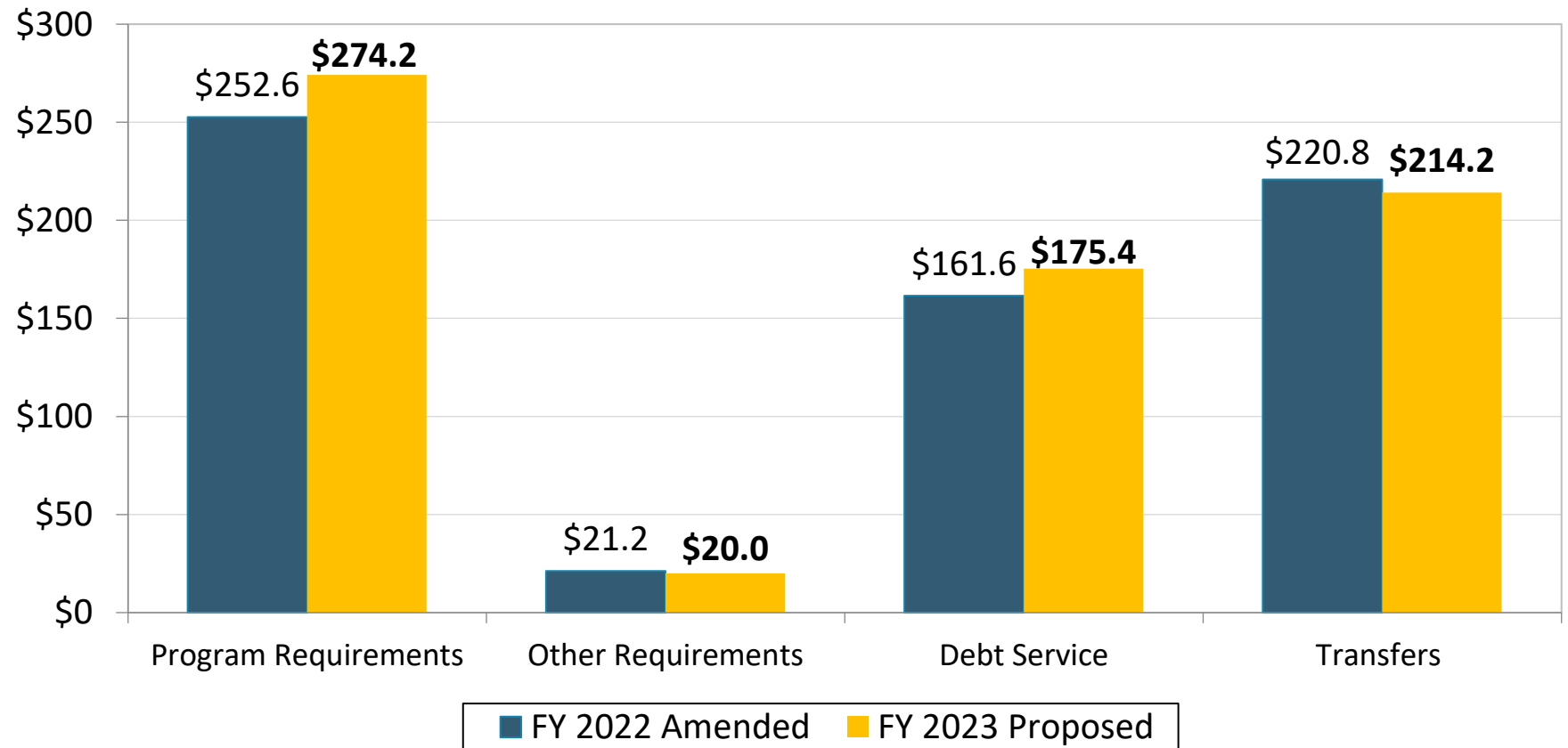
Proposed FY 2023 Budget Overview

Uses of Funds

Department Expenditures:

FY 2022 Amended:
\$656.2 million

FY 2023 Proposed:
\$683.8 million



Program and Other Requirements Changes

Description	FY2023 Significant Changes (In millions)
Contractuals and Commodities	\$6.8
47 New FTEs	\$5.0
Employee Wages and Benefits	\$4.8
Operational Optimization	\$2.5
Fleet Fuel and Maintenance	\$1.3
Enterprise Resiliency	\$1.0
Utility Billing System Support	(\$0.5)
Bad Debt Expense	(\$0.6)
Total Program and Other Requirements Changes	\$20.3

Austin Water FY 2023 Proposed New FTEs

Initiative	Proposed FTEs
Operational Optimization	9
Customer Satisfaction	8
Enterprise Resiliency	6
Reducing contracted services	5
Employee Leadership and Development	5
My ATX Water	4
Infrastructure Strategy and Performance	3
Facility Improvements	2
Water Forward	1
Affordability	1
Expedited Development Review	3
Total	47

Budget Challenges

💧 Supply Chain Challenges/Inflation

- 17 contract price adjustments totaling \$3.1M

💧 Inter-department Transfers

- Increasing faster than rate of inflation
- Ongoing efforts to reduce certain allocation factors

💧 Growing Capital Plan

- Several large strategic projects on the horizon
- Construction costs continue to rise

💧 Revenue Impact of Drought Conditions



CAPITAL IMPROVEMENT PLAN



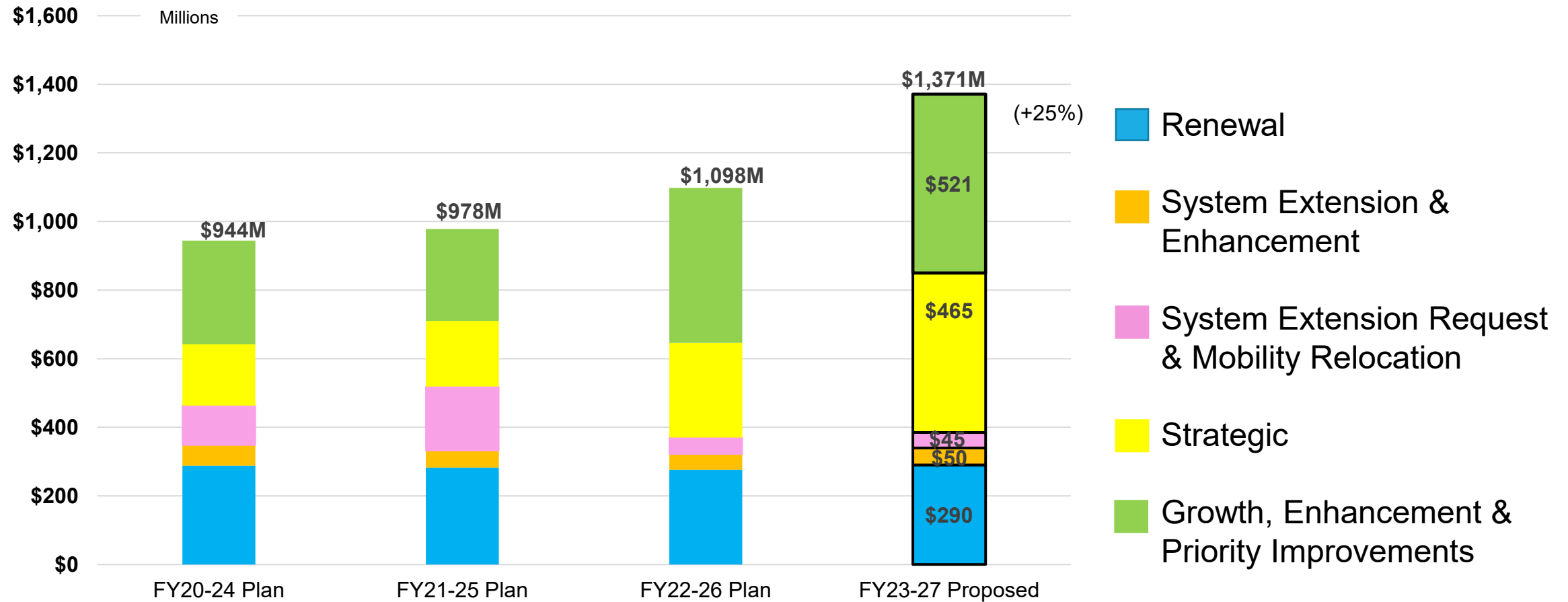
Proposed FY 2023 Budget Overview

Capital Improvement Spending Plan

\$1.37 Billion 5-year Capital Spending Plan

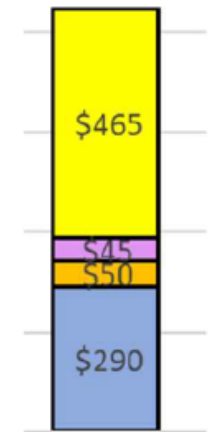
\$ in millions	5-Year Plan FY 2023-2027					
	2023	2024	2025	2026	2027	Total
Water	\$ 99.9	\$ 125.9	\$ 87.8	\$ 81.7	\$ 71.0	\$ 466.3
Wastewater	121.0	124.0	178.6	224.3	205.3	853.2
Reclaimed	16.0	13.5	13.1	4.1	1.2	48.0
Combined	<u>\$ 236.9</u>	<u>\$ 263.4</u>	<u>\$ 279.5</u>	<u>\$ 310.1</u>	<u>\$ 277.5</u>	<u>\$1,367.5</u>

CIP Plan Funding Overview



Strategic Projects

		<u>FY23-27 SP-PM</u>
3023.046	Walnut Creek WWTP 100 MGD Exp	\$ 284M
6935.057	Advanced Metering Infrastructure	\$ 66M
3257	Facility Improvements (Service Centers)	\$ 60M
5267	Reclaimed Water	\$ 29M
2127.036, .047	Aquifer Storage and Recovery	\$ 26M
3333.021	SAR WWTP 100 MGD Expansion	\$ -
TOTAL		\$465M

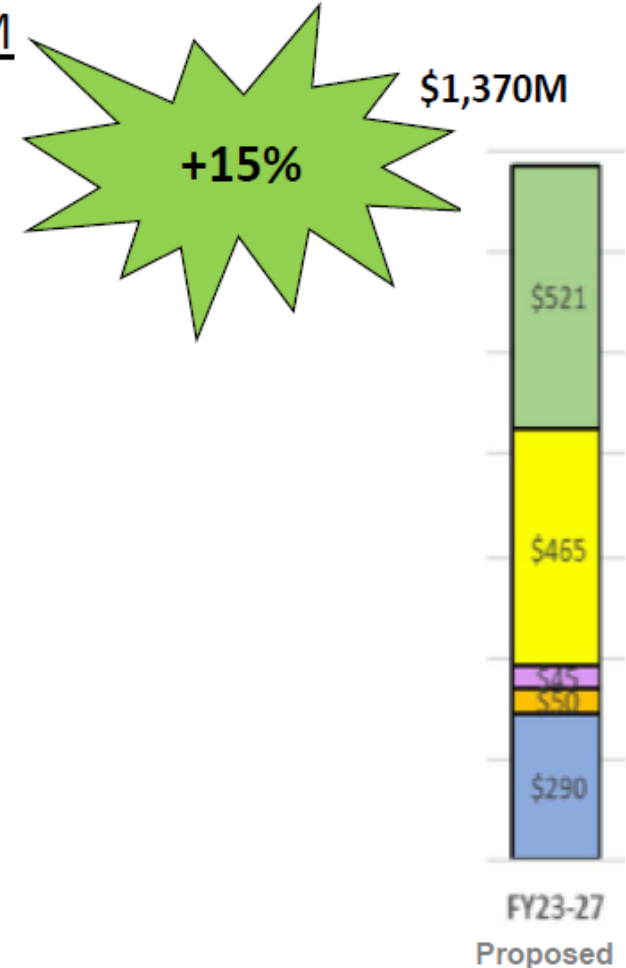


FY23-27
Proposed

Other Priorities Projects

		<u>FY23-27 SP-PM</u>
3333.017	SAR WWTP Trains A & B Impr	\$ 61M
6943.031	Williamson Creek WW Interceptor	\$ 45M
5335.008	Ullrich WTP On-site Chlorine Gen	\$ 37M
3023.019	Walnut Creek WWTP Headworks Impr	\$ 32M
4769.022,.011	Upper Harris Branch Wastewater Interceptor	\$ 32M
7265.004	Wildhorse Ranch WWTP Expansion	\$ 23M
3333.032	SAR WWTP Electrical Substation 1 Replcmnt	\$ 24M
5335.016	Ullrich WTP Low Svc PS Elec Feed Renewal	\$ 20M
6935.031	McNeil Road Water Transmission Main	\$ 17M
2006.059	Center Street PS Replacement and Electrical	\$ 16M
	<i>67 Others</i>	\$ 228M

TOTAL \$521M

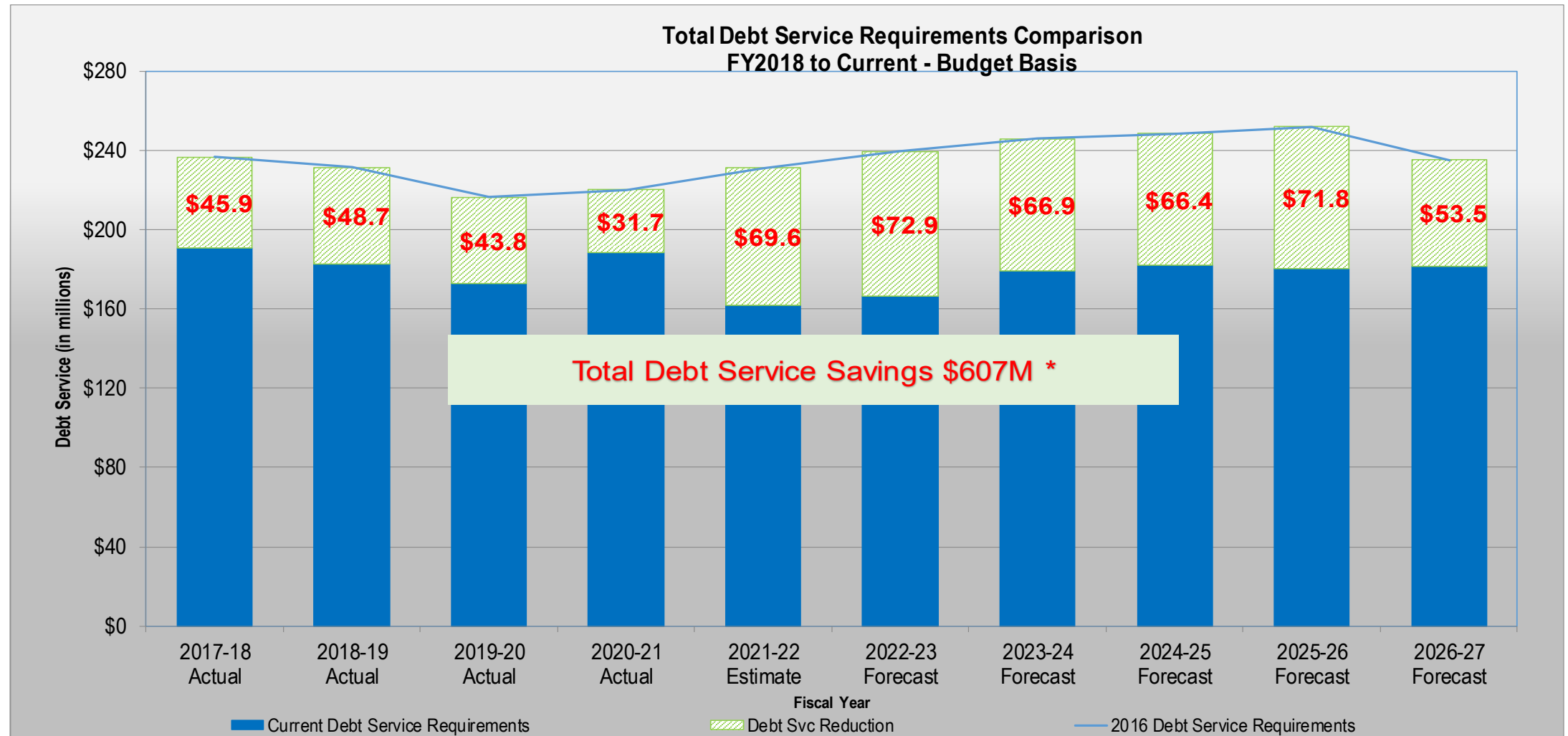


A photograph of four construction workers standing in a bamboo forest. They are all wearing white hard hats, high-visibility yellow safety vests with orange reflective stripes, and face masks. The worker on the far left is also wearing work gloves. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing the word 'AFFORDABILITY' in large, white, bold, sans-serif capital letters.

AFFORDABILITY



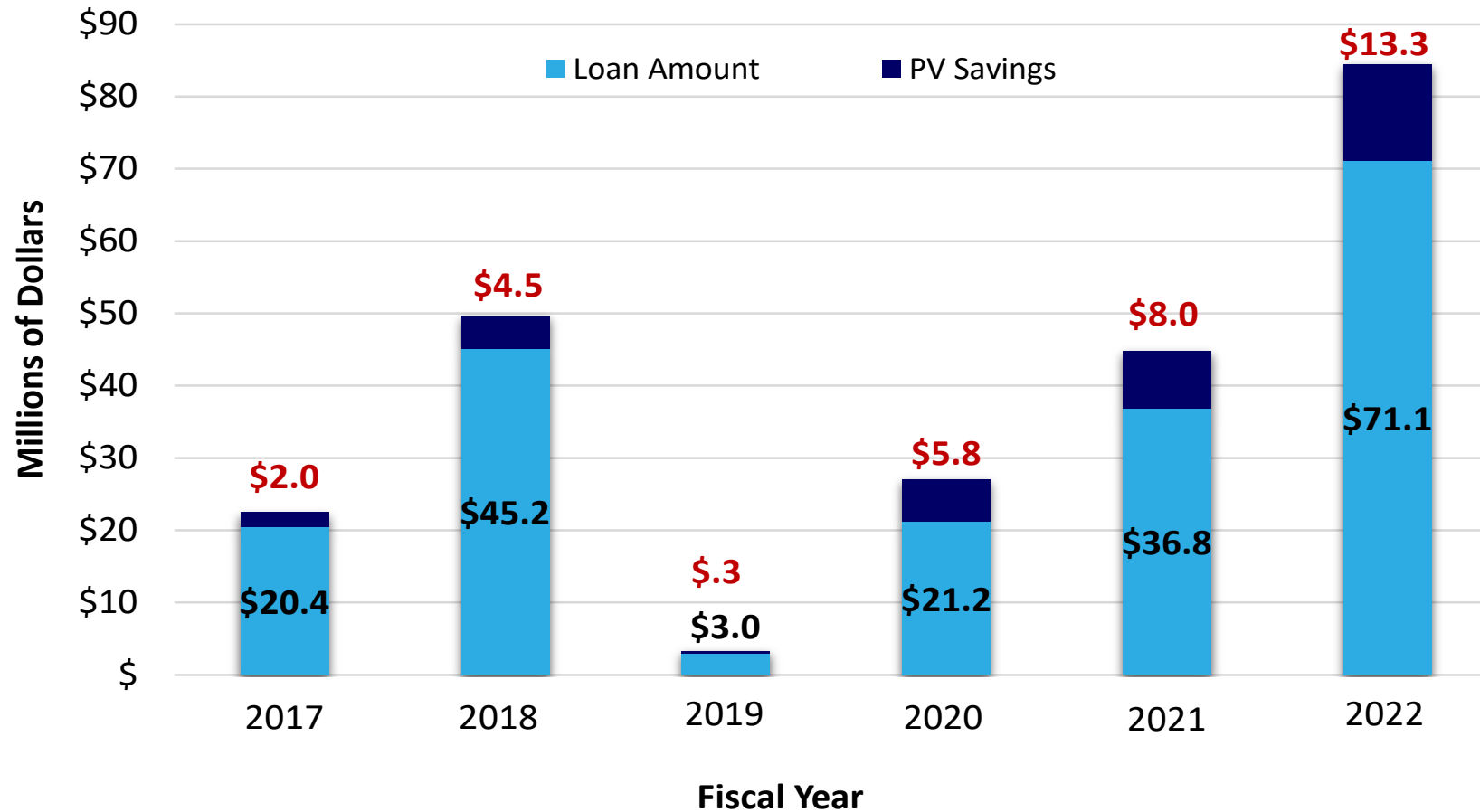
Debt Management Efforts



* Graph illustrates 4 years of actual, current year estimate, and 5 year forecast savings. Total savings includes FY2016 and FY 2017 which is not shown on this graph. FY 2023-2027 forecasted savings are subject to change.

Debt Management Efforts

TWDB Debt Service Loan Savings



**\$197.7 Million
in Loan Closings
To-Date**

**\$34.0 Million
in Present Value
Savings To-Date**

Proposed FY 2023 Budget Overview

Average Residential Customer Proposed Bill Impacts

	Current 2022 Rates	Proposed 2023 Rates	\$ Variance	% Variance
Water Service ²	\$ 40.31	\$ 40.31	\$ -	0.0%
Wastewater Service	40.48	40.48	-	0.0%
Total Revenue	<u>\$ 80.79</u>	<u>\$ 80.79</u>	<u>\$ -</u>	<u>0.0%</u>

Notes:

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

Proposed FY 2023 Budget Overview

Customer Assistance Program Overview

- Over 14,000 Residential CAP participants
- Over 18,000 Multifamily CAP participants
- Waived residential monthly water and wastewater fixed fees
- Discounted residential volumetric water and wastewater rates
- Multifamily CAP monthly credit \$17 (\$11 Water and \$6 Wastewater)

2021 Average Monthly Residential Bill Comparison: Non-CAP vs. CAP

	<u>Non-CAP</u>	<u>CAP</u>	<u>\$ Discount</u>	<u>% Discount</u>
Water	\$ 40.31	\$ 17.58	\$ 22.73	56.4%
Wastewater	40.48	22.01	18.47	45.6%
Combined	<u>\$ 80.79</u>	<u>\$ 39.59</u>	<u>\$ 41.20</u>	<u>51.0%</u>

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



Proposed FY 2023 Budget Overview

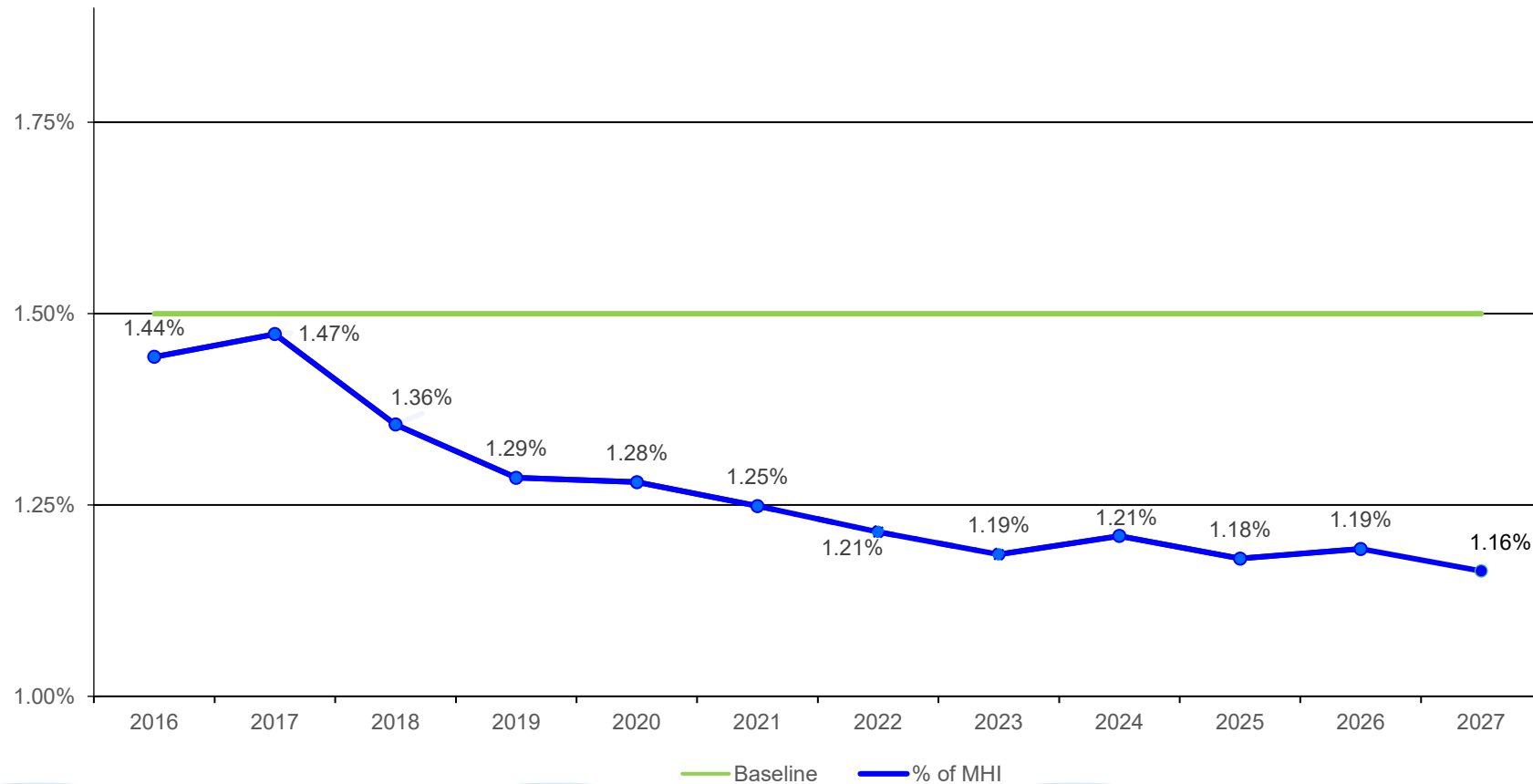
Affordability Benchmark

Actual FY
2021: **1.25%**

Projected FY
2022: **1.21%**

AW Goal:
1.5% or less

Average Annual Bill % of Median Household Income



Proposed FY 2023 Budget Fund Summary

(In Millions)	Amended 2022	Estimated 2022	Proposed 2023
Beginning Balance	\$ 224.3	\$ 213.7	\$ 231.1
Revenue	583.3	596.1	608.7
Transfers In	74.9	75.7	64.6
Available Funds	\$658.2	\$671.8	\$673.3
Operating Requirements	273.8	275.9	294.1
Debt Service	161.6	157.9	175.4
Transfers Out	220.7	220.6	214.2
Total Requirements	\$ 656.1	\$ 654.4	\$ 683.7
Excess (Deficiency)	2.1	17.4	(10.4)
Ending Balance	\$ 226.4	\$ 231.1	\$ 220.7
FTEs	1,314	1,314	1,361
Debt Service Coverage	1.81	1.91	1.76
% Cash Financing of CIP	36.3%	32.6%	37.8%
Days Cash	296	294	264

Proposed Budget
complies with all
Council approved
financial policies.

QUESTIONS

