



**WATER AND WASTEWATER COMMISSION RECOMMENDATION
20220720 – ITEM 17**

Date: July 20, 2022

Subject: Budget Committee Report

Motioned By: Vice-Chair Christianne Castleberry

Seconded By: Commissioner Travis Michel

Recommendation

The Water and Wastewater Commission approved the attached Budget Committee Report. The Budget Committee Report recommends approval of the proposed Austin Water Fiscal Year 2022-2023 budget.

Description of Recommendation to Council

See Attached Report from the Water and Wastewater Commission's Budget Committee

Rationale:

The Budget Committee of the Water and Wastewater Commission appreciates the opportunity to review Austin Water's proposed Fiscal Year 2022 - 2023 budget and provide recommendations for the Water and Wastewater Commission. The attached report outlines the Committee's review and recommendations, based on budget information provided by Austin Water staff and not the "official" budget document. This is due to City Management policy which restricts the release of the "official" budget submittal until it has been presented to Council. This delayed release does not allow the Committee sufficient time to thoroughly review the "official" document, and have recommendations posted for the Commission's regularly scheduled August meeting. The Committee is confident that the information provided by Austin Water staff was thorough and representative of Austin Water's official proposed Fiscal Year 2022 - 2023 budget.

Vote

For: Chien Lee, Jesse Penn, Judy Musgrove, Christy Williams, Grant Fisher, Travis Michel, Christianne Castleberry

Against: None

Abstain: None

Absent: William Moriarty, Alex Navarro, Susan Turrieta

Attest: Blanca Madriz, Water & Wastewater Commission Liaison

**WATER & WASTEWATER COMMISSION
BUDGET COMMITTEE REPORT**

APPROVED ON 7/20/2022

Overview

The Committee appreciates the opportunity to review Austin Water's FY 2022-2023 (FY23) budget material and provide the following summary to the Water and Wastewater Commission.

Budget Committee Members: Susan Turrieta, Chair
Travis Michel, Vice Chair
Grant Fisher
Jesse Penn

Budget Review Executive Summary

Austin Water Assistant Director of Financial Services, Joseph Gonzales and staff presented an FY 2021-2022 (FY 22) budget vs. actual update and an overview of 5-year forecast and FY 2022-2023 (FY 23) Proposed Budget, including revenue and rate projections, transfers, program requirements, debt service requirements, and Austin Water's 5-year CIP spending plan. These items are highlighted below:

- Enterprise Resiliency - Austin Water (AW) continues to focus on enhancing emergency preparedness and responsiveness, developing operational resiliency for a range of emergent condition, and identifying and addressing natural hazards resulting from climate change. The proposed FY 2023 budget includes \$13.6 million of ongoing operating funding and \$441.3 million of ongoing capital project funding for continued support AW's resiliency efforts. City Council approved an FY 2022 budget amendment in April 2022 to increase appropriations and operating expenditures by \$1.4M, reducing the ending balance by the same amount and increasing the number of full-time equivalents by 16, to enhance support for drinking water treatment plant operations.
- Defeasance – In December 2021 (FY 2022) Austin Water conducted a bond debt defeasance transaction for a total of \$64.8M. The proposed FY 2023 budget includes a \$47.0 million debt defeasance transaction as part of AW's continued debt management efforts. Capital recovery revenue is used for AW debt defeasance transactions.
- Rate Increase - Austin Water has not proposed any water or wastewater rate increases for FY 2023.
- Economy - The utility has maintained its strong financial condition throughout the pandemic and current drought. AW has forecasted \$25.4M revenue growth (4.4%) in FY 2023 driven by increased customer account growth and consumption.
- Drought Preparedness – Austin's Drought Contingency Plan sets a trigger at certain storage levels at which the City Manager may order the implementation of different stages of conservation measures. Currently, Austin Water is at Stage 1 that was in effect as of June 6, 2022. This comes after a 3-year stretch at Conservation Stage, the lowest stage of Austin's Water Conservation Code. Austin Water does not expect a significant revenue impact for FY 2023 but continues to monitor the drought situation.
- Staffing - The proposed budget includes funding for 47 Full Time Employees (FTEs) to keep pace with customer growth while supporting Effective Utility Management (EUM) initiatives.

Conclusions and Recommendation

The Utility continues to maintain a stable financial outlook with balance of debt service to CIP spending. The status of Austin Water with bond rating agencies is stable for the 7th consecutive year. The proposed forecast complies with all Council approved financial policies and is in alignment with growth projections and mandated water conservation measures. The Budget Committee recommends the approval of the proposed Austin Water FY23 budget.

Overall Budget Summary

1. Projected \$25.4M revenue growth (4.4% increase) in FY23 driven by customer account growth and consumption.
2. \$27.6M increase in total requirements (4.2% increase) over prior year
3. Debt Management
 - a. The Utility continues to use capital recovery fees for debt defeasance. Austin Water budgeted \$47M in CRF cash for defeasance transaction in late fall or early winter of FY 2023.
 - b. Debt Service Coverage Ratio for FY23 is forecasted to be 1.76 times coverage.
4. 47 new FTEs - \$5M
 - a. The proposed budget includes additional employees and funding for the following initiatives:
 - i. Operational Optimization (9 FTEs)
 - ii. Customer Satisfaction (8 FTEs)
 - iii. Enterprise Resiliency (6 FTEs)
 - iv. Employee Leadership and Development (5 FTEs)
 - v. Reducing contracted services (5 FTEs)
 - vi. Infrastructure Strategy and Performance (3 FTEs)
 - vii. My ATX Water (4 FTEs)
 - viii. Expedited Development Review (3 FTEs)
 - ix. Facility Improvements (2 FTEs)
 - x. Water Forward (1 FTE)
 - xi. Affordability (1 FTE)
5. Operations
 - a. \$1.6M increase in financial consultant services to support the upcoming rate filing
 - b. \$1.5M increase in contract costs for water and wastewater emergency and restoration services
 - c. \$0.9M increase in chemical costs
 - d. \$0.8M increase in Government permits and fees
6. Inter-departmental Transfers
 - a. \$1.7M increase - Administrative Support Transfer (11% increase)
 - b. \$0.3M increase – Capital Project Management transfer (8.2% increase)
 - c. \$0.3M decrease – CTM Support (7% decrease)
7. CIP Spending Plan FY2023-27
 - a. 5-year capital spending plan is \$1.37B, 34% water, 63% wastewater, 3% reclaimed water
 - b. The Utility continues to manage debt by increasing cash funding of capital projects

The Budget Committee Report was approved by the Water and Wastewater Commission on this the 20th day of July, 2022 on Vice-Chair Castleberry's motion and Commissioner Michel's second on a 7-0 vote, with Commissioners Moriarty, Turrieta and Navarro absent and one vacancy.