Financial Policies FY2022 Updates
Response to Questions

QUESTION NUMBER: 1

REQUESTED BY: Grant Rabon

DATE REQUESTED: 2/09/2021

QUESTION: Does the risk of revenue volatility profile look much different today than it did back when the water utility was having issues during the extreme drought?

RESPONSE:

Coming out of the drought in 2015 (slide 12), revenues did not recover to the same level that they had been pre-drought. As an example, the residential class was using about 8,800 gallons a month of water, post-drought that declined to around 5800 gallons a month and has remained at that level. Overall, average consumption per customer account has declined, however fixed revenues have increased from 11% in 2011 to approximately 22.5% of total service revenues in FY 20 due to reduced demand per account and the implementation of additional fixed fees. Despite the increase in fixed revenues, there is still a big disconnect between Austin Water's fixed costs, which make up around 80% of total O&M expenses, and fixed fee revenues, which make up approximately 22.5% of total service revenues. Since the drought, Austin Water continues to have years that have resulted in revenue shortfalls; for example in 2019, in a year that was not significantly out of line with normal rainfall or heat, Austin Water had a revenue shortfall of $22 million dollars in part due to the impacts of the boil water notice in October 2018 (fiscal year 2019) and the zebra mussel taste and odor event. Austin Water continues to be subject to revenue volatility due to weather and environmental factors and continues to work through mitigation of the impacts.