



Austin Water Utility

Joint Committee on AWU's Financial Plan

May 21, 2014

New Forecast Options

Updates to Current Assumptions &
With Budget Reductions Included

Forecast – Option #14

Presented to Council in April

Assumptions

- Stage 2 water restrictions all year 2015 water consumption at 41.1BG
- \$4.5M in O&M budget reductions to 2014 and 2015
- Elimination of 9 vacant positions

Forecast Summary (\$ in Millions)	Estimate 2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
Total Revenue	\$508.9	\$563.0	\$596.8	\$622.5	\$647.0	\$666.0
Total Requirements	\$523.9	\$537.5	\$584.4	\$607.1	\$636.2	\$641.1
Ending Balance	\$43.2	\$68.6	\$81.0	\$96.3	\$107.3	\$132.2
Days of O&M	20	60	74	92	102	128
Debt Service Coverage						
Combined	1.31	1.53	1.56	1.56	1.53	1.60
Water	1.20	1.55	1.57	1.56	1.53	1.57
CIP Spending	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
Cash Funding of CIP %	24.8%	19.7%	36.6%	37.3%	37.3%	37.4%
Rate Increases						
Water	7.4%	15.2%	3.0%	3.0%	3.0%	3.0%

Forecast – Option #14

- Impacts / Benefits / Concerns
 - Reduction to water rate increase compared to original base option provided to Joint Committee
 - Reductions to operating costs reduce rate increase
 - Average customer bill impacts approximately 14% for 2015
 - Meets financial policies and strengthening financial benchmarks

Forecast – Option #14 with Cuts

Assumptions

- Stage 2 water restrictions all year 2015 water consumption at 41.1BG
- \$4.5M in O&M budget reductions to 2014 and 2015 and 9 positions eliminated
- \$28.5M in additional budget reductions included

Forecast Summary (\$ in Millions)	Estimate 2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
Total Revenue	\$524.6	\$545.1	\$575.7	\$599.7	\$623.1	\$644.1
Total Requirements	\$532.8	\$510.2	\$559.7	\$579.3	\$603.8	\$611.4
Ending Balance	\$50.0	\$84.8	\$100.6	\$121.1	\$140.5	\$173.1
Days of O&M	31	93	113	138	160	195
Debt Service Coverage						
Combined	1.39	1.53	1.55	1.55	1.53	1.60
Water	1.35	1.55	1.55	1.54	1.53	1.57
CIP Spending	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
Cash Funding of CIP %	20.2%	20.0%	38.1%	38.1%	38.0%	38.0%
Rate Increases						
Water	7.4%	10.3%	3.1%	3.1%	3.1%	3.1%

Forecast – Option #14 with Cuts

- Impacts / Benefits / Concerns
 - 4.9% reduction to water rate increase due to \$28.5M in additional budget reductions
 - Reductions to operating costs reduce rate increase
 - Average customer bill impacts reduced
 - Meets financial policies and strengthening financial benchmarks

Forecast – Option #18

Assumptions

- 2015 water consumption reduced from 41.1BG to 40.0BG
- Maintain debt service coverage and ending balances as forecast option

Forecast Summary (\$ in Millions)	Estimate 2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
Total Revenue	\$501.4	\$566.9	\$600.4	\$624.3	\$647.0	\$664.7
Total Requirements	\$523.6	\$534.3	\$586.6	\$608.4	\$635.0	\$641.5
Ending Balance	\$36.0	\$68.5	\$82.3	\$98.2	\$110.4	\$133.7
Days of O&M	8	60	76	95	107	130
Debt Service Coverage						
Combined	1.28	1.55	1.58	1.57	1.55	1.60
Water	1.16	1.58	1.60	1.58	1.57	1.57
CIP Spending	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
Cash Funding of CIP %	21.3%	20.0%	38.1%	38.3%	38.1%	38.2%
Rate Increases						
Water	7.4%	19.9%	2.6%	2.6%	2.6%	2.6%

Forecast – Option #18

- Impacts / Benefits / Concerns
 - Reduced water consumption increases water rate increases for 2015
 - More conservative revenue projections will reduce risk of budget shortfalls
 - Bill impacts to customer would be increased above forecast levels if no budget reductions are implemented

Forecast – Option #19

Assumptions

- 2015 water consumption reduced from 41.1BG to 40.0BG
- Maintain debt service coverage and ending balances as forecast option
- \$28.5 million in budget reduction strategies assumed

Forecast Summary (\$ in Millions)	Estimate 2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
Total Revenue	\$517.1	\$543.7	\$575.0	\$599.4	\$622.8	\$643.1
Total Requirements	\$532.6	\$509.8	\$559.5	\$579.2	\$604.0	\$610.9
Ending Balance	\$42.7	\$76.5	\$91.9	\$112.3	\$131.1	\$163.3
Days of O&M	19	79	99	125	146	181
Debt Service Coverage						
Combined	1.35	1.53	1.55	1.55	1.53	1.59
Water	1.31	1.54	1.55	1.53	1.52	1.55
CIP Spending	\$237.3	\$181.8	\$167.5	\$157.1	\$164.3	\$169.1
Cash Funding of CIP %	20.2%	20.0%	38.1%	38.1%	38.0%	38.0%
Rate Increases						
Water	7.4%	13.2%	3.0%	3.0%	3.0%	3.0%

Forecast – Option #19

- Impacts / Benefits / Concerns
 - Reduced water consumption increases water rate increases for 2015
 - 6.7% reduction to water rate increase due to \$28.5 million in additional budget reductions
 - Reductions to operating costs reduce rate increase
 - Average customer bill impacts reduced
 - Significant budget reduction strategies assumed to reduce overall proposed rate increase
 - Bill impacts to customer would be decreased below forecast levels

Discussion / Questions?

Budget Reduction Strategies

Budget Reduction Strategies

- General Assumptions
 - List of budget reductions should be considered DRAFT as some items could easily change or not be feasible
 - City Management must approve changes that impact the General Fund
 - AWU will continue working on budget reductions as we develop our budget submittal in early June

Budget Reduction Detail

- Revenue
- Transfers to Other Departments
- Utility Wide Budget Reductions
- Program O&M Reductions
- Debt Service Reductions

Budget Reduction Detail

- Major Reduction Item List
- Service Level Impacts Discussion

Discussion / Questions?