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House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.

43585

Texas Natural Resource Conservation Commission

INTEROFFICE MEMORANDUM

To: Mike Howell
Utility Certification & Rate Analysis

Date: July 30, 2003

From: Dan Smith *DS*
Utility Certification & Rate Analysis

Subject: Financial and Managerial Review for the City of Austin (Austin) to Obtain Water and Sewer Certificates of Convenience and Necessity (CCNs) in Travis, Hays and Williamson Counties, Applications No. 33562-C and 33563-C, respectively

2014-07-29 11:10:51
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You provided me City of Austin Water and Wastewater Utility documents you received from our legal department, titled, "30 Year Financial Analysis - Water CCN Option 1" and "30 year Financial Analysis - Wastewater CCN Option 1." My original review concluded that without an estimate of capital costs or a projected timetable, a positive conclusion is problematic, but that all indicators were that the city has demonstrated adequate financial and managerial capability to provide service. A copy of that memorandum is attached to the original of this memorandum.

These projections are based on the assumption of using 20% equity financing and 80% commercial paper for two years, then refunded with bonds. The projections also assume that the water system will serve an additional 86,300 single family units outside present city limits, though still in the ETJ in the requested CCN area, to be built out by the year 2040. The water system improvements are projected to experience negative cash flow in year one only, then positive cash flow more than adequate to provide for capital requirements and operating expenses. The wastewater system is projected to experience negative cash flow for the first five years which is to be expected considering the greater capital investment required on the front end. However, some numbers in the wastewater projections are curious (forty-year cash flow of negative \$38 mil.?) and there may be typographical errors. I don't have a contact with the City to check these questions.


However, these documents provide an estimate of capital costs and a projected timetable for the additions as further evidence and confirmation of the City of Austin's adequate financial and managerial capability to provide service

Texas Natural Resource Conservation Commission

INTEROFFICE MEMORANDUM

To: Mike Howell
Utility Certification & Rate Analysis

Date: July 8, 2002

From: Dan Smith 
Utility Certification & Rate Analysis

Subject: FMT Review for the City of Austin (Austin) to Obtain Water and Sewer Certificates of Convenience and Necessity (CCNs) in Travis, Hays and Williamson Counties, Applications No. 33562-C and 33563-C, respectively

I have reviewed the information provided in this application, along with pertinent information from the Texas Municipal Report of the Municipal Advisory Council of Texas, a copy of which is attached to the original of this memorandum. In my opinion, the City of Austin has demonstrated adequate financial and managerial capability to provide continuous and adequate service to areas as requested in the applications.

The City of Austin has been adequately providing water and wastewater services under CCNs Nos. 11232 and 20636, attaining the rating of Superior Public Water System. I have reviewed a voluminous amount of information in the applications, but no concise estimate of the capital costs necessary to provide water and sewer service to the additional areas applied for and not presently served. Plans and specifications for the additional areas have not been submitted. Without an estimate of capital costs or a projected timetable, a positive conclusion is problematic but considering the rating history mentioned above, and the financial information to follow, I believe the reserves necessary to anticipate any realistic contingency are in place.

The city's financial position is good. The overall ratio of long-term debt to equity (both general obligation and revenue bonds) was 1.3:1 at September 30, 2000. For the water and wastewater operations (revenue bonds) that ratio was 1.64:1. Interest rates were from 3% to 8% with most volume in the 5.25-5.75% range. Maturities range up to 20 years. Debt service coverage generated by the water and wastewater utilities has not been below 4.43 times in the three fiscal years then ended. The city is in compliance with all significant limitations and restrictions contained in the revenue bond indentures.

This analysis and opinion is not intended to evaluate the relative merit of this application versus any other application pending or to be pending for any area requested in this application. Another prospective applicant operating with a specific set of circumstances may be able to demonstrate that it can provide continuous and adequate service to a selected portion of this area, "cheaper, faster, better" than the City of Austin. My belief is that they would be hard-pressed to do so.