

Control Number: 44010



Item Number: 33

Addendum StartPage: 0

SOAH DOCKET NO. 473-15-2123.WS

PUC DOCKET NO. 44019

2015 MAR 26 PM 2:03

PETITION OF THE RATEPAYERS OF
THE RIVER PLACE WATER AND
WASTEWATER SYSTEMS
APPEALING
THE RETAIL WATER AND
WASTEWATER RATES OF THE
CITY OF AUSTIN

§
§
§
§
§
§
§

BEFORE THE STATE OFFICE
PUBLIC UTILITY COMMISSION
FILING CLERK

OF

ADMINISTRATIVE HEARINGS

**CITY OF AUSTIN'S FIRST SUPPLEMENTAL COMMENTS, CONCERNS AND RESPONSES
TO PUBLIC UTILITY COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
THE CITY OF AUSTIN**

TO: Commission Staff, by and through their counsel of record, Jessica A. Gray and Thomas L. Tynes, Public Utility Commission of Texas, 1701 N. Congress Avenue, PO Box 13326, Austin, Texas 78711.

COMES NOW, the City of Austin, (herein sometimes referred to as "City," "Austin" or "Respondent"), in the above styled and docketed retail water rate appeal proceeding and serves this, its First Supplemental Comments, Concerns and Responses to Commission Staff's First Request for Information to the City of Austin, on all parties to this Proceeding.

I. GENERAL COMMENTS AND CONCERNS REGARDING INSTRUCTIONS

Some of the information requested is outside of Austin's ownership and control, and, therefore, Austin cannot provide that information under oath. In every case where Austin is not the owner or producer of the documents or records requested, Austin so notes. Additionally, some requests are subject to limitation by Austin's pending Motion to Dismiss. While Austin attempts to provide responses the twin limitations of "information available to the City of Austin at the time the City made the rate increase decision," as well as requesting information related to a yet to be defined "test year" makes it impossible to provide a complete response at this time. Austin provides all information and material below subject to the limitations set forth in each Request.

Additionally, some requests, such as the requests for "all documents," or "all analyses" are extremely broad and therefore do not provide an opportunity for a reasonable response from Austin in the context of the entire Commission Staff's First Request for Information. It would be unreasonable, burdensome, and unnecessary for Austin to respond to the extremely broad Staff Requests by duplicating all the material already provided or to be provided in the other responses. Therefore, Austin used its own judgement of reasonableness to respond to extremely broad Staff Requests for Information as set out below. Presumably, Commission Staff will further define and identify the information that it would like Austin to provide.

II. GENERAL COMMENTS AND CONCERNS REGARDING DEFINITIONS

Definition of "City of Austin," "the City," or "you."

Commission Staff's definition of "you," "your," and "City" are improper, overbroad, and on their face unreasonable. Austin cannot be held responsible for "any person purporting to act" on behalf of the City of Austin, because that may be done without Austin's express knowledge or consent. The materials and information produced below is produced by authorized representatives of the City of Austin, acting on behalf of the City of Austin. Other information is not within Austin's knowledge, ownership or control.

Definition of "Document."

Commission Staff's definition of this term is extremely broad, potentially harassing, and at odds with the information requested in the specific Requests for Information, and the limitations set forth in the instructions. Accordingly, Austin provides the materials and information below based on the specific Requests for Information, and not a universe of documents outside of Austin's ownership or control which are unknown are not relied upon by Austin in connection with the issues of this case which may or may not be in the possession of persons "acting or purporting to act" on behalf of Austin.

Additionally, in the absence of definitions provided by Commission Staff, in the answers below, Austin includes its own definition of undefined terms, and explains the limitations of its response.

**III. SPECIFIC RESPONSES TO REQUESTS FOR INFORMATION SUBJECT TO
GENERAL AND SPECIFIC COMMENTS, CONCERNS,
RIGHT TO AMEND OR SUPPLEMENT**

Each of these responses is submitted pursuant to applicable law and rules, and each response provided is expressly subject to the general and specific comments, concerns and right to amend or supplement set forth herein. By providing documents in response to a request, Austin does so subject to the specific information requested by Commission Staff, and subject to Austin's general and specific comments and concerns. Additionally, Austin reserves the right to amend or supplement this response in accordance with applicable rules.

IV. FIRST SUPPLEMENTAL RESPONSES TO REQUESTS FOR INFORMATION

Staff 1-18 Please provide any analyses with regard to recommended increases needed to support the City's bond ratings, including rate agency comments, if any.

Response: Austin used its own judgment of reasonableness to respond to extremely broad Staff Requests for Information as set out below. Presumably, Commission Staff will further define and identify any additional information that it would like Austin to provide.

In full consideration of the general and specific comments and concerns, and so as to avoid unreasonable and unnecessary duplication of responses, Austin provides the following documents:

**2012, 2013 and 2014 reports for Moody's, Standard & Poor and Fitch;
2012, 2013 and 2014 Rating Agency Presentation presented by David Anders;
2012 and 2014 Rating Agency Report Review; and
2014 Fitch Water and Sewer Median report.**

Please note that the documents from the rating agencies were prepared by the rating agencies, not the City of Austin or employees.

Provided by: David A. Anders

Staff 1-20 Please provide all documents that the City relied upon to determine the rate increase approved at the time the decision was made.

Response: Austin used its own judgment of reasonableness to respond to extremely broad Staff Requests for Information as set out below. Presumably, Commission Staff will further define and identify the information that it would like Austin to provide.

In full consideration of the general and specific comments and concerns, and so as to avoid unreasonable and unnecessary duplication of responses, Austin provides the following documents:

Attached please find the following additional documents in response to this request:

**Fiscal Year 2013 Actual Total Requirements;
Fiscal Year 2014 Actual Total Requirements; and
Fiscal Year 2015 Budget Total Requirements.**

Prepared by or under the direct supervision of: David A. Anders

Staff 1-21 Please provide all documents and computations supporting allocations of expenditures and costs to retail water and wastewater customers of the River Place Water and Wastewater Systems for the 12-month test period. Please provide detailed information on allocations of expenses, capital costs, and debt service to the cost of service used to determine the appealed rates in this case. The information should include the type of expense, the allocation factor(s), the justification for the allocation factor, and whether or not the allocation factor is consistently used between time periods and other entities or customer groups receiving water or wastewater service from the City.

Response: Austin is unable to identify a "12-month test period" until such time as the Administrative Law Judges in this case accept jurisdiction and define the terms and the matters at issue in this retail rate appeal.

There is no longer a "River Place Water and Wastewater Systems" as of no later than October 1, 2014.

Additionally, Austin used its own judgment of reasonableness to respond to extremely broad Staff Requests for Information as set out below. Presumably, Commission Staff will further define and identify the information that it would like Austin to provide.

In full consideration of the general and specific comments and concerns, and so as to avoid unreasonable and unnecessary duplication of responses, Austin provides the following documents:

See, documents previously produced in response to Staff's Request for Information No. 1-2, and related documents provided by Austin in response to Commission Staff's First Requests for Information to the City of Austin.

Prepared by or under the direct supervision of: David A. Anders

Staff 1-24 Please state whether or not the River Place Water and Wastewater Systems are metered. If so, please provide information on the number of meters and usage for the 12-month test period. If the River Place Water and Wastewater Systems are not metered, please state how the allocation of usage between retail water and wastewater customers of the River Place Water and Wastewater Systems and other City customers is determined.

Response: Austin is unable to identify a “12-month test period” until such time as the Administrative Law Judges in this case accept jurisdiction and define the terms and the matters at issue in this retail rate appeal.

There is no longer a “River Place Water and Wastewater Systems” as of no later than October 1, 2014.

In full consideration of Austin’s comments and concerns:

See, documents previously produced in response to Staff’s Request for Information 1-7 and 1-8.

Provided by: David A. Anders

Staff 1-25 Please provide minutes of the meeting held by the board when approving the rate changes which were effective on October 1, 2014 and November 1, 2014, if applicable, or documents reflecting final approval to increase the water and wastewater rates.

Response: Austin assumes the reference to “the board,” means the “Austin City Council,” and not the River Place Board of Directors. Austin has no ownership or control of the meeting minutes regarding the River Place MUD board.

Attached please find the following documents in responses to this request:

Fiscal Year 2013-2014 City of Austin Ordinance No. 20130909-003;
Fiscal Year 2013-2014 City of Austin Impact Fee Ordinance No. 20131024-066; and
Fiscal Year 2014-2015 City of Austin Ordinance No. 20140908-003.

Respondent further states that Fiscal Year 2013-2014 City of Austin Ordinance No. 20130909-003 and meeting may be viewed at <http://austintx.swagit.com/play/09092013-564>, fee schedule adoption starts on Part 9 of 9 at 18:40 video time and ends at 52:55.

Respondent further states that Fiscal Year 2014-2015 City of Austin Ordinance No. 20140908-003 meeting may be viewed at <http://austintx.swagit.com/play/11202014-527/#46>, Item 180 regarding Fees, Fines, and other charges.

Prepared by or under the direct supervision of: David A. Anders

Staff 1-26 Please provide any work papers supporting the water and wastewater rate changes which were effective on October 1, 2014 and November 1, 2014, including fully working versions of the work papers in electronic (MS EXCEL or compatible) format.

Response: See, documents previously produced in response to Staff's Request for Information No. 1-2.

Prepared by or under the direct supervision of: David A. Anders

Staff 1-27 Please provide copies of all analyses, studies, or reports the City or its representative has performed or directed to be performed regarding the quantifiable benefits the City expects to realize by the water and wastewater rate changes.

Response: Austin does not believe this Request is capable of a response beyond the specific information requested in these RFI's. Additionally, Austin used its own judgment of reasonableness to respond to extremely broad Staff Requests for Information as set out below. Presumably, Commission Staff will further define and identify the information that it would like Austin to provide.

See, documents previously produced in response to Staff's Request for Information No. 1-2, and related documents provided by Austin in response to Commission Staff's First Requests for Information to the City of Austin.

Prepared by or under the direct supervision of: David A. Anders

Staff 1-30 Please provide the usage for each month and the customer count for each usage block for the 12-month test period. Please provide this information in native Excel format.

Response: Austin is unable to identify a "12-month test period" until such time as the Administrative Law Judges in this case accept jurisdiction and define the terms and the matters at issue in this retail rate appeal.

In full consideration of Austin's general and specific comments and concerns:

See documents previously produced in response to Staff's Request for Information No. 1-2.

Prepared by or under the direct supervision of: David A. Anders

**SOAH DOCKET NO. 473-15-2123.WS
PUC DOCKET NO. 44010**

PETITION OF THE RATEPAYERS OF THE RIVER PLACE WATER AND WASTEWATER SYSTEMS APPEALING THE RETAIL WATER AND WASTEWATER RATES OF THE CITY OF AUSTIN	§ § § § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
---	--	--

AFFIDAVIT OF DAVID A. ANDERS

On this day, David A. Anders appeared before me, the undersigned notary public, and after I administered an oath to him, upon his oath, he said:

1. My name is David A. Anders, I am more than 21 years of age, and capable of making this Affidavit. The matters contained herein are true and correct and are within my personal knowledge.

2. I am of sound mind and I am fully competent to make this Affidavit.

3. I am the Assistant Director, Finance and Business Services of the City of Austin, Austin Water Utility.

4. The First Supplemental Responses to the Public Utility Commission Staff's First Request for Information to the City of Austin listed below were prepared by me or under my direct supervision. The Responses listed below are presented under oath, as true and correct and within my personal knowledge:

Staff 1-18 (Rating Agency Presentation only), Staff 1-20, Staff 1-21, Staff 1-24, Staff 1-26, Staff 1-27, and Staff 1-30.

5. I do, however, reserve the right to amend, supplement or modify the above responses, based on additional information.

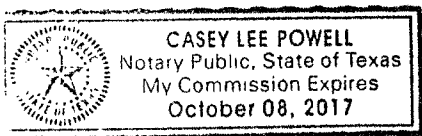
AFFIANT SAYS NOTHING FURTHER.



David A. Anders, Affiant

IN THE COUNTY OF TRAVIS, STATE OF TEXAS:

The foregoing Affidavit of David A. Anders was SUBSCRIBED AND SWORN TO before me by David A. Anders on the 26TH day of March, 2015.



Notary Public for the State of Texas

Respectfully submitted,


KAREN KENNARD,
City Attorney

MEITRA FARHADI
Assistant City Attorney

MARIA SANCHEZ
Assistant City Attorney

WEBB & WEBB
712 Southwest Tower
211 East Seventh Street
Austin, Texas 78767
Tel: (512) 472-9990
Fax: (512) 472-3183

By:


Gwendolyn Hill Webb
State Bar No. 21026300

Stephen P. Webb
State Bar No. 21033800

ATTORNEYS FOR CITY OF AUSTIN

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served via hand delivery, facsimile, electronic mail, overnight mail, US mail and/or Certified Mail Return Receipt Requested on all parties whose names appear on the mailing list below on this 26th day of March, 2015.

FOR THE PUBLIC UTILITY COMMISSION:

1701 N. Congress Avenue, 7th Floor
PO Box 13326
Austin, Texas 78711-3326
Via Electronic Upload

FOR THE ADMINISTRATIVE LAW JUDGES:

Honorable Lilo D. Pomerleau
Honorable William B. Newchurch
Administrative Law Judges
State Office of Administrative Hearings
300 W. 15th Street, Suite 504
Austin, Texas 78701
Phone: 512-475-4993
Fax: 512-322-2061
Via Electronic Upload (without attachments)

FOR THE SOAH DOCKET CLERK:

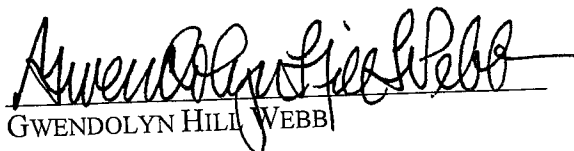
Ms. Monica Luna, Docketing Clerk
State Office of Administrative Hearings
300 W. 15th Street, Suite 504
Austin, Texas 78701
Phone: 512-475-4993
Fax: 512-322-2061
Via Electronic Upload (without attachments)

FOR PETITIONERS:

Mr. Randall B. Wilburn, Attorney at Law
3000 South IH 35, Suite 150
Austin, Texas 78704
Phone: 512-535-1661
Fax: 512-535-1678
rbw@randallwilburnlaw.com

FOR THE PUC STAFF:

Ms. Jessica Gray, Attorney – Legal Division
jessica.gray@puc.texas.gov
512-936-7228
Mr. Thomas L. Tynes
Thomas.tynes@puc.texas.gov
512-936-7297
Public Utility Commission of Texas
1701 N. Congress Avenue
PO Box 13326
Austin, Texas 78711-3326
Phone: 512-936-7228
Fax: 512-936-7268


GWENDOLYN HILL WEBB

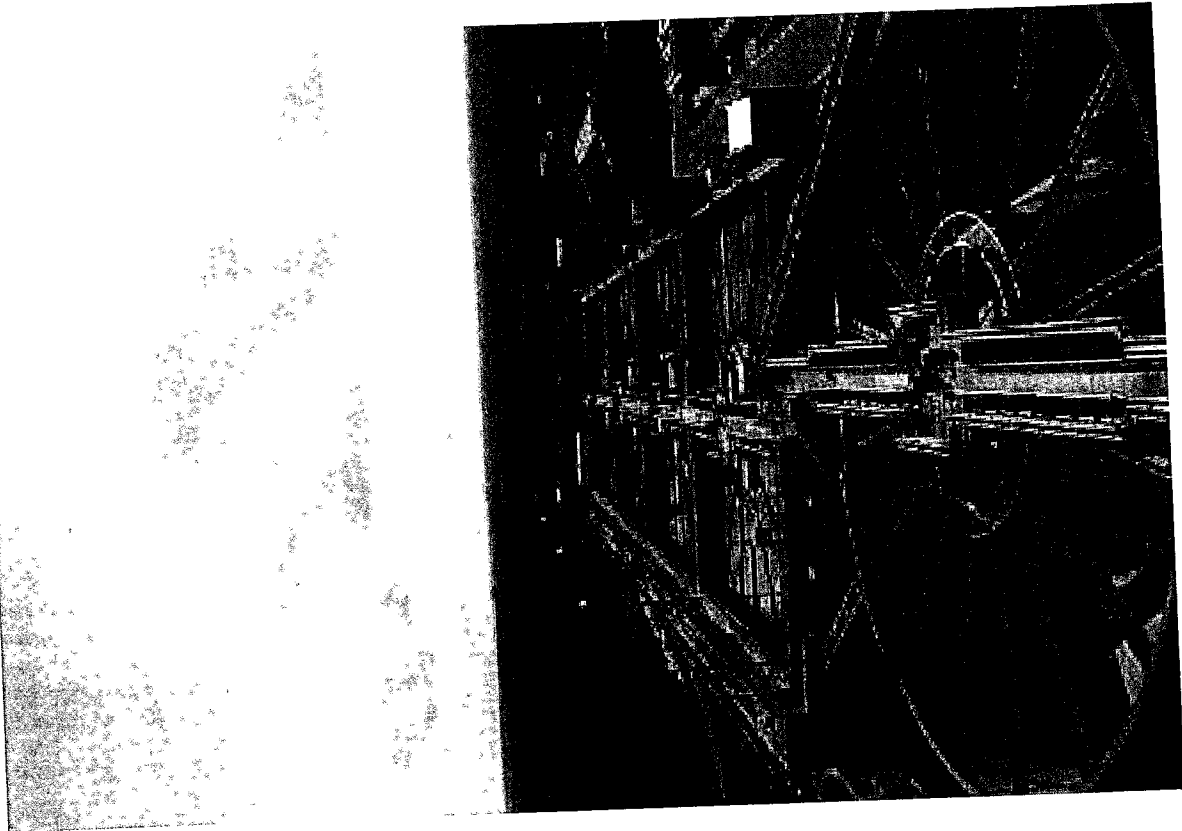
Response to Staff 1-18



Austin Water Utility

Rating Agency Meeting

June 2012



Participants

City of Austin

Marc Ott, City Manager, City of Austin
Robert Goode, Assistant City Manager, City of Austin
Elaine Hart, Chief Financial Officer, City of Austin
Greg Canally, Deputy Chief Financial Officer, City of Austin
Greg Meszaros, Director, Austin Water Utility
David Anders, Assistant Director, Austin Water Utility
Michael Castillo, Utility Finance & Budget Manager, Austin Water Utility
Art Alfaro, Treasurer, City of Austin
Georgia Sanchez, Assistant Treasurer, City of Austin

Public Financial Management

Dennis Waley, Managing Director, PFM
John Crumrine, Senior Managing Consultant, PFM

Presentation Outline

- Austin Overview
- Austin Water Utility Overview
- Austin Water Utility Financial Performance and Forecast
- Summary
- Timetable

Austin Overview

Greg Canally, Deputy Chief Financial Officer
City of Austin

Austin Overview

Austin's recovery is as strong as any city in the Country

- Sales tax revenue up 4.4% last year; 7.6% YTD
- Employment trending upwards
 - Unemployment rate at 6.0%, compared to 6.6% a year ago
 - 25 months of job growth
 - 21,600 private sector jobs added in last 12 months
 - Forbes #1 Best City for Jobs
- Residential real estate market is strengthening – Austin did not have a “bubble”
 - Sales of single-family homes up 13% YTD
 - Inventory down to 4.5 months, from 6.9 months a year ago
- Commercial real-estate has recovered after bottoming out in 2Q 2008
 - Multi-family occupancy is at 95.9%

Austin Water Utility Overview

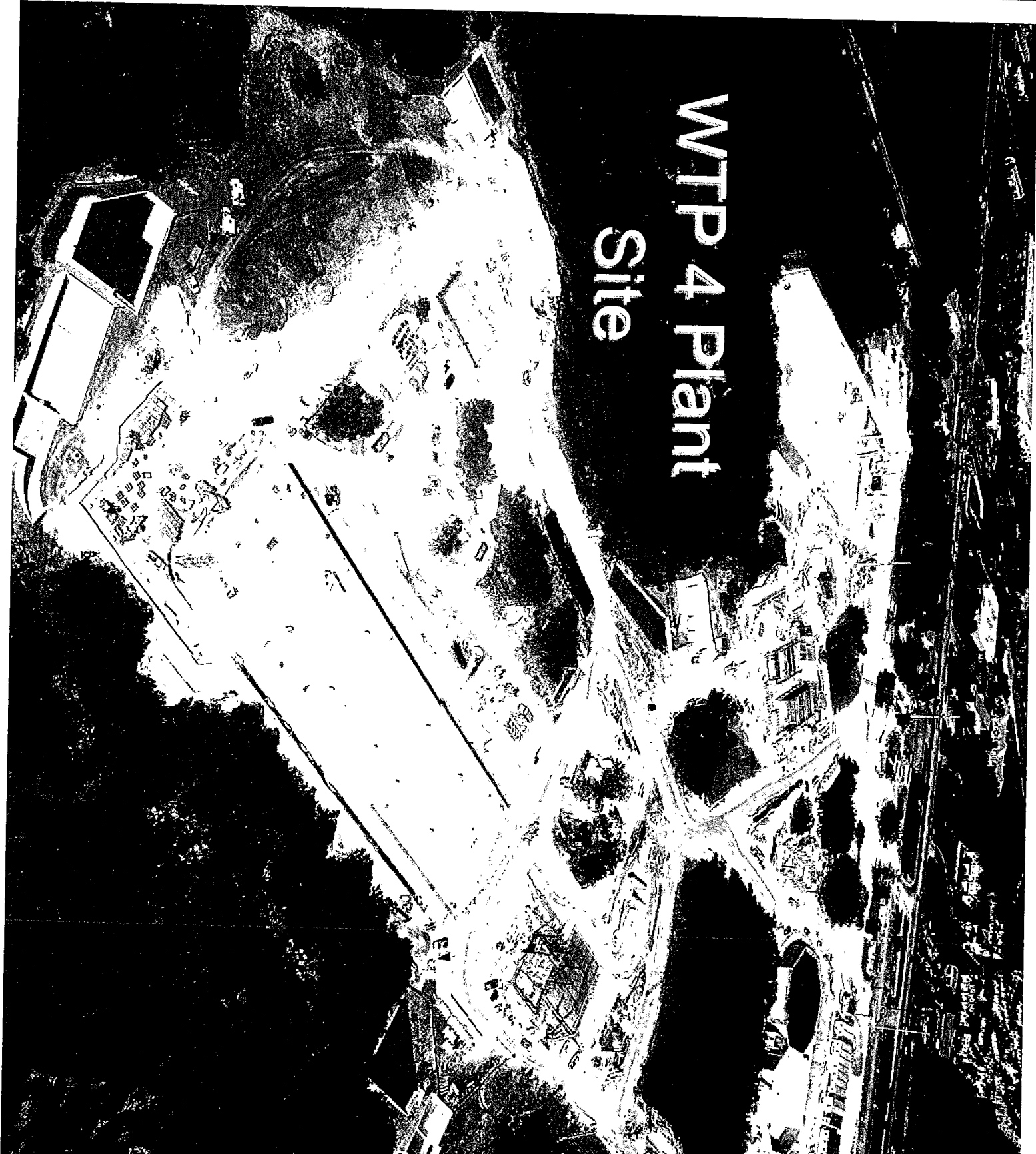
Greg Meszaros, Director

Austin Water Utility

Key Events for AWU

- Rate increase approved for 2012
 - New rates went into effect on November 1, 2011
 - New Revenue Stability Fee implemented
 - Joint Committee on AWU's Financial Plan
- WTP4 Construction Update
 - On budget and on schedule for 2014 start up
- Drought Conditions
- LCRA Water Rights
 - Water Management Plan

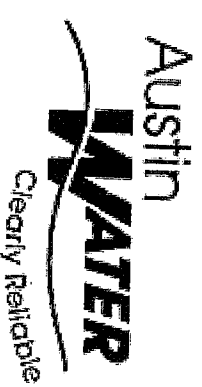
WTP 4 Plant Site



Financial Performance & Forecast

David Anders, Assistant Director
Austin Water Utility

Joint Committee on AWU's Financial Plan - Update



- Committee Meetings
 - 15 meetings completed
 - Significant information provided and discussed
- Joint Committee Recommendations
 - Increase fixed revenue to 20%
 - Tiered fixed fee for residential customers
 - Change in volumetric blocks and rates to reduce volatility
 - Creation of Revenue Stability Reserve Fund at 120 days of operating costs
 - Revenue Stability Reserve Fund Surcharge to build reserve
 - Increase operating reserves to 60 days of operating costs
- Implementation
 - Financial Policies & Proposed Budget for 2013

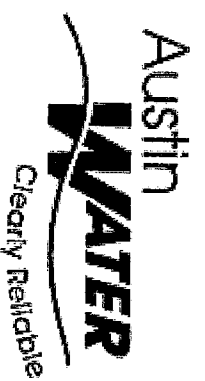


12 Months

Debt Service Coverage (Separate Lien Obligations) (3)	Z.U/A
Debt Service Coverage (Separate Lien Obligations and Prior Subordinate Lien Obligations allocated to the Water and Wastewater	

- www.austintexas.gov/water

Forecast Fund Summary



(In Millions)	Amended 2012	CYE 2012	Forecast				
			2013	2014	2015	2016	2017
Beginning Balance	\$ 46.7	\$ 71.7	\$ 73.9	\$ 59.5	\$ 62.9	\$ 65.8	\$ 68.7
Revenue	458.8	462.4	492.2	529.3	559.9	591.5	607.4
Transfers In	4.6	4.6	7.0	8.0	10.3	11.5	11.4
Available Funds	\$ 463.4	\$ 467.0	\$ 499.2	\$ 537.3	\$ 570.2	\$ 603.0	\$ 618.8
Operating Requirements	189.3	189.3	202.9	213.2	223.8	233.6	242.6
Debt Service	189.1	188.0	205.7	219.8	220.5	236.9	237.8
Transfers Out	87.5	87.5	105.0	100.9	123.0	129.6	135.7
Total Requirements	\$ 465.9	\$ 464.8	\$ 513.6	\$ 533.9	\$ 567.3	\$ 600.1	\$ 616.1
Excess (Deficiency)	(2.5)	2.2	(14.4)	3.4	2.9	2.9	2.7
Ending Balance	\$ 44.2	\$ 73.9	\$ 59.5	\$ 62.9	\$ 65.8	\$ 68.7	\$ 71.4

Debt Coverage	1.51	1.53	1.50	1.53	1.62	1.61	1.63
Days Cash of O&M	50	110	66	68	69	70	71

Revenue and Rates

- Projected Service Rate Increases

	2013	2014	2015	2016	2017
	6.5%	4.6%	5.0%	5.2%	1.6%
Water:	4.6%	2.9%	3.2%	3.6%	1.3%
Wastewater:	10.6%	13.4%	13.5%	16.4%	16.3%
Reclaimed:	5.6%	3.9%	4.2%	4.5%	1.5%
Combined:					

- Cost of Service Transition
 - Commercial & Large Volume customers at 7% above cost
 - 1%-2% transition to cost planned in 2013

Average Residential Customer Estimated 5-Year Bill Impact

	Current 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
Water & RSF	\$ 33.22	\$ 35.71	\$ 37.71	\$ 39.97	\$ 42.45	\$ 43.55
	39.45	41.26	42.46	43.82	45.40	45.99
Wastewater	\$ 72.67	\$ 76.97	\$ 80.17	\$ 83.79	\$ 87.85	\$ 89.54
Total	-	\$ 4.30	\$ 3.20	\$ 3.62	\$ 4.06	\$ 1.69
	-	5.9%	4.2%	4.5%	4.8%	1.9%
\$ Variance	-					
% Variance	-					

Notes:
1. The Water Service bill impact includes a 1% transition to cost of service

2. Actual bill impact to be determined based on cost of service calculations
3. The Water Revenue Stability Fee (RSF) is projected to remain static at \$4.40 per 5/8" meter equivalent

Forecasted Financial Metrics

- Debt Coverage
 - 2013 debt coverage at 1.50
 - Targeting increase in debt coverage of 1.63 by 2017
- Cash Balance
 - 2013 cash balance at 66 days of O&M
 - Targeting cash balance at 71 days of O&M by 2017
- Cash Funding of Capital Projects
 - 2013 cash funding at 29%
 - Targeting cash funding at 58% by 2017

Capital Spending

Capital Improvement Program

\$1.02 Billion 5-Year Capital Spending Plan

	\$ in millions					Total
	2013	2014	2015	2016	2017	
Water *	\$191.7	\$167.9	\$92.5	\$92.4	\$69.5	\$614.0
Wastewater	60.4	69.4	81.4	70.8	81.7	363.7
Reclaimed	7.3	6.1	8.9	9.9	8.3	40.5
Combined	<u>\$259.4</u>	<u>\$243.4</u>	<u>\$182.8</u>	<u>\$173.1</u>	<u>\$159.5</u>	<u>\$1,018.2</u>

* Reclaimed activity currently in progress which is funded by Water (\$8.9M) is reflected in the Reclaimed dollars below.

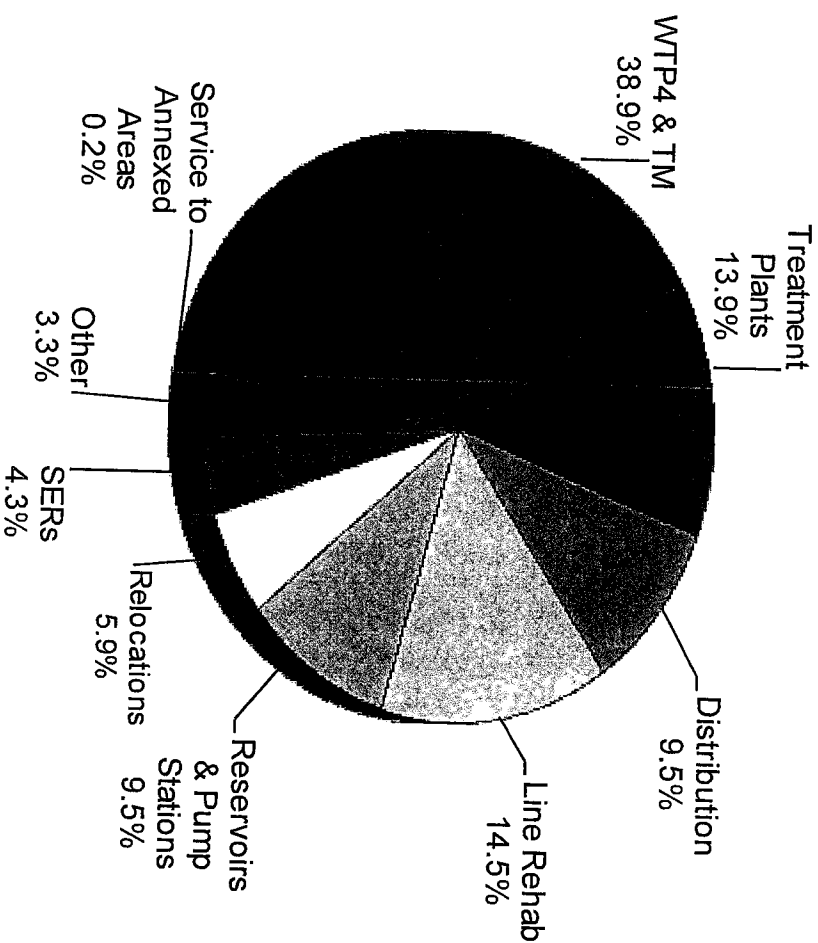
Proposed 5-Year CIP Spending Plan

Water Utility - \$614.0 Million



WTP4 & Related TM	(\$ in Millions)	\$238.9
Line Rehabilitation		89.1
Existing Treatment Plants		85.5
Reservoirs / Pump Stations		58.3
Distribution (except WTP4 TM)		58.3
Relocations		35.9
SER Reimbursements		26.4
Other/Vehicles		20.5
Service to Annexed Areas		1.1
Total FY 2013-17 Plan:*		<u>\$614.0</u>

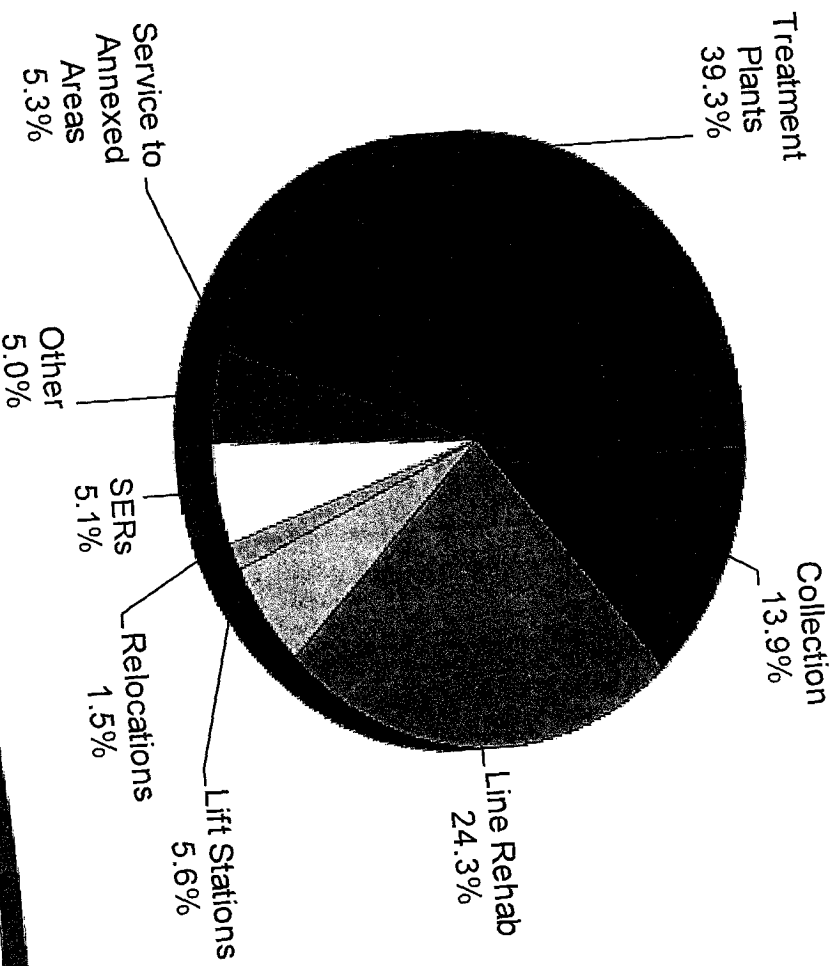
* Reclaimed activity funded by the Water utility is included with the new Reclaimed utility data.



Proposed 5-Year CIP Spending Plan Wastewater Utility - \$363.7 Million

Treatment Plants
Line Rehabilitation
Collection
Lift Stations
Service to Annexed Areas
SER Reimbursements
Other/Vehicles
Relocations
Total FY 2012-16 Plan:

(\$ in Millions)
\$143.0
88.4
50.6
20.3
19.3
18.5
18.3
5.3
\$363.7



Large Water Customers

Five Year Comparative Data (2007 - 2011)

Fiscal Year Ended September 30 (gallons in thousands)

	2011		2010		2009		2008		2007	
	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue
		\$		\$		\$		\$		\$
Samsung	1,212,413	5,346,020	749,103	3,149,516	1,024,144	4,116,189	1,118,400	4,019,704	783,881	2,604,528
University of Texas	1,147,002	4,424,279	979,972	3,679,384	1,170,061	4,147,422	1,085,005	3,520,766	1,022,218	2,980,772 (2)
Water District 10	977,849	3,426,564	739,907	2,424,130	1,057,082	3,275,635	1,056,852	2,722,212	775,830	2,010,632
Freescall, Inc. (1)	690,252	3,043,737	675,872	2,854,551	698,391	2,816,300	748,582	2,696,168	886,402	2,908,885
Spanion	578,465	1,883,538	614,897	2,004,520	555,174	1,937,302	749,225	2,024,518	552,661	1,687,363
Wells Branch MUD	554,683	1,697,212	454,483	1,311,508	565,819	1,580,161	530,506	1,375,913	429,686	1,051,771
North Austin MUD	479,142	1,883,899	367,776	1,187,214	484,918	1,501,971	430,012	1,167,184	357,873	962,224
Northtown MUD	310,965	1,028,871	254,986	791,040	286,030	818,519	255,934	691,374	185,939	476,030
Lost Creek MUD	318,805	1,075,298	242,833	767,657	320,820	963,514	316,004	895,306	251,273	666,714
Shady Hollow MUD	268,087	963,357	201,922	684,625	242,315	773,893	225,365	672,468	202,342	586,198
	6,537,663	\$24,772,775 (3)	5,281,750	\$18,854,144	6,404,754	\$21,930,908	6,515,885	\$19,785,613	5,448,105	\$15,935,117

(1) Totals for Freescall, Inc. include their East Austin plant site and their West Austin plant site.

(2) Totals have been updated from previous reports.

(3) 2011 Data includes unaudited pre-close revenue results.

Summary

- Economically strong and growing customer base with firm water supply
- Solid 2011 financial results
- Financial forecast reflects steady strengthening of debt service coverage and fund balance into the future
- Council supports strengthening financial plan for Austin Water

Bond Sale Detail

- \$190 M commercial paper take-out
- \$68 M refunding for savings of portion of 2003 bonds
- \$108 M refunding of 2004 Variable Rate Bonds
- \$335 M bond sale

Timetable

June 21 st	Receive Rating
June 28 th	Council Action
July 2 nd	Post POS
July 10 th	Bond Sale
July 31 st	Closing



Austin Water Utility

Rating Agency Report Review

July 3, 2013



Rating Agency Report Review

- AWWU Bond Sale – Series 2013A
 - 3 Rating Agencies
 - Standard and Poor's
 - Moody's
 - Fitch
 - AA / Positive
 - Aa2 / Stable
 - AA- / Stable
- Process
 - Rating presentation to each agency
 - Review of forecast, CAFR, financial metrics and plans
 - Each agency issues ratings report

Key Report Results - Strengths

- Strong service area
- Strong economy and diverse customer base
- Above average wealth levels
- Sufficient treatment capacity
- Long term water supply through 2100
- Strong conservation plans
- Positive changes to AVWU's rate structure
- Implementation of a reserve fund and surcharge
- Forecast shows financial improvements
- Forecast consistent with prior forecasts

Key Report Results - Strengths

- S&P outlook upgrade from stable to positive reflecting their expectation our adopted financial policies will enhance our solid financial risk profile
- Management have targeted improvement of cash flow and reserves
- Increased fixed charges from 11% to 20%
- \$83 average residential bill reasonable due to water supply agreements already in place
- Plans to strengthen liquidity

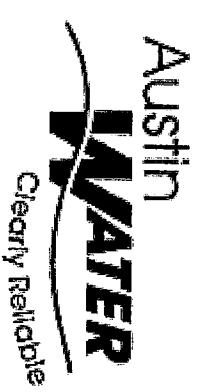
Key Report Results – Sensitivities

- Weak financials for AA rated utility
- Debt service coverage and days cash significantly below rating medians
- High debt levels – 70% of future CIP spending in debt
- Sizable capital program
- Debt levels have increased by 37% since 2008
- Debt levels high compared to total debt outstanding
- Annual debt service to be 40% of operating revenue, almost 2x the AA medians

Key Report Results – Sensitivities

- Rates somewhat high relative to income levels of city residents
- Average combined bill of \$83 is high at nearly 2% of median family income
- AWU financial performance has been largely uneven in recent years due to variable weather conditions and drought
- AWU's assumptions for water and wastewater demand are somewhat aggressive given recent trend of droughts
- Ongoing rate increases necessary to fund CIP spending
- Narrow liquidity compared to other highly rated systems

Key Report Results - Warnings



- AWWU's efforts to steadily improve its financial metrics is critical to maintaining AA rating
- Any deviation from stated financial targets will result in a downward rating action
- No measurable improvements in financial performance will likely result in rating downgrade
- Future divergences from currently planned rate increases would be viewed negatively if financial performance weakened
- Fitch will continue to monitor AWWU's ability to achieve its stated financial goals and respond accordingly

Key Report Results - Warnings

- Outlook could be reduced if economic fundamentals shift or if AWU unable to achieve the forecasted financial performance
- Ratings could go down if debt coverage erodes, more than expected debt issuance, lack of rate increases, or weakened liquidity

Impacts of Rating Downgrade

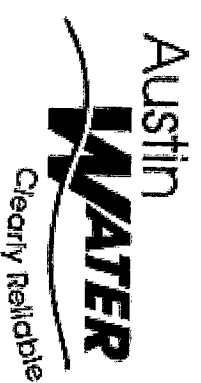
- Interest rates on issued bonds will increase
 - 1% possible increase to bond rates
 - \$150M issuance would result in \$23M in additional debt service over 30 years
 - \$800k increase to annual debt service for each issue
 - All current outstanding bonds, while issued at AA, would become A credit value to bondholders, impacting the bonds marketability and value

Debt Service Coverage

Actual	2007	2008	2009	2010	2011	2012
Debt Coverage	1.38	1.67	1.57	1.40	1.64	1.53
Projected	2013	2014	2015	2016	2017	2018
Debt Coverage	1.40	1.53	1.64	1.65	1.67	1.56

- Fitch Medians for AA systems – 1.9X
- Goals / Actions / Impacts
 - Transition towards median
 - Financial policy change to higher DSC than 1.50
 - More cash financing of capital spending
 - Methodology change in calculation
 - Impact: higher rates or need for reduced costs

Days Operating Cash



Actual	2007	2008	2009	2010	2011	2012
OC Balance	\$24.8	\$34.7	\$44.3	\$39.1	\$42.0	\$36.0
O&M	\$137.9	\$151.4	\$167.8	\$167.0	\$172.7	\$184.5
Cash Days O&M	66	84	96	85	89	71
Projected	2013	2014	2015	2016	2017	2018
OC Balance	\$29.1	\$38.3	\$42.5	\$48.5	\$59.4	\$65.0
O&M	\$217.8	\$226.5	\$240.3	\$253.0	\$265.7	\$278.8
Cash Days O&M	49	62	65	70	82	85

- Fitch Medians for AA systems – 418 days
- Goals / Actions / Impacts
 - FY14 Proposed Budget (Opt #31) increasing to 85 days by FY18
 - Balance between operating cash and equity financing of CIP
 - Combine with Revenue Stability Reserve Fund to meet median
 - Impact: higher rates or need for reduced costs

Revenue Stability Reserve Fund

Actual	2007	2008	2009	2010	2011	2012
Reserve Balance	-	-	-	-	-	-
Days O&M	-	-	-	-	-	-
Projected	2013	2014	2015	2016	2017	2018
Reserve Balance	\$5.5	\$13.6	\$24.3	\$36.1	\$49.2	\$51.5
Days O&M	17	39	66	93	120	120

- Goals / Actions / Impacts
 - 120 days of operations and maintenance
 - Use only when absolutely necessary to offset large shortfalls
 - Consider possible increase in number of days reserve in future
 - Impact: higher rates or need for reduced costs

CIP Spending – Debt Financed

Actual	2007	2008	2009	2010	2011	2012
CIP Spending (Act.)	134.9	258.3	203.1	188.6	246.3	266.7
% Debt Financed (Est.)	86%	86%	77%	86%	80%	81%
Projected	2013	2014	2015	2016	2017	2018
CIP Spending	259.4	237.3	204.2	186.7	187.2	170.3
% Debt Financed	77%	77%	60%	54%	54%	51%

- Fitch Medians for AA systems – 38%
- Goals / Actions / Impacts
 - Keep CIP spending in check – below \$1.0B
 - Goal of about 50% debt financed by 2018
 - Reduce to 40% over time
 - Impact: higher rates or need for reduced costs

Other Financial Metrics – AA Credits

	<u>Fitch Median</u>	<u>AWU</u>
Debt Per Customer	\$1,828	\$5,774
Debt per Capita	\$492	\$2,918
Average Monthly Bill	\$65	\$88
Quick Ratio	3.0	1.37