

Exhibit A: Proposed Changes to the Fiscal Year 2027 Financial Policies

Austin Energy Policies

1. Current Policy

Principal repayment delays shall be one to three years but shall not exceed five years.

Proposed Policy

Principal repayment delays must not exceed five years.

2. Current Policy

Debt service coverage of a minimum of 2.0x shall be targeted for the Electric Utility Bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x.

Note: Debt service coverage for the FY 2025-26 Budget is 2.2x.

Proposed Policy

Debt service coverage of a minimum of 2.0x shall be targeted for the Electric Utility Bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x.

3. Current Policy

Austin Energy shall maintain a minimum operating cash equivalent (also known as Working Capital) of 60 days of budgeted operations and maintenance expense, less power supply costs, plus the amount of additional monies required to bring the sum of all Austin Energy's reserves to no less than 150 days of operating and maintenance expense.

Proposed Policy

Austin Energy shall maintain a minimum operating cash equivalent (also known as Working Capital) of 60 days of budgeted operations and maintenance expense, plus the amount of additional monies required to bring the sum of all Austin Energy's reserves to no less than 150 days of operating and maintenance expense.

4. Current Policy

Current revenue, which does not include the beginning balance, will be sufficient to support current expenditures (defined as "structural balance"). However, if projected revenue in future years is not sufficient to support projected requirements, ending balance may be budgeted to achieve structural balance.

Proposed Policy

Current revenue, which does not include the beginning balance, will be sufficient to support current expenditures (defined as "structural balance"). However, if projected revenue in future years is not sufficient to support projected requirements, ending balance may be budgeted to achieve structural balance and rates shall be designed to achieve an ongoing structural balance.

Austin Water

5. Current Policy

Capital projects should be financed through a combination of cash, referred to as pay-as-you-go financing (equity contributions from current revenues), and debt. An equity contribution ratio of at least 35% to 50% is desirable.

Proposed Policy

Capital projects should be financed through a combination of cash, referred to as pay-as-you-go financing (equity contributions from current revenues), and debt. An equity contribution ratio of at least 20% is desirable for large generational projects, and 35% to 50% is desirable for all other projects.

GO Debt Policies

6. Current Policy

The ratio of net debt (total outstanding tax supported general obligation debt less G.O. Debt Service Fund balance) to Total Assessed Valuation shall not exceed 2%. This excludes debt of overlapping jurisdictions. The City shall structure its bond issuance to achieve and maintain a debt-to-assessed-value of 2% or less.

Current Policy

The ratio of Debt Service to Total Expenditures (operating expenditures and debt service combined) shall not exceed approximately 20%.

Proposed Policy (replaces both the above)

The City shall structure its bond issuances and manage its long-term bond sale schedule in a manner not likely to result in a downgrade to the City's credit rating.

7. Current Policy

The total dollar amount of bond election propositions recommended to the voters shall not exceed the City's estimated ability to issue said bonds within a normal six-year period.

Proposed Policy

It is the City's priority to size bond election propositions in a manner consistent with a six-year bond program implementation cycle. However, smaller or larger proposition sizes may be used in response to an emergency or other exigent circumstance.

8. Current Policy

The use of reimbursement resolutions shall be encouraged as a cash management tool for general obligation debt funded projects. Reimbursement resolutions may be used for any project which is on the bond sale schedule or is revenue supported.

Proposed Policy

The use of reimbursement resolutions shall be encouraged as a cash management tool for general obligation debt funded projects.

9. Proposed New Policy

Bond programs shall be designed in a manner that allows flexibility in project delivery such that CIP spending plans can be adapted to meet changing market conditions and project delivery priorities.

10. Current Policy

Timing of general obligation bond elections shall be determined by the inventory of current authorized unissued bonds remaining to be sold. An estimated two years of authorized unissued bonds shall remain before an election will be held.

A. Proposed Policy

It is the City's priority to not hold a new bond election until prior bond programs have reached substantial completion, which is generally considered to occur when approximately 90% of bond program expenditures have been incurred. However, more frequent bond elections may be held in response to an emergency or other exigent circumstance.

B. Alternate Policy

It is the City's priority to not hold a new bond election for a bond proposition category until projects within that category from prior bond programs have reached substantial completion, which is generally considered to occur when approximately 90% of bond ~~program~~ proposition expenditures have been incurred. However, more frequent bond elections may be held in response to an emergency or other exigent circumstance.