

**CITY OF SAN ANTONIO**  
**Finance Department**  
**Interdepartmental Correspondence Sheet**

TIME CERTAIN  
ITEM NO. 4  
2:03 PM

**TO:** Mayor and City Council

**FROM:** Ben Gorzell Jr. CPA, Public Utilities Supervisor/Assistant Director of Finance

**THROUGH:** Terry M. Brechtel, City Manager

**COPIES:** Melissa Byrne Vossmer, Assistant City Manager; Milo D. Nitschke, Director of Finance; Thomas G. Wendorf, P.E., Director of Public Works; Andrew Martin, City Attorney; File

**SUBJECT:** Briefing on San Antonio Water System Proposed Water Delivery and Wastewater Rate Increases for All Customer Classes

**DATE:** February 5, 2004

**SUMMARY AND RECOMMENDATION**

This item will provide a briefing on the proposed adjustments in the water delivery residential, general, wholesale, and irrigation rates and the wastewater residential, general, and wholesale rates by the San Antonio Water System (SAWS). Revenues projected from existing rates are inadequate to fund repair and replacement of aging infrastructure and increases in operations and maintenance expenses. The total additional revenue required for the water delivery and wastewater core businesses is approximately \$15.3 million, an increase of approximately 9.5%. It is comprised of: 1) \$3.2 million or approximately 4% for the Water Delivery Core Business and 2) \$12.1 million or approximately 14% for the Wastewater Core Business.

The proposed revisions to the water delivery and wastewater rates were considered and approved by resolution of the SAWS Board of Trustees on February 3, 2004. The proposed adjustments in the water delivery and wastewater rates will be scheduled for consideration by the City Council on February 12, 2004. The Public Utilities Office has reviewed the proposed rate adjustments for water delivery and wastewater and recommends the following:

- Recommend approval of the proposed adjustments to the water delivery and wastewater rates for 2004;
- Recommend that a forecast of projected adjustments to the water delivery and wastewater rates over the next five years be developed in conjunction with the update to the water supply program and submitted to the City Council in the Fall of 2004. This will provide a more comprehensive view of potential future total rate adjustment impacts to customers.

**BACKGROUND INFORMATION**

In April of 2003, SAWS retained Raftelis Financial Consulting, a nationally recognized expert in rate development, to conduct a comprehensive cost of service rate study for the water delivery and wastewater core businesses. In addition, SAWS established a Rates Advisory Committee (RAC) which was comprised of the SAWS' Board of Trustees and a stakeholder group with representatives from various industries, environmental groups, and customer classes. The RAC provided stakeholder input, developed pricing objectives, and worked with the consultants on the development of the structure of the water delivery and wastewater rates. With the input from the RAC, the objectives on the following page were identified for the study:

- |  |   |
|--|---|
| <input type="checkbox"/> Financial Sufficiency                     | <input type="checkbox"/> Equitable Contributions from Customers |
| <input type="checkbox"/> Cost of Service based Allocations         | <input type="checkbox"/> Economic Development                   |
| <input type="checkbox"/> Assistance to Disadvantaged Customers     | <input type="checkbox"/> Simplicity and Ease of Implementation  |
| <input type="checkbox"/> Minimizing Impacts on Customers           | <input type="checkbox"/> Comparability with other Communities   |
| <input type="checkbox"/> Financing of New Facilities/Water Sources | <input type="checkbox"/> Revenue Stability                      |
| <input type="checkbox"/> Conservation/Demand Management            |   |

Since April of 2003, the SAWS' Board of Trustees, RAC, and consultants met numerous times and held many work sessions to discuss, develop, and finalize the water delivery and wastewater rates. A number of options for both water delivery and wastewater rates were studied and analyzed. Attachment A reflects the current and proposed water delivery and wastewater rates. The proposed water delivery and wastewater rates essentially preserve the same rate structure in place today and are cost of service based rates with some policy deviations. Cost of Service based rates are predicated on the allocation of costs to customer groups based on their service requirements and is a commonly utilized methodology for the development of rates by a utility.

With respect to the required increase in revenue, the adjustment in water delivery and wastewater rates is anticipated to generate approximately \$15.3 million in additional revenue. This additional revenue will be primarily utilized by SAWS to fund: 1) \$6.2 million in additional debt capacity for capital improvements and other ordinance requirements, and 2) \$9.1 million in increased operating and maintenance costs.

Currently, SAWS has approximately 4,100 miles of water mains and approximately 4,900 miles of sewer mains. Of this 9,000 miles of pipe, 10% are 60 years or older, 15% are 50 years or older and 40% are 40 years or older. The average useful life of most pipe is 50 years, although many water mains may last longer as they are not subjected to an environment as corrosive as the wastewater mains. Based on the information provided by SAWS, an increasingly aging infrastructure presents a significant challenge for SAWS. Under existing rates, SAWS has the capacity to fund approximately \$19.2 million in capital improvements for the water delivery and wastewater systems in 2004 and projects that its replacement rate is approximately 200 years. SAWS estimates that it must spend approximately \$110 million annually through 2010 with 70% of this amount dedicated to replacements in order to accomplish a more acceptable 75 to 100 year replacement rate for its water delivery and wastewater infrastructure assets.

Of the proposed increase, \$6.2 million will be utilized to provide additional debt capacity inclusive of required debt service coverage and to fund other ordinance requirements. The debt will provide proceeds to fund \$88.4 million in capital improvements and together with an estimated \$11.6 million in impact fees and \$10.0 million available under existing rates will allow SAWS to meet the targeted annual capital improvement funding of \$110 million for 2004. Attachment B reflects a schedule of proposed capital improvement projects for 2004. The other ordinance requirements include items such as the payment to the City, maintaining the operating reserve, and payments to the repair and replacement fund.

The remaining \$9.1 million anticipated to be generated under the proposed increase in rates will fund additional operations and maintenance (O & M) expenses for the water delivery and wastewater core businesses. Attachment C summarizes the total change in the O & M budget in various categories for

the water delivery and wastewater core businesses from 2003 to 2004. As reflected in Attachment C, the total change from 2003 to 2004 in the O & M budget is \$11.6 million. Of this amount, approximately \$2.5 million can be funded through the existing water delivery and wastewater rates with the remaining \$9.1 million funded through the proposed adjustment to rates. Additionally, while there were many adjustments (both increases and decreases) within the water delivery and wastewater O & M budgets, Attachment C only summarizes the more significant increases in some of the major categories.

From a historical perspective, the last adjustments in rates for the water delivery core business were: an overall 9.3% increase in water rates for all customer classes which became effective with billings in January 2000; a revision to the general and wholesale rate schedules effective with billings in January 2001; and the establishment of an irrigation rate schedule effective with billings in January 2001. The last adjustment to wastewater rates occurred in September of 1994 and was a restructuring of the rate.

With respect to additional background information, there are essentially four (4) core businesses within the SAWS' system: 1) Water Delivery; 2) Wastewater; 3) Water Supply; and 4) Chilled Water and Steam. The proposed ordinances for City Council consideration on February 12<sup>th</sup> are revisions to the rates for the Water Delivery and Wastewater Core Businesses as discussed herein. For the Water Supply Core Business, a multi-year financial plan was accepted in 2000 which established maximum rates for the five year plan (2001 – 2005) and allowed the SAWS' Board of Trustees to increase the water supply rate within the maximum rates of the plan. On December 12, 2003, City Council was briefed on an increase in the water supply rate from \$0.0844 to \$0.1100 per 100 gallons which became effective in February 2004.

It is important to note that while the proposed rate increases for water delivery and wastewater address SAWS requirements for 2004, they do not provide funding in future years to continue to maintain the estimated requirement of \$110 million annually through 2010 for SAWS' capital improvement program or any increased O & M costs. As such, it is anticipated that rate increases for water delivery and wastewater will be necessary over the next several years, however, no specific projections have been provided.

During 2004, SAWS will also conduct a comprehensive review of the water supply program, update the multi-year financing plan, and develop projections for the water supply fee. It is anticipated that the update to the water supply program will be provided to City Council in the fall of 2004. In conjunction with this process, it is recommended that a forecast of projected rates for water delivery and wastewater be developed for the next five-year period. While forecasts will change as more current information becomes available, forecasts are a useful tool and will provide a more comprehensive picture of the total potential future impacts to customer bills.

#### **FINANCIAL IMPACT**

Attachment D provides a sample bill comparison for various usage levels for different customer classes. The table at the top of Attachment D entitled "Water Delivery and Wastewater Only" reflects only the change in the water delivery and wastewater components of a SAWS' bill. The residential line entitled medium consumption represents the estimated impact to an average residential ratepayer of \$2.29 monthly, or 9.0%. The table at the bottom of Attachment D entitled "Water Delivery, Wastewater, Water Supply, and EAA" also reflects the change in the water delivery, wastewater rates

but adds in the impact of the water supply fee increase effective in February 2004 as well as the increase in the EAA fee to provide an illustration of the total estimated impact in a monthly SAWS' bill. The residential line entitled medium consumption represents the estimated impact to an average residential ratepayer of \$4.52 monthly, or 13.5%. Please note that these bill comparisons exclude the stormwater fee which is also billed through SAWS.

The proposed adjustments to the water delivery and wastewater rates are anticipated to generate an additional \$15.3 million for SAWS in 2004. The City receives 2.7% of SAWS' gross revenues, therefore, the City will receive additional revenues of approximately \$206,000 in Fiscal Year 2004 and \$413,000 annually on a full fiscal year period. City of San Antonio water accounts will also be subject to the adjustment in water and wastewater rates. In anticipation of an increase in rates, the City's Fiscal Year 2004 Adopted Budget included the impact of a forecasted increase in rates. Based upon a review of the City's accounts, it is estimated that the impact to the City for its usage will be approximately \$167,000. A review of the proposed increases and the FY 2004 budget indicate that no adjustment to the budget is necessary at this time.

**COORDINATION**

This item has been coordinated with SAWS and the City Attorney's Office.

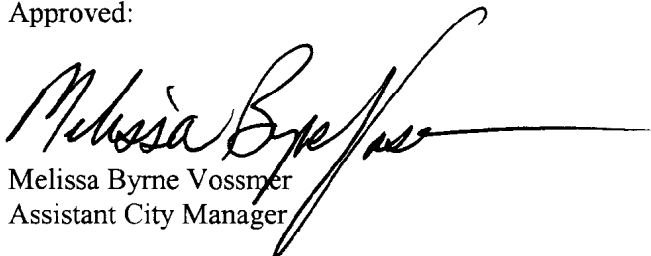
**SUPPLEMENTAL COMMENTS**

The disclosure requirements of the City's Ethics Ordinance are not applicable.



Ben Gorzell Jr., CPA  
Supervisor of Public Utilities/  
Assistant Director of Finance

Approved:



Melissa Byrne Vossmer  
Assistant City Manager



Terry M. Brechtel  
City Manager

## Attachment A

CURRENT WATER RATES											
Existing Residential Rates				Existing General Class Rates				Existing Wholesale Rates			
Monthly Service Availability Charge				Monthly Service Availability Charge				Monthly Service Availability Charge			
	Inside-City	Outside-City			Inside-City	Outside-City			Inside-City	Outside-City	
5/8"	\$ 5.61	\$ 7.28		5/8"	\$ 8.74	\$ 10.57					
3/4"	\$ 6.85	\$ 8.92		3/4"	\$ 11.37	\$ 13.60					
1"	\$ 8.22	\$ 10.68		1"	\$ 14.81	\$ 17.53					
1 1/2"	\$ 11.45	\$ 14.89		1 1/2"	\$ 23.55	\$ 27.43					
2"	\$ 16.68	\$ 21.70		2"	\$ 34.44	\$ 39.92					
3"	\$ 47.94	\$ 62.31		3"	\$ 91.60	\$ 107.34					
4"	\$ 64.75	\$ 84.16		4"	\$ 136.14	\$ 157.40					
6"	\$ 117.90	\$ 153.27		6"	\$ 259.71	\$ 298.12		6"	\$ 247.60	\$ 321.88	
8"	\$ 167.34	\$ 217.54		8"	\$ 391.47	\$ 450.40		8"	\$ 371.40	\$ 482.82	
10"	\$ 251.76	\$ 327.29		10"	\$ 536.79	\$ 619.47		10"	\$ 495.22	\$ 643.77	
12"	\$ 554.30	\$ 720.59		12"	\$ 662.31	\$ 770.88		12"	\$ 705.65	\$ 917.34	
Volume Charges per 100 gallons				Volume Charges per 100 gallons				Volume Charges per 100 gallons			
	Inside-City	Outside-City			Inside-City	Outside-City			Inside-City	Outside-City	
<u>Non-Seasonal Rates</u>				<u>Non-Seasonal Rates</u>				<u>Non-Seasonal Rates</u>			
Block 1: (1st 7,481)	\$ 0.0722	\$ 0.0940		Base *	\$ 0.0900	\$ 0.1170		Base*	\$ 0.0615	\$ 0.0800	
Block 2: (next 5,236)	\$ 0.1038	\$ 0.1350		100 - 125% of Base	\$ 0.0975	\$ 0.1268		100 - 125% of Base	\$ 0.0710	\$ 0.0923	
Block 3: (next 4,488)	\$ 0.1288	\$ 0.1673		125% - 150% of Base	\$ 0.1050	\$ 0.1365		125% - 150% of Base	\$ 0.0769	\$ 0.1000	
Block 4: (over 17,205)	\$ 0.2703	\$ 0.3463		150% - 200% of Base	\$ 0.1150	\$ 0.1495		150% - 200% of Base	\$ 0.0828	\$ 0.1077	
				Over 200 % of Base	\$ 0.2590	\$ 0.3367		Over 200 % of Base	\$ 0.0888	\$ 0.1154	
<u>Seasonal Rates</u>				<u>Seasonal Rates</u>				<u>Seasonal Rates</u>			
Block 1: (1st 7,481)	\$ 0.0722	\$ 0.0940									
Block 2: (next 5,236)	\$ 0.1128	\$ 0.1466									
Block 3: (next 4,488)	\$ 0.1388	\$ 0.1805									
Block 4: (over 17,205)	\$ 0.3490	\$ 0.4487									
				*Base equals 90% of average annual consumption.				*Base equals 90% of average annual consumption.			
Existing Irrigation Rates											
Monthly Service Availability Charge											
	Inside-City	Outside-City			Inside-City	Outside-City			Inside-City	Outside-City	
5/8"	\$ 8.74	\$ 10.57									
3/4"	\$ 11.37	\$ 13.60									
1"	\$ 14.81	\$ 17.53									
1 1/2"	\$ 23.55	\$ 27.43									
2"	\$ 34.44	\$ 39.92									
3"	\$ 91.60	\$ 107.34									
4"	\$ 136.14	\$ 157.40									
6"	\$ 259.71	\$ 298.12									
8"	\$ 391.47	\$ 450.40									
10"	\$ 536.79	\$ 619.47									
12"	\$ 662.31	\$ 770.88									
Volume Charges per 100 gallons											
	Inside-City	Outside-City			Inside-City	Outside-City			Inside-City	Outside-City	
Block 1: (12,718)	\$ 0.1200	\$ 0.1560									
Block 2: (next 4,487)	\$ 0.1900	\$ 0.2470									
Block 3: (over 17,205)	\$ 0.2590	\$ 0.3400									

# PROPOSED WATER RATES

Proposed Residential Rates			Proposed General Class Rates			Proposed Wholesale Rates			Proposed Irrigation Rates		
Monthly Service Availability Charge			Monthly Service Availability Charge			Monthly Service Availability Charge			Monthly Service Availability Charge		
	Inside-City	Outside-City		Inside-City	Outside-City		Inside-City	Outside-City		Inside-City	Outside-City
5/8"	\$ 5.61	\$ 7.28	5/8"	\$ 8.14	\$ 9.81				5/8"	\$ 8.14	\$ 9.81
3/4"	\$ 7.12	\$ 9.25	3/4"	\$ 10.91	\$ 13.04				3/4"	\$ 10.91	\$ 13.04
1"	\$ 10.36	\$ 13.47	1"	\$ 15.93	\$ 19.04				1"	\$ 15.93	\$ 19.04
1 1/2"	\$ 18.46	\$ 23.99	1 1/2"	\$ 29.07	\$ 34.60				1 1/2"	\$ 29.07	\$ 34.60
2"	\$ 28.18	\$ 36.63	2"	\$ 43.85	\$ 52.30				2"	\$ 43.85	\$ 52.30
3"	\$ 50.85	\$ 66.11	3"	\$ 88.74	\$ 104.00				3"	\$ 88.74	\$ 104.00
4"	\$ 83.25	\$ 108.22	4"	\$ 146.41	\$ 171.38				4"	\$ 146.41	\$ 171.38
6"	\$ 164.24	\$ 213.51	6"	\$ 290.53	\$ 339.80	6"	\$ 164.24	\$ 213.51	6"	\$ 290.53	\$ 339.80
8"	\$ 261.42	\$ 339.85	8"	\$ 450.87	\$ 529.30	8"	\$ 261.42	\$ 339.85	8"	\$ 450.87	\$ 529.30
10"	\$ 374.81	\$ 487.25	10"	\$ 627.40	\$ 739.84	10"	\$ 374.81	\$ 487.25	10"	\$ 627.40	\$ 739.84
12"	\$ 698.76	\$ 908.39	12"	\$ 989.26	\$ 1,198.89	12"	\$ 698.76	\$ 908.39	12"	\$ 989.26	\$ 1,198.89
Volume Charges per 100 gallons			Volume Charges per 100 gallons			Volume Charges per 100 gallons			Volume Charges per 100 gallons		
Non-Seasonal Rates	Inside-City	Outside-City		Inside-City	Outside-City		Inside-City	Outside-City		Inside-City	Outside-City
Block 1: (1st 7,481)	\$ 0.0751	\$ 0.0976	Base *	\$ 0.0900	\$ 0.1170	Base *	\$ 0.0654	\$ 0.0850	Block 1: (12,718)	\$ 0.1266	\$ 0.1645
Block 2: (next 5,236)	\$ 0.1086	\$ 0.1412	100 - 125% of Base	\$ 0.1043	\$ 0.1356	100 - 125% of Base	\$ 0.0816	\$ 0.1061	Block 2: (next 4,487)	\$ 0.1900	\$ 0.2470
Block 3: (next 4,488)	\$ 0.1707	\$ 0.2219	125% - 150% of Base	\$ 0.1354	\$ 0.1760	125% - 150% of Base	\$ 0.1123	\$ 0.1460	Block 3: (over 17,205)	\$ 0.2623	\$ 0.3410
Block 4: (over 17,205)	\$ 0.2728	\$ 0.3546	150% - 200% of Base	\$ 0.1774	\$ 0.2306	150% - 200% of Base	\$ 0.1497	\$ 0.1946			
			Over 200 % of Base	\$ 0.2623	\$ 0.3410	Over 200 % of Base	\$ 0.1963	\$ 0.2552			
Seasonal Rates			*Base equals 90% of average annual consumption.			*Base equals 90% of average annual consumption.					
Block 1: (1st 7,481)	\$ 0.0751	\$ 0.0976									
Block 2: (next 5,236)	\$ 0.1181	\$ 0.1535									
Block 3: (next 4,488)	\$ 0.1840	\$ 0.2392									
Block 4: (over 17,205)	\$ 0.3523	\$ 0.4580									

## WASTEWATER RATES

Existing Wastewater Rates					
<u>Residential</u>		<u>General Class</u>		<u>Wholesale</u>	
<u>Volume Charges per 100 gallons</u>		<u>Volume Charges per 100 gallons</u>		<u>Volume Charges per 100 gallons</u>	
<u>Inside-City</u>		<u>Inside-City</u>		<u>Inside-City</u>	
First 1,496 gallons - minimum	\$ 5.70	First 1,496 gallons - minimum	\$ 6.40		\$ -
Over 1,496 gallons	\$ 0.1526	Over 1,496 gallons	\$ 0.1489	Over 1,496 gallons	\$ 0.1362
<u>Outside-City</u>		<u>Outside-City</u>		<u>Outside-City</u>	
First 1,496 gallons - minimum	\$ 6.8400	First 1,496 gallons - minimum	\$ 7.6800	Billing Fee	\$ 67.00
Over 1,496 gallons	\$ 0.1831	Over 1,496 gallons	\$ 0.1787	Over 1,496 gallons	\$ 0.1467

Proposed Wastewater Rates					
<u>Residential</u>		<u>General Class</u>		<u>Wholesale</u>	
<u>Volume Charges per 100 gallons</u>		<u>Volume Charges per 100 gallons</u>		<u>Volume Charges per 100 gallons</u>	
<u>Inside-City</u>		<u>Inside-City</u>		<u>Inside-City</u>	
First 1,496 gallons - minimum	\$ 6.60	First 1,496 gallons - minimum	\$ 6.60		\$ -
Over 1,496 gallons	\$ 0.1750	Over 1,496 gallons	\$ 0.1750	Volume Charge	\$ 0.1577
<u>Outside-City</u>		<u>Outside-City</u>		<u>Outside-City</u>	
First 1,496 gallons - minimum	\$ 7.92	First 1,496 gallons - minimum	\$ 7.92	Billing Fee	\$ 77.54
Over 1,496 gallons	\$ 0.2100	Over 1,496 gallons	\$ 0.2100	Volume Charge	\$ 0.1893

## Attachment B

### Proposed 2004 Capital Improvement Program

			2004
<b>GRAND TOTAL WATER/WASTEWATER</b>			<b>\$98,214,257</b>
Allocated Overhead @10%			\$9,821,426
2% Contingency			\$1,964,285
<b>Total</b>			<b>\$109,999,968</b>
<b>WATER DELIVERY</b>			
Project Title	Cost Element		Costs 2004
<b>BUILDINGS-WATER</b>			
New Laboratory	Construction		\$2,150,000
NWSC Build Out	Construction		\$1,000,000
<b>Subtotal</b>			<b>\$3,150,000</b>
<b>DISTRIBUTION</b>			
PT Eng. Annual Surveying Contract	Design		\$250,000
PT Eng. Annual Civil Engineering Design Services Contract	Design		\$150,000
PT Eng. Annual Geotech Contract	Design		\$200,000
PT Eng. Annual Electrical Services Contract	Design		\$150,000
PT Eng. Annual Environmental Services contract	Design		\$150,000
<b>Pressure Zone 7 Improvements</b>			
Bandera Rd Pressure Zone 7 Water Main	Design		\$320,000
Lincoln Heights Main Improvements and Pressure Zone Change	Design		\$250,000
Maltsberger - 30" Water Main Extension (North of Loop 410) - CIP	Construction		\$430,000
<b>Pressure Zone 5 Looping</b>			
BUENA VISTA FROM SAN GABRIEL AVE. TO OLD HWY 90 W.	Construction		\$141,700
BUENA VISTA FROM SAN GABRIEL AVE. TO OLD HWY 90 W.	Design		\$22,200
Connection at Wurzbach Dr. and Fredricksburg Rd.	Construction		\$10,200
Connection at Wurzbach Dr. and Fredricksburg Rd.	Design		\$1,500
FM 1937: Loop 410 - Pleasanton	Design		\$535,000
Local Benefit Main Extensions Program	Construction		\$50,000
Meters, Land, Structures Annual Fund	Construction		\$400,000
MARNOCH FROM SCENIC LOOP TO RAFTER S. TRL.	Construction		\$354,100
MARNOCH FROM SCENIC LOOP TO RAFTER S. TRL.	Design		\$48,500
Old Pearsall Rd. from Medina Base Rd. to Military Dr.	Construction		\$141,700
Old Pearsall Rd. from Medina Base Rd. to Military Dr.	Design		\$22,200
Oversize Water Mains - CIP	Construction		\$1,500,000
Reinforcing Mains/Misc Service Level Changes -Water - Annual Fund	Construction		\$586,000
<b>Subtotal</b>			<b>\$5,713,100</b>
<b>GOVERNMENTAL PROGRAM- WATER</b>			
Governmental Relocations/Replacements - Water	Construction		\$15,000,000
<b>MAIN REPLACEMENTS-WATER</b>			
Interfund Transfer - Operations -Water	Construction		\$2,000,000
San Fernando Water Replacement Phase I	Construction		\$322,165
San Fernando Water Replacement Phase II	Construction		\$624,620
Miscellaneous Main Replacements - Water - CIP	Construction		\$400,000
Unspecified Design Services - Water	Design		\$200,000
Valley Ridge Mobile Home Park Water Replacement	Construction		\$1,000,000
Valley Ridge Mobile Home Park Water Replacement	Design		\$10,000
Utility Acquisitions - Water Replacements	Design		\$200,000
<b>Subtotal</b>			<b>\$4,756,785</b>
<b>PRODUCTION</b>			
Real Estate/Easement Acquisition	Acquisition		\$1,000,000
Emergency Generator Project and Power Reliability Project	Construction		\$1,000,000
Emergency Production Replacements Annual Fund	Construction		\$800,000
Replace Primary Switchgear - CIP	Construction		\$800,000
Replace Primary Switchgear - CIP	Design		\$80,000
Water Facilities Chlorine Upgrades Program	Construction		\$2,000,000
Water Facilities Chlorine Upgrades Program	Design		\$250,000
Water Facility Demolition and Well Plugging Program	Construction		\$200,000
Water Facility Demolition and Well Plugging Program	Design		\$50,000
Micron Pump Station - Phase II	Construction		\$3,700,000
<b>Subtotal</b>			<b>\$9,880,000</b>
<b>Total Water Delivery without OH/Contingency</b>			<b>\$38,499,885</b>
<b>Contingency</b>			<b>\$769,998</b>
<b>Overhead</b>			<b>\$3,849,989</b>
<b>GRAND TOTAL WATER DELIVERY</b>			<b>\$43,119,871</b>



# **Proposed 2004 Capital Improvement Program**

		2004
<b>WASTEWATER</b>		
<b>Buildings-Wastewater</b>		
New Laboratory	Construction	\$2,150,000
NWSC Build Out	Construction	\$1,000,000
<b>Total</b>		<b>\$3,150,000</b>
<b>Corporate-Wastewater</b>		
Enterprise Resource Planning Project	Design	
<b>Total</b>		<b>\$0</b>
<b>COLLECTION</b>		
Castroville@36th Street Lift Station and Force Main	Construction	\$2,150,000
Lift Station Phase I of 198, 199, 200, and 201	Design	\$20,000
Lift Station Phase I of 198, 199, 200, and 201	Construction	\$100,000
Oversize Sewer Mains Annual Fund	Construction	\$1,000,000
Real Estate/Easement Acquisition	Acquisition	\$1,000,000
<b>Subtotal</b>		<b>\$4,270,000</b>
<b>Governmental Relocations/Replacements - Sewer</b>	<b>Construction</b>	<b>\$12,000,000</b>
<b>Main Replacements-Sewer</b>		
Castroville @ 36th Main Rehab	Construction	\$5,264,372
EARZ Televising, Testing & Repairs Program	Construction	\$7,600,000
EARZ Televising, Testing & Repairs Program	Design	\$500,000
Emergency Operations Group - Sewer - CIP	Construction	\$9,800,000
Interfund Transfer - Operations -Sewer	Construction	\$2,000,000
Kelly USA Main Replacements	Construction	\$100,000
Unspecified DesignServices - Sewer	Design	\$250,000
Utility Acquisition - Sewer Replacements	Construction	\$200,000
Valley Ridge Mobile Home Park Sewer Replacement	Construction	\$1,000,000
Valley Ridge Mobile Home Park Sewer Replacement	Design	\$10,000
<b>Subtotal</b>		<b>\$26,724,372</b>
<b>Treatment</b>		
Close Salado	Construction	\$780,000
Consolidate and Improve De-Watering Addtn'l capacity	Design	\$140,000
Consolidate and Improve De-Watering	Construction	\$2,500,000
DR WRC Grit Control	Construction	\$2,000,000
DR WRC Grit Control	Design	\$200,000
DR WRC Install Beneficial Gas Utilization System	Construction	\$1,300,000
DR WRC Intercom and Building Rehab	Construction	\$200,000
DR WRC Rerating - Phase I	Construction	\$1,700,000
Emergency Treatment Plant Repairs Annual Fund	Construction	\$1,800,000
LC WRC Improvements due to extended plant life expectancy	Design	\$200,000
Medio Creek WRC Expansion (6.5 MGD)	Design	\$1,500,000
Salado WRC DCS Headwork Improvements	Des/Constr	\$750,000
WRC Large Equipment Monitoring and Replacement Program	Construction	\$500,000
<b>Subtotal</b>		<b>\$13,570,000</b>
<b>Total Wastewater without OH/Contingency</b>		<b>\$59,714,372</b>
<b>Contingency</b>		<b>\$1,194,287</b>
<b>Overhead</b>		<b>\$5,971,437</b>
<b>GRAND TOTAL WASTEWATER</b>		<b>\$66,880,097</b>
<b>Heating and Cooling</b>		
Central Plant - Steam and Condensation Line Replacement	Construction	\$100,000
Central Plant - Replace/Rebuild 2 each Boilers	Construction	\$1,800,000
Kelly USA - Replace Fill Material in Cooling Tower # 3 Building 356	Construction	\$160,000
<b>Total</b>		<b>\$2,060,000</b>
<b>Overhead Allocation and Contingency</b>		<b>\$247,200</b>
<b>Total</b>		<b>\$2,307,200</b>
<b>Water Supply</b>		
ASR Inside Phase II (30MGD)		\$16,647,000
ASR Integration		\$12,386,020
Edwards GW Purchase		\$16,000,000
Enterprise Resource Planning Project		\$2,100,000
Lower Guadalupe Water Supply Project		\$5,593,500
Oliver Ranch		\$3,000,000
Recycle Program		\$1,500,000
Regional Carrizo Phase I		\$25,463,400
Regional Carrizo Phase II		\$1,000,000
Regional Carrizo Integration		\$4,100,000
Watershed Prot. Sens. Land		\$3,000,000
West Canyon		\$4,000,000
<b>Total (Includes Overhead Allocation and Contingency)</b>		<b>\$94,789,920</b>

## Attachment C

Operations and Maintenance Changes from 2003 to 2004		
<b>Operations</b>		<b>\$ Millions</b>
General	\$	1.1
Production		0.4
Distribution/Collection		0.8
Other Maintenance (elect., mech)		1.7
Pumps		1.4
Television		1.7
Subtotal	\$	7.1
<b>Treatment</b>		
Plant Operations	\$	1.4
Plant Maintenance		0.8
Subtotal	\$	2.2
<b>Planning/Engineering</b>	\$	0.5
<b>Shared Costs (insurance/Retirement</b>		3.5
<b>Corporate Support</b>		(1.0)
<b>Unidentified Cuts</b>		(0.7)
<b>Total</b>	\$	11.6
<b>Available from Current Funding</b>		2.5
<b>Required from Proposed Rates</b>	\$	9.1

**Attachment D**  
**Sample Bill Comparison**

<b>Water Delivery and Wastewater Only</b>								
<b>Class</b>		<b>Assumptions</b>			<b>Total Water and Sewer Bill</b>			
		<b>Gallons Water Per Month</b>	<b>Gallons Sewer Per Month</b>	<b>Meter Size</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Difference</b>	<b>% Difference</b>
<b>Residential</b>								
Low Consumption	Low Watering	5,000	5,000	5/8"	\$ 20.27	\$ 22.08	\$ 1.81	8.9%
Medium Consumption	Med. Watering	8,500	6,500	5/8"	\$ 25.41	\$ 27.70	\$ 2.29	9.0%
High Consumption	High Watering	15,000	11,250	5/8"	\$ 39.96	\$ 44.49	\$ 4.53	11.3%
<b>Commercial</b>								
Low Consumption	Eg. Conv. Store	15,000	15,000	5/8"	\$ 47.14	\$ 54.58	\$ 7.44	15.8%
Medium Consumption	Eg. Car Dealer	37,000	37,000	1.5"	\$ 116.62	\$ 132.04	\$ 15.42	13.2%
High Consumption	Eg. Lg. Resturant	212,000	212,000	1"	\$ 528.21	\$ 586.97	\$ 58.76	11.1%
<b>Wholesale</b>								
Average Consumption	Eg. Small City	1,631,000	1,223,250	8"	\$ 3,669.19	\$ 4,153.77	\$ 484.58	13.2%
<b>Irrigation</b>								
Average Consumption	Eg. Shopping Center	62,000	None	5/8"	\$ 148.55	\$ 150.27	\$ 1.72	1.2%

<b>Water Delivery, Waste Water, Water Supply and EAA</b>								
<b>Class</b>		<b>Assumptions</b>			<b>Total Water, Sewer, Water Supply and EAA Bill</b>			
		<b>Gallons Water Per Month</b>	<b>Gallons Sewer Per Month</b>	<b>Meter Size</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Difference</b>	<b>% Difference</b>
<b>Residential</b>								
Low Consumption	Low Watering	5,000	5,000	5/8"	\$ 25.07	\$ 28.19	\$ 3.12	12.4%
Medium Consumption	Med. Watering	8,500	6,500	5/8"	\$ 33.58	\$ 38.09	\$ 4.52	13.5%
High Consumption	High Watering	15,000	11,250	5/8"	\$ 54.37	\$ 62.83	\$ 8.46	15.6%
<b>Commercial</b>								
Low Consumption	Eg. Conv. Store	15,000	15,000	5/8"	\$ 61.55	\$ 72.92	\$ 11.37	18.5%
Medium Consumption	Eg. Car Dealer	37,000	37,000	1.5"	\$ 152.17	\$ 177.28	\$ 25.11	16.5%
High Consumption	Eg. Lg. Resturant	212,000	212,000	1"	\$ 731.88	\$ 846.16	\$ 114.28	15.6%
<b>Wholesale</b>								
Average Consumption	Eg. Small City	1,631,000	1,223,250	8"	\$ 5,236.09	\$ 6,147.83	\$ 911.74	17.4%
<b>Irrigation</b>								
Average Consumption	Eg. Shopping Center	62,000	None	5/8"	\$ 208.11	\$ 226.07	\$ 17.96	8.6%