

CITY OF SAN ANTONIO
Finance Department
Interdepartmental Correspondence Sheet

PUBLIC HEARING
FIN DEPT
ITEM NO 5

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 ~~Vassmer~~, Assistant City Manager; Milo D. Nitschke, Director of Finance; Thomas G. Wendorf, P.E., Director of Public Works; Andrew Martin, City Attorney; File

SUBJECT: Ordinance Approving Proposed Adjustments to Water Delivery and Wastewater Rates

DATE: February 12, 2004

SUMMARY AND RECOMMENDATION

This Ordinance will approve adjustments to the water delivery residential, general, wholesale, and irrigation rates and the wastewater residential, general, and wholesale rates for 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. A briefing on the proposed adjustments in the water delivery and wastewater rates was provided to the City Council on February 5, 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:

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

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 12th 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 are estimates and that actual impacts to individual customers will depend on their usage and individual consumption patterns. The comparisons also exclude the stormwater fee which is also billed through SAWS.

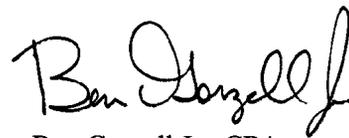
The proposed adjustments to the water delivery and wastewater rates are anticipated to generate an additional \$15.3 million for SAWS in 2004. The City receives 2.7% of SAWS' gross revenues, therefore, the City will receive additional revenues of approximately \$206,000 in Fiscal Year 2004 and \$413,000 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.

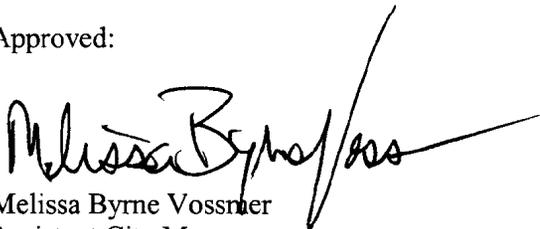
SUPPLEMENTAL COMMENTS

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 | | | | Existing 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" | \$ | 8.74 | \$ 10.57 | | | | | 5/8" | \$ | 8.74 | \$ 10.57 |
| 3/4" | \$ | 6.85 | \$ 8.92 | 3/4" | \$ | 11.37 | \$ 13.60 | | | | | 3/4" | \$ | 11.37 | \$ 13.60 |
| 1" | \$ | 8.22 | \$ 10.68 | 1" | \$ | 14.81 | \$ 17.53 | | | | | 1" | \$ | 14.81 | \$ 17.53 |
| 1 1/2" | \$ | 11.45 | \$ 14.89 | 1 1/2" | \$ | 23.55 | \$ 27.43 | | | | | 1 1/2" | \$ | 23.55 | \$ 27.43 |
| 2" | \$ | 16.68 | \$ 21.70 | 2" | \$ | 34.44 | \$ 39.92 | | | | | 2" | \$ | 34.44 | \$ 39.92 |
| 3" | \$ | 47.94 | \$ 62.31 | 3" | \$ | 91.60 | \$ 107.34 | | | | | 3" | \$ | 91.60 | \$ 107.34 |
| 4" | \$ | 64.75 | \$ 84.16 | 4" | \$ | 136.14 | \$ 157.40 | | | | | 4" | \$ | 136.14 | \$ 157.40 |
| 6" | \$ | 117.90 | \$ 153.27 | 6" | \$ | 259.71 | \$ 298.12 | 6" | \$ | 247.60 | \$ 321.88 | 6" | \$ | 259.71 | \$ 298.12 |
| 8" | \$ | 167.34 | \$ 217.54 | 8" | \$ | 391.47 | \$ 450.40 | 8" | \$ | 371.40 | \$ 482.82 | 8" | \$ | 391.47 | \$ 450.40 |
| 10" | \$ | 251.76 | \$ 327.29 | 10" | \$ | 536.79 | \$ 619.47 | 10" | \$ | 495.22 | \$ 643.77 | 10" | \$ | 536.79 | \$ 619.47 |
| 12" | \$ | 554.30 | \$ 720.59 | 12" | \$ | 662.31 | \$ 770.88 | 12" | \$ | 705.65 | \$ 917.34 | 12" | \$ | 662.31 | \$ 770.88 |
| Volume Charges per 100 gallons | | | | 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 | | | Inside-City | Outside-City |
| Non-Seasonal Rates | | | | Non-Seasonal Rates | | | | Non-Seasonal Rates | | | | Non-Seasonal Rates | | | |
| Block 1: (1st 7,481) | \$ | 0.0722 | \$ 0.0940 | Base * | \$ | 0.0900 | \$ 0.1170 | Base* | \$ | 0.0615 | \$ 0.0800 | Block 1: (12,718) | \$ | 0.1200 | \$ 0.1560 |
| 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 2: (next 4,487) | \$ | 0.1900 | \$ 0.2470 |
| 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 3: (over 17,205) | \$ | 0.2590 | \$ 0.3400 |
| 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 | | | | |
| Seasonal Rates | | | | Seasonal Rates | | | | Seasonal Rates | | | | Seasonal Rates | | | |
| Block 1: (1st 7,481) | \$ | 0.0722 | \$ 0.0940 | *Base equals 90% of average annual consumption. | | | | Block 1: (1st 7,481) | \$ | 0.0722 | \$ 0.0940 | *Base equals 90% of average annual consumption. | | | |
| Block 2: (next 5,236) | \$ | 0.1128 | \$ 0.1466 | | | | | Block 2: (next 5,236) | \$ | 0.1128 | \$ 0.1466 | | | | |
| Block 3: (next 4,488) | \$ | 0.1388 | \$ 0.1805 | | | | | Block 3: (next 4,488) | \$ | 0.1388 | \$ 0.1805 | | | | |
| Block 4: (over 17,205) | \$ | 0.3490 | \$ 0.4487 | | | | | Block 4: (over 17,205) | \$ | 0.3490 | \$ 0.4487 | | | | |

PROPOSED WATER RATES

Proposed Residential Rates

| <u>Monthly Service Availability Charge</u> | | |
|--|--------------------|---------------------|
| | <u>Inside-City</u> | <u>Outside-City</u> |
| 5/8" | \$ 5.61 | \$ 7.28 |
| 3/4" | \$ 7.12 | \$ 9.25 |
| 1" | \$ 10.36 | \$ 13.47 |
| 1 1/2" | \$ 18.46 | \$ 23.99 |
| 2" | \$ 28.18 | \$ 36.63 |
| 3" | \$ 50.85 | \$ 66.11 |
| 4" | \$ 83.25 | \$ 108.22 |
| 6" | \$ 164.24 | \$ 213.51 |
| 8" | \$ 261.42 | \$ 339.85 |
| 10" | \$ 374.81 | \$ 487.25 |
| 12" | \$ 698.76 | \$ 908.39 |

Volume Charges per 100 gallons

| <u>Non-Seasonal Rates</u> | <u>Inside-City</u> | <u>Outside-City</u> |
|---------------------------|--------------------|---------------------|
| Block 1: (1st 7,481) | \$ 0.0751 | \$ 0.0976 |
| Block 2: (next 5,236) | \$ 0.1086 | \$ 0.1412 |
| Block 3: (next 4,488) | \$ 0.1707 | \$ 0.2219 |
| Block 4: (over 17,205) | \$ 0.2728 | \$ 0.3546 |

Seasonal Rates

| | | |
|------------------------|-----------|-----------|
| 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 |

Proposed General Class Rates

| <u>Monthly Service Availability Charge</u> | | |
|--|--------------------|---------------------|
| | <u>Inside-City</u> | <u>Outside-City</u> |
| 5/8" | \$ 8.14 | \$ 9.81 |
| 3/4" | \$ 10.91 | \$ 13.04 |
| 1" | \$ 15.93 | \$ 19.04 |
| 1 1/2" | \$ 29.07 | \$ 34.60 |
| 2" | \$ 43.85 | \$ 52.30 |
| 3" | \$ 88.74 | \$ 104.00 |
| 4" | \$ 146.41 | \$ 171.38 |
| 6" | \$ 290.53 | \$ 339.80 |
| 8" | \$ 450.87 | \$ 529.30 |
| 10" | \$ 627.40 | \$ 739.84 |
| 12" | \$ 989.26 | \$ 1,198.89 |

Volume Charges per 100 gallons

| | <u>Inside-City</u> | <u>Outside-City</u> |
|---------------------|--------------------|---------------------|
| Base * | \$ 0.0900 | \$ 0.1170 |
| 100 - 125% of Base | \$ 0.1043 | \$ 0.1356 |
| 125% - 150% of Base | \$ 0.1354 | \$ 0.1760 |
| 150% - 200% of Base | \$ 0.1774 | \$ 0.2306 |
| Over 200 % of Base | \$ 0.2623 | \$ 0.3410 |

*Base equals 90% of average annual consumption.

Proposed Wholesale Rates

| <u>Monthly Service Availability Charge</u> | | |
|--|--------------------|---------------------|
| | <u>Inside-City</u> | <u>Outside-City</u> |
| 6" | \$ 164.24 | \$ 213.51 |
| 8" | \$ 261.42 | \$ 339.85 |
| 10" | \$ 374.81 | \$ 487.25 |
| 12" | \$ 698.76 | \$ 908.39 |

Volume Charges per 100 gallons

| | <u>Inside-City</u> | <u>Outside-City</u> |
|---------------------|--------------------|---------------------|
| Base * | \$ 0.0654 | \$ 0.0850 |
| 100 - 125% of Base | \$ 0.0816 | \$ 0.1061 |
| 125% - 150% of Base | \$ 0.1123 | \$ 0.1460 |
| 150% - 200% of Base | \$ 0.1497 | \$ 0.1946 |
| Over 200 % of Base | \$ 0.1963 | \$ 0.2552 |

*Base equals 90% of average annual consumption.

Proposed Irrigation Rates

| <u>Monthly Service Availability Charge</u> | | |
|--|--------------------|---------------------|
| | <u>Inside-City</u> | <u>Outside-City</u> |
| 5/8" | \$ 8.14 | \$ 9.81 |
| 3/4" | \$ 10.91 | \$ 13.04 |
| 1" | \$ 15.93 | \$ 19.04 |
| 1 1/2" | \$ 29.07 | \$ 34.60 |
| 2" | \$ 43.85 | \$ 52.30 |
| 3" | \$ 88.74 | \$ 104.00 |
| 4" | \$ 146.41 | \$ 171.38 |
| 6" | \$ 290.53 | \$ 339.80 |
| 8" | \$ 450.87 | \$ 529.30 |
| 10" | \$ 627.40 | \$ 739.84 |
| 12" | \$ 989.26 | \$ 1,198.89 |

Volume Charges per 100 gallons

| | <u>Inside-City</u> | <u>Outside-City</u> |
|------------------------|--------------------|---------------------|
| Block 1: (12,718) | \$ 0.1266 | \$ 0.1645 |
| Block 2: (next 4,487) | \$ 0.1900 | \$ 0.2470 |
| Block 3: (over 17,205) | \$ 0.2623 | \$ 0.3410 |

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 | First 1,496 gallons - minimum | \$ - |
| 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 | First 1,496 gallons - minimum | \$ - |
| 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 |
|--|---|--------------|----------------------|
| GRAND TOTAL WATER/WASTEWATER | | | \$98,214,257 |
| Allocated Overhead @10% | | | \$9,821,426 |
| 2% Contingency | | | \$1,964,285 |
| Total | | | \$109,999,968 |
| | | | |
| WATER DELIVERY | Project Title | Cost Element | Costs 2004 |
| BUILDINGS-WATER | | | |
| | New Laboratory | Construction | \$2,150,000 |
| | NWSC Build Out | Construction | \$1,000,000 |
| | Subtotal | | \$3,150,000 |
| | | | |
| DISTRIBUTION | | | |
| | 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 |
| Pressure Zone 7 Improvements | | | |
| | 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 |
| Pressure Zone 5 Looping | | | |
| | 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 |
| | Subtotal | | \$5,713,100 |
| | | | |
| GOVERNMENTAL PROGRAM- WATER | | | |
| | Governmental Relocations/Replacements - Water | Construction | \$15,000,000 |
| | | | |
| MAIN REPLACEMENTS-WATER | | | |
| | 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 |
| | Subtotal | | \$4,756,785 |
| | | | |
| PRODUCTION | | | |
| | 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 |
| | Subtotal | | \$9,880,000 |
| Total Water Delivery without OH/Contingency | | | \$38,499,885 |
| Contingency | | | \$769,998 |
| Overhead | | | \$3,849,989 |
| GRAND TOTAL WATER DELIVERY | | | \$43,119,871 |

Attachment D
Sample Bill Comparison

| Water Delivery and Wastewater Only | | | | | | | | | |
|---|---------------------|------------------------------------|------------------------------------|-----------------------|-----------------------------------|---------------------------|-------------------|---------------------|--|
| Class | | Assumptions | | | Total Water and Sewer Bill | | | | |
| | | Gallons Water Per Month | Gallons Sewer Per Month | Meter Size | Current Rates | Proposed Rates | Difference | % Difference | |
| Residential | | | | | | | | | |
| Low Consumption | Low Watering | 5,000 | 5,000 | 5/8" | \$ 20.27 | \$ 22.10 | \$ 1.83 | 9.0% | |
| 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% | |
| Commercial | | | | | | | | | |
| Low Consumption | Eg. Conv. Store | 15,000 | 15,000 | 5/8" | \$ 49.12 | \$ 52.74 | \$ 3.62 | 7.4% | |
| Medium Consumption | Eg. Car Dealer | 37,000 | 37,000 | 1.5" | \$ 116.62 | \$ 132.04 | \$ 15.42 | 13.2% | |
| High Consumption | Eg. Lg. Resturaunt | 212,000 | 212,000 | 1" | \$ 528.21 | \$ 586.97 | \$ 58.76 | 11.1% | |
| Wholesale | | | | | | | | | |
| Average Consumption | Eg. Small City | 1,631,000 | 1,223,250 | 8" | \$ 3,669.19 | \$ 4,153.77 | \$ 484.58 | 13.2% | |
| Irrigation | | | | | | | | | |
| Average Consumption | Eg. Shopping Center | 62,000 | None | 5/8" | \$ 148.55 | \$ 150.27 | \$ 1.72 | 1.2% | |

| Water Delivery, Waste Water, Water Supply and EAA | | | | | | | | | |
|--|---------------------|------------------------------------|------------------------------------|-----------------------|--|---------------------------|-------------------|---------------------|--|
| Class | | Assumptions | | | Total Water, Sewer, Water Supply and EAA Bill | | | | |
| | | Gallons Water Per Month | Gallons Sewer Per Month | Meter Size | Current Rates | Proposed Rates | Difference | % Difference | |
| Residential | | | | | | | | | |
| Low Consumption | Low Watering | 5,000 | 5,000 | 5/8" | \$ 25.07 | \$ 28.21 | \$ 3.14 | 12.5% | |
| Medium Consumption | Med. Watering | 8,500 | 6,500 | 5/8" | \$ 33.57 | \$ 38.09 | \$ 4.52 | 13.5% | |
| High Consumption | High Watering | 15,000 | 11,250 | 5/8" | \$ 54.37 | \$ 62.83 | \$ 8.46 | 15.6% | |
| Commercial | | | | | | | | | |
| Low Consumption | Eg. Conv. Store | 15,000 | 15,000 | 5/8" | \$ 63.53 | \$ 71.08 | \$ 7.55 | 11.9% | |
| Medium Consumption | Eg. Car Dealer | 37,000 | 37,000 | 1.5" | \$ 152.17 | \$ 177.28 | \$ 25.11 | 16.5% | |
| High Consumption | Eg. Lg. Resturaunt | 212,000 | 212,000 | 1" | \$ 731.88 | \$ 846.16 | \$ 114.28 | 15.6% | |
| Wholesale | | | | | | | | | |
| Average Consumption | Eg. Small City | 1,631,000 | 1,223,250 | 8" | \$ 5,236.09 | \$ 6,147.83 | \$ 911.74 | 17.4% | |
| Irrigation | | | | | | | | | |
| Average Consumption | Eg. Shopping Center | 62,000 | None | 5/8" | \$ 208.11 | \$ 226.07 | \$ 17.96 | 8.6% | |

CITY OF SAN ANTONIO
INTERDEPARTMENTAL CORRESPONDENCE SHEET

PUBLIC HEARING
FILE NUMBER
TRM NO. 5
3:30PM

TO: San Antonio City Council

FROM: Eugene Habiger, General USAF (ret), President/ Chief Executive Officer,
San Antonio Water System

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

SUBJECT: ORDINANCES APPROVING AND AUTHORIZING AMENDMENT OF
CHAPTER 34 OF THE CITY CODE, RELATED TO RATES FOR WATER
AND SEWER SERVICE BY ADOPTING REVISED SCHEDULES FOR
RESIDENTIAL, GENERAL, WHOLESALE, AND IRRIGATION WATER
RATES AND RESIDENTIAL, GENERAL, AND WHOLESALE
WASTEWATER RATES.

DATE: February 12, 2004

SUMMARY:

The attached Ordinance amends Chapter 34, Water and Sewer Service, of the City Code by approving and authorizing revisions to the rates for water and sewer service as provided to all customers including Residential, General, Wholesale and Irrigation classes. The Ordinance further authorizes the establishment of the Affordability Discount Program assisting qualified customers with a reduction of a portion of the water service availability charges and wastewater minimum charges.

BACKGROUND AND RECOMMENDATION:

The San Antonio Water System Board of Trustees proposes these amendments as it is deemed in the best interest of the citizens of San Antonio to adopt such adjustments to the rates to provide adequate funding for the necessary costs of operating and maintaining the System, repairing and replacing the aging infrastructure, and investing in certain strategic initiatives for improvement to ensure the continuation of the high quality service the citizens of San Antonio have come to expect from the System.

- Aging infrastructure is one of the most serious utility issues facing the San Antonio Water System and its customers.
- Current revenues do not fully recover the increased capital investments needed to address the aging infrastructure of the System and the infrastructure replacement rate is not at a level that is consistent with the average useful life of the System's assets.
- Current rates do not fully recover the rising costs associated with the operation and maintenance of the System and costs are increasing at rates the System cannot absorb.
- The Residential, General, and Wholesale wastewater rates have not been revised nor updated since September 1, 1994.

ORDINANCE AMENDING WATER AND SEWER RATES

February 12, 2004

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- The Residential water rates have not been revised nor updated since December 1, 1999
- The General, Wholesale, and Irrigation Water rates have not been revised nor updated since December 1, 2000.
- The proposed rates include funds to pay for debt service on \$88 million of the \$110 million capital investment and for additional operating and maintenance expenses associated with infrastructure, technology, and the increased costs of doing business.

As an assistance measure for low-income customers, the Affordability Discount Program is proposed. The program utilizes a sliding scale discount on the service availability charge and the minimum charge based upon levels below defined poverty levels of qualifying households.

Projected impacts of the rate adjustment on residential customers are shown below.

| <i>Monthly Water Consumption in Gallons</i> | <i>Monthly Sewer Consumption in Gallons</i> | <i>Existing Rates</i> | <i>Proposed Rates</i> | <i>Change</i> |
|---|---|-----------------------|-----------------------|---------------|
| 5,000 | 3,750 | \$23.16 | \$26.02 | \$2.86 |
| 10,000 | 7,500 | \$38.09 | \$43.31 | \$5.22 |
| 15,000 | 11,250 | \$54.37 | \$62.83 | \$8.46 |
| 20,000 | 15,000 | \$75.29 | \$86.88 | \$11.59 |
| 25,000 | 18,750 | \$99.34 | \$113.20 | \$13.86 |
| 50,000 | 37,500 | \$219.54 | \$244.78 | \$25.24 |

The uses of funds for the System are summarized in the table below:

| <i>(\$ millions)</i> | <i>Existing Rates</i> | <i>Adjustment</i> | <i>Revised Rates</i> |
|-----------------------------------|-----------------------|-------------------|----------------------|
| Operation and Maintenance Expense | 90.1 | 9.1 | 99.2 |
| Operating Reserve | 1 | 1 | 2 |
| Debt Service | 51.6 | 3.6 | 55.2 |
| Other Ordinance Requirement | 14.6 | 1.3 | 15.9 |
| Capital Outlay | <u>3.3</u> | <u>-0.1</u> | <u>3.2</u> |
| Subtotal | 160.6 | 14.9 | 175.5 |
| Transfer to the City | <u>4.5</u> | <u>0.4</u> | <u>4.9</u> |
| Total | 165.1 | 15.3 | 180.4 |

It is recommended that City Council approve this Ordinance.

SUPPLEMENTARY COMMENTS:

Board of Trustees Action: The San Antonio Water System Board of Trustees passed the attached Resolution recommending Council approval of this amendment to Chapter 34 at a regular meeting of the Board on February 3, 2004.

ORDINANCE AMENDING WATER AND SEWER RATES

February 12, 2004

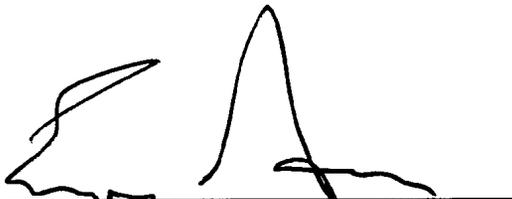
Page 3

SAWS undertook a lengthy public involvement process to inform the ratepayers of the need and effect of these rate adjustments.

- Over 100 public presentations on the state of the water and wastewater infrastructure were given at meetings of chambers of commerce, industrial associations, neighborhood associations and civic groups.
- Additionally a formal Rates Advisory Committee with representatives from the diverse ratepayer groups convened over a nine-month period to review rate structures and discuss rate policy. The Board of Trustees held eleven (11) open evening public meetings to discuss the issues assisted by the 14 member representative group of customers as well as numerous citizens who attended the meetings.

The following table compares SAWS' total residential monthly water and sewer bills with the existing water and sewer charges of other Texas cities. The calculation is based on SAWS' average monthly residential consumption of 8,500 gallons of water and 6,500 gallons of wastewater service.

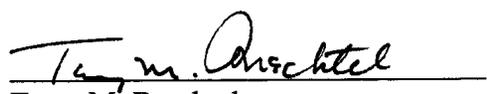
| | |
|------------------------|----------|
| El Paso | \$ 27.85 |
| San Antonio (Proposed) | \$ 38.09 |
| Dallas | \$ 38.82 |
| Arlington | \$ 39.73 |
| Lubbock | \$ 40.42 |
| Plano | \$ 41.93 |
| Fort Worth | \$ 48.18 |
| Austin | \$ 48.84 |
| Houston | \$ 50.11 |
| Corpus Christi | \$ 54.91 |



Eugene E. Habiger
General USAF (Ret.)
President/Chief Executive Officer
San Antonio Water System



Melissa Byrne Voßmer
Assistant City Manager
City of San Antonio



Terry M. Brechtel,
City Manager
City of San Antonio