


**CITY OF SAN ANTONIO
INTERDEPARTMENTAL CORRESPONDENCE
CITY MANAGER'S OFFICE**

TO: Mayor & City Council

FROM: Ben Gorzell, Chief Financial Officer 

COPIES: Sheryl Sculley, City Manager; Troy Elliott, Director of Finance; Rogelio Pena, Assistant City Attorney

SUBJECT: Report on Proposed Adjustments to SAWS Rates and Rate Structure

DATE: November 10, 2015

SUMMARY & RECOMMENDATIONS:

Based upon a comprehensive review of proposed changes to the SAWS rate structure and proposed adjustments to SAWS rates, staff recommends the following for City Council consideration:

- ⇒ Approve recommendations by the SAWS Board of Trustees to the SAWS rate structure;
- ⇒ Approval of a 7.5% system-wide increase for 2016;
- ⇒ Approval of a Rate Plan for 2017 to 2020;
- ⇒ SAWS should continue to conduct outreach and begin providing additional assistance to customers receiving the affordability discount whose water usage is in residential blocks four through eight;
- ⇒ Monitor affordability programs in relation to rate increases implemented in the future;
- ⇒ SAWS should continue to evaluate and focus on reducing water loss within its system;
- ⇒ SAWS should evaluate and implement improvements to its customer service business processes to include potential technology enhancements;
- ⇒ SAWS should continue to provide quarterly written progress reports relating to its Sanitary Sewer Overflow (SSO) program which outlines performance of the program to include operational statistics such as miles of lines cleaned and televised and financial information; and
- ⇒ SAWS should resume briefings to City Council every other month; agenda to be managed by the City and should be focused on financial performance and key policy issues such as water supply projects to include Vista Ridge and Desalination, SSO Program, customer service improvements, drought management plan, and conservation initiatives.

BACKGROUND:

The Public Utilities Staff ("Staff") of the Finance Department conducted a comprehensive review of the proposed rate structure changes and the proposed rate adjustments. Staff was involved in the process beginning in 2014 as SAWS conducted a Comprehensive Cost of Service (COS) and Rate Design Study (rate study) and as SAWS was developing its revenue requirements and rate models for the 2016 Budget and 5-Year Plan. The following sections offer a more detailed description of the analysis.

Rate Structure Review

In accordance with its policy to perform rate studies once every five years, the SAWS Board of Trustees authorized a new COS study to be concluded in 2015. The study focused on determining the effectiveness of existing rate structures, updating cost of service allocations to customer classes, and identifying viable rate structure alternatives based upon input and rate study priorities.

To facilitate the COS study, the SAWS Board of Trustees appointed the Rates Advisory Committee (RAC), a 17-member advisory group to provide input on the COS Study. The RAC included representatives from throughout the community including ten members nominated by City Councilmembers. The SAWS Board of Trustees also engaged a national rate consultant, Black and Veatch, to work with the RAC and staff on the development of the COS study. In conducting the study, the consultant utilized industry practices and principles established by the American Water Works Association (AWWA) and the Water Environment Federation (WEF).

City staff attended all RAC public meetings and conducted a review of the work and recommendations from Black & Veatch and the RAC. The complete “Comprehensive Cost of Service and Rate Design Analysis” Report prepared by Black and Veatch can be found on-line at: http://www.saws.org/who_we_are/community/rac/docs/2014/2015%20SAWS%20Rate%20Study%20Report_FINAL.pdf. The recommended changes to the current rate structure approved by the SAWS Board of Trustees and forwarded for City Council consideration are summarized in Attachment A. For informational purposes, we have included the impact of the proposed 2016 rate increases in the tables to reflect what the rate would be in 2016.

The recommendations by the RAC were approved by the SAWS Board of Trustees with the only adjustments to the recycled water rate, fire line rate, irrigation system non-compliance fee, and other fees including the Fat, Oils, and Grease (FOG) fees and Encroachment/Easement Application Processing Fee.

Proposed Rate Adjustments

Rate Plan

As part of the development of the SAWS multi-year financial plan for 2016 through 2020, SAWS is requesting that City Council approve the rate plan as outlined in Table I below. The rate adjustment percentages are based on the impact to the average residential customer (assumes a monthly consumption of 7,092 gallons of water and 5,668 gallons of wastewater).

Table I – Rate Plan

Average Residential Bill	2016	2017	2018	2019	2020
Water Supply Fee	1.8%	3.2%	1.3%	4.5%	9.9%
Water Delivery & Wastewater	5.7%	4.7%	4.9%	4.2%	3.8%
Total	7.5%	7.9%	6.2%	8.7%	13.7%
	Approved Rate	Rate Plan	Projections		

If approved, the proposed 2016 rate adjustment of 7.5% would be effective January 1, 2016. The proposed adjustments for 2017 through 2020 establish a rate plan with each of the adjustments representing a rate cap. For 2017, the proposed rate cap of 7.9% is for the water supply, water delivery, and wastewater core businesses of SAWS. The approval of the rate plan for 2018 through 2020 is solely for the water supply core business and is to support “financial closure” on the Vista Ridge Project. For 2018 to 2020, SAWS has also provided projections for the water delivery and wastewater increases for those years. These projections are not included in the rate plan being considered for approval by the City Council on November 19th, but have been provided for informational purposes only.

The actual requested rate increase in the future by SAWS for 2017 through 2020 is subject to a review by the Public Utilities Office. If the Public Utilities Office agrees with SAWS' request and the request does not exceed the pre-approved rate caps, the rates will go into effect automatically on January 1st of each respective calendar year without further City Council action. If the rate request exceeds the pre-approved rate plan, then formal City Council action will be required. While no further City Council action will be required if the rate adjustment in any respective calendar year is within the pre-approved amounts, representatives of SAWS and City staff will brief the City Council in B-Session prior to the implementation of any such rate adjustment.

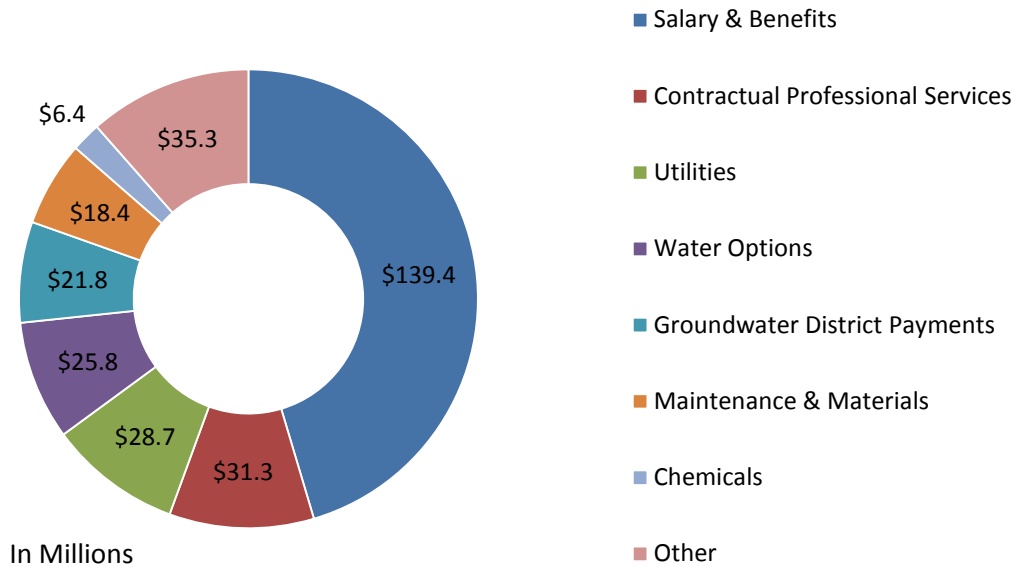
Rate Review

City Staff conducted a comprehensive review of the proposed rate adjustment for 2016 and the proposed rate plan for 2017 through 2020. The review included areas such as the COS Model, the Economic/Rate Model; Key Financial Targets; Revenue Requirements; Proposed Capital Plan; Operations and Maintenance Budget; Financing Plan; Affordability Programs; Credit Considerations and others. Highlights of the review are summarized in the following sections.

Operations & Maintenance (O&M) Budget

The total O&M budget is \$307.1 million for 2016. After capitalization of \$38.2 million in costs that support and will be charged to the capital budget, the proposed O&M budget is \$268.9 million. This represents a \$3.1 million or 1.2% increase from last fiscal year's budget of \$265.8 million. The following graphic reflects the major categories of the O&M Budget.

Total O&M= \$307.1M



The following are highlights from the review of the proposed O&M Budget for 2016:

⇒ Of the total O&M Budget, \$139.4 million, or 45.4% is for salary and benefits;

- ⇒ Another \$132.4 million, or 43.1% is in major categories to include contractual professional services, electric utility charges, water options, groundwater district payments, maintenance and materials, and chemicals;
- ⇒ Remaining \$35.3 million, or 11.5%, is comprised of the various remaining line items such as fuel and lubricants, software and hardware maintenance, legal services, communications equipment, small tools and others;
- ⇒ Total positions for SAWS and Bexar Met combined (net of turnover) was 2,071 positions in 2009 and has decreased since then to a low of 1,699 positions in 2014;
- ⇒ Includes an addition of 42 positions, of which 12 are funded from redirections of other costs within the O&M budget; these positions address the areas of customer service, water leak repairs, field service representatives, consent decree support, and technology enhancement and support;
- ⇒ Compensation increases for 2016 are included in performance pay which is based on a budget pool of 3.6% of salaries; includes the implementation of a \$13 living wage; SAWS does not implement cost of living adjustments or have a step pay plan; and
- ⇒ Includes costs to support benefits programs to include active healthcare, retiree healthcare and pension benefits; SAWS has implemented a number of changes to manage benefit costs and align with other comparable peers; Examples include additional cost sharing with retirees and implementation of a Medicare Advantage Plan and a hybrid pension for employees hired after June 1, 2014 to include a defined benefit component and a defined contribution plan.

Capital Improvements Plan

Capital requirements are a significant driver in the development of rates as funding is derived from the issuance of additional debt and equity contributions, both of which impact cash flows on an annual basis. Equity contributions include both cash funding from the Repair and Replacement Account and impact fees. Staff's review of the capital plan focused on the first 5 years (FY2016 through FY2020). SAWS' five year capital plan is projected at \$1.4 billion and includes \$251 million for water resource development, \$802 million for wastewater projects, and \$370 million for water delivery projects. Attachment B provides a summary of the capital program over the five year period. For 2016, the capital budget is \$235.6 million which is comprised of the following:

- ⇒ \$129.6 million in Wastewater projects with 92% consisting of replacement related projects, 2% consisting of growth related projects and 6% other;
- ⇒ \$72.0 million in Water Delivery projects with 73% consisting of replacement related projects, 6% consisting of growth related projects and 21% other;
- ⇒ \$29.1 million in Water Supply & Recycled Water projects which consists of \$28.5 million for infrastructure improvements for integration of the Vista Ridge Project; and
- ⇒ \$4.9 million in Chilled Water projects which includes Chilled Water System Communication & Control Replacement, exterior improvements to the Commerce Street Plant and adjustment of water lines at Alamo and Cesar Chavez.

Sanitary Sewer Overflow Reduction Program (SSORP)

In 2013, SAWS entered into a Consent Decree under which it agreed to implement and perform several programs and initiatives over a ten year period from 2013 to 2023 to reduce the number of Sanitary Sewer Overflows (SSOs). Over this ten year period, the projected cost is estimated to be \$1.1 billion comprised of \$250 million in operating costs and \$850 million in capital costs.

From 2013 to July of 2015, SAWS has expended \$76.7 million in operating costs and has committed \$147.6 million in capital projects in the SSORP. Operating costs are higher in the earlier years of the

program due to efforts such as line cleaning, televising of lines, and inspections. Capital investment will become larger as SAWS proceeds through the ten year program. SAWS submits quarterly reports to the City documenting its efforts under the SSORP, tracking progress, and measuring results of the program. These quarterly reports can be found on-line at: <http://www.saws.org/infrastructure/epa/download.cfm>. SAWS must also submit a report to the Environmental Protection Agency (EPA) annually. Based upon the quarterly reports, SAWS is on track with the SSORP goals for the various programs, however, due to the significant rainfall in 2015, the trend for SSOs will be higher as compared to 2014.

Water Loss

“Real Water Loss” is the physical loss of water from the distribution system, including leakage and storage overflows. Real water loss within a utilities distribution system remains a challenge for most water utilities. SAWS and DSP (former Bexar Met) has a distribution system made up of almost 7,000 miles of distribution mains, pumps, and storage tanks.

During the past three years, SAWS estimates its real water losses were: 25,065 acre/ft. for 2012; 25,703 acre/ft. for 2013; and, 32,097 acre/ft. for 2014. Based upon our review of several sources regarding water loss, the amount of real water loss experienced by SAWS appears to be about average. Over the past several years, SAWS has made changes to begin to address the issue of real water loss. It has installed meters at its production facilities to more accurately account for the water that is produced and has also been replacing older or low performing customer meters to get a more accurate accounting of water used by customers. In 2016, SAWS is adding 16 positions for a leak detection and repair crew to also focus on reducing the real water loss.

Customer Service Improvements

A review of call center data reflected some challenges in areas such as wait times and call abandonment rates. Most recently SAWS experienced issues with some customers receiving very high water bills. On October 1, 2015, SAWS briefed City Council on the issues that contributed to these high bills and SAWS’ proposed action plan to address billing errors. SAWS indicated that an increase in the number of estimated meter reads, heavy rain months in late spring, hotter and drier conditions in the summer, along with the methodology utilized to estimate usage resulted in a significant increase in some customer’s bills. SAWS took steps to address these issues such as meeting with community groups, creating a dedicated phone line and e-mail address for reporting concerns, and “Rapid Response” sessions.

We believe these recent issues further highlight the need for SAWS to make business process improvements to its customer service functions. These business process improvements should also take into consideration available technology to enhance its customer service functions.

Economic/Rate Model

SAWS uses a comprehensive Cash Flow Model (“Model”) to develop financial forecasts of revenues, operations and maintenance expense, capital expenditures, capital financing including cash and debt financing, and rate requirements. The Model incorporates 20-year financial forecasts and requirements by each core business unit – Water Delivery, Wastewater, Water Supply, and Chilled Water.

The structure of the Model, which includes the calculation of the flow of funds and rate adjustment requirements, is based on the enabling Ordinance of SAWS. In addition to requirements under the Ordinance, SAWS leadership team has developed key financial targets and policies that are designed to assist SAWS in maintaining a strong financial position, attaining its long-term financial goals, meeting the capital and maintenance requirements of the four core business units, and maintaining a strong credit

rating. Credit ratings are an important factor due to the level of projected capital funding required and the impact on the overall cost of borrowing.

The analysis of the rate model indicates that the current rate request will maintain or slightly improve key SAWS financial measures during the next several years. With the large capital program SAWS has planned over the next several years, strong financial measures will be essential to ensure the lowest possible financing costs along with adequate debt capacity. The proposed rate model also plans for all obligations in the flow of funds (outlined in SAWS bond ordinances) to be met as required. The model includes conservative assumptions that should allow SAWS actual rate requirements for 2017 to 2020 to be less than those included in the proposed rate plan. Some of the key conservative assumptions include variables such as:

- ⇒ Cost of the Vista Ridge water is included at the maximum amount allowed under the Contract;
- ⇒ Assumes no sale of water from the Vista Ridge Project to third parties;
- ⇒ Issuance of all Senior Lien Debt to fund Capital Improvement Program and the related debt service fund requirements;
- ⇒ Sales Forecast; and
- ⇒ Full integration of Bexar Met into SAWS in 2017.

Customer Bill Impact

The proposed rate adjustments as requested by SAWS will have a combined effect of an overall increase of 7.5% in system-wide revenues for Wastewater, Water Delivery and Water Supply Fee rates. If the proposed rate increase is approved, the average residential customer using 7,092 gallons would pay \$55.65 per month, an increase of \$3.90 per month from the existing rate structure. The proposed increase would become effective January 1, 2016. For examples of the impact of the rate structure changes and proposed rate increases on the residential and general class customers at various usages, please see Attachment C.

Affordability Program Update

The Affordability Discount Program (ADP) is projected to increase by 19% from \$2.30 million to \$2.74 million in 2016. The ADP is a discount taken off each monthly bill and it is available for those customers who have income at or below 125% of Federal Poverty guidelines. Attachment D summarizes the changes in the sliding scale from 2015 to 2016.

For those SAWS customers receiving an ADP discount, staff reviewed where the usage would fall within the new proposed eight block water rate structure. Based upon this review, approximately 41% would fall in blocks 4 through 8. Staff recommends that SAWS do additional outreach to these customers to assist in determining why usage is in the upper blocks and, if possible, assist in lowering their usage into the lower blocks. If needed, SAWS should also consider providing additional assistance to ADP customers in the upper blocks if usage cannot be lowered given that the level of rate increase is much more significant in the upper blocks.

This ADP is in addition to the following programs which provide assistance to qualifying customers who need help paying their SAWS bill: Project Agua – Payment Assistance, Senior Citizen Billing Program and Disability Billing program.

FISCAL IMPACT:

The City receives 2.7% of gross revenues from SAWS. If the new rates become effective January 1, 2016, additional revenue of approximately \$697,000 will be generated for FY2016. On an annual basis, City payment would increase by approximately \$929,000 beginning in FY2017.

The City's utility expenses would also increase for the remainder of the current fiscal year in the amount of approximately \$109,000. On an annual basis, the City's utility expenses will increase by approximately \$145,000 beginning in FY2017.

The net impact to the City will be \$588,000 in FY2016 and \$784,000 in FY2017.

CONCLUSION:

Based on the analysis outlined above, we believe the actual rate requirements for 2017 through 2020 will be less than what is projected in the rate plan. We also believe the rate model is appropriately conservative, maintains some flexibility for SAWS, and is consistent with an approach supportive of maintaining a high bond rating. Our professional recommendations are summarized in the "Summary and Recommendations" section of this memorandum.

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Appendix A: SAWS Board of Trustees Recommendations Summary

Water Rate Structure and Rates

- Develop a Residential Lifeline Supply rate block. This proposal would change the rate structure by reducing the volumetric rate for the first 2,992 gallons of consumption and lowering the fixed charge for customers with no usage above 2,992 gallons.
- Expand the number of Residential volumetric blocks from four to eight.

Block	Existing Block Threshold	Proposed Block Threshold
1	5,985	2,992
2	12,717	4,489
3	17,205	5,985
4	Above	7,481
5		10,473
6		14,962
7		20,199
8		Above

- Continue to group the multi-family customers with the General class.
- Expand the number of Irrigation volumetric blocks from three to four.

Block	Existing Block Threshold	Proposed Block Threshold
1	6,732	8,229
2	17,205	17,954
3	Above	162,316
4		Above

- For the Wholesale class, reduce the existing four block volumetric block structure to two blocks where the first block represents the customer's prior year's average monthly usage or the base use amount as defined in a wholesale contract and the second block represents water usage by wholesale customers above the prior year average or the agreed upon base amount. Eliminate the distinction between inside city limit (ICL) and outside city limit (OCL) wholesale rates and develop one wholesale water rate structure that fully recovers the estimated cost of providing wholesale water service to existing wholesale customers.
- Eliminate the seasonal rate structure.
- Apply consistent block differentials to both water delivery and the water supply rates within each rate class.
- Consider the following combined water delivery and water supply rate schedules for FY 2015 for ICL customers (Tables below). The range of volumetric rates presented in the existing rate schedules for some classes represent standard and seasonal rates. As part of this analysis, the recommendation is to eliminate the seasonal rate structure.

Proposed FY 2015 and 2016 Water Rates- Residential (ICL)

Description	Residential ICL				
	Existing		Restructured		Proposed FY 2016
<i>Availability Charge (meter size)*</i>	<i>(per bill)</i>		<i>(per bill)</i>		
5/8"	\$7.57		\$9.76		\$10.72
3/4"	\$10.63		\$12.91		\$14.19
1"	\$16.72		\$19.19		\$21.09
1 1/2"	\$31.94		\$34.88		\$38.33
2"	\$50.18		\$53.69		\$59.01
3"	\$92.80		\$97.63		\$107.30
4"	\$153.67		\$160.38		\$176.26
6"	\$305.86		\$317.27		\$348.68
8"	\$488.47		\$505.54		\$555.59
10"	\$701.52		\$725.18		\$796.97
12"	\$1,310.24		\$1,352.74		\$1,486.66
	<i>Threshold (gal)</i>	<i>(per 100 gal)</i>	<i>Threshold (gal)</i>	<i>(per 100 gal)</i>	
Combined Water Volumetric Rate					
Block 1	5,985	\$0.2291	2,992	\$0.1379	\$0.1511
Block 2	12,717	\$0.3315 - \$0.3442	4,489	\$0.2413	\$0.2644
Block 3	17,205	\$0.4675 - \$0.4977	5,985	\$0.3102	\$0.3398
Block 4	Above	\$0.8185 - \$0.9469	7,481	\$0.3793	\$0.4155
Block 5			10,473	\$0.4482	\$0.4910
Block 6			14,962	\$0.5172	\$0.5666
Block 7			20,199	\$0.6206	\$0.6799
Block 8			Above	\$0.8963	\$0.9818

* Proposed Residential Availability Charge will be reduced by \$1.95 (2015) and \$2.14 (2016) if usage does not exceed 2,992 gallons.

Proposed FY 2015 and 2016 Water Rates – General (ICL) (Includes Commercial, Multi-Family, Industrial, and Municipal Customers)

Description	General ICL		
	Existing <i>(per bill)</i>	Restructured <i>(per bill)</i>	Proposed FY 2016
Availability Charge (meter size)			
5/8"	\$10.53	\$10.54	\$11.58
3/4"	\$15.05	\$15.06	\$16.55
1"	\$24.08	\$24.08	\$26.46
1 1/2"	\$46.65	\$46.62	\$51.24
2"	\$73.74	\$73.63	\$80.92
3"	\$136.96	\$136.73	\$150.27
4"	\$227.28	\$226.84	\$249.30
6"	\$453.06	\$452.12	\$496.88
8"	\$723.99	\$722.49	\$794.02
10"	\$1,040.08	\$1,037.89	\$1,140.64
12"	\$1,943.21	\$1,939.07	\$2,131.04
Combined Water Volumetric Rate (per 100 gal)			
Base	\$0.3194	\$0.2918	\$0.3197
101% - 125% of Base	\$0.3433	\$0.3356	\$0.3678
126% - 175% of Base	\$0.4018	\$0.4377	\$0.4797
176% of Base and Above	\$0.4967	\$0.5107	\$0.5597

Proposed FY 2015 and 2016 Water Rates - Wholesale

Description	Wholesale Water				
	Existing OCL		Restructured		Proposed 2016
Availability Charge (meter size)	<i>(per bill)</i>		<i>(per bill)</i>		
6"	\$397.62		\$409.92		\$450.50
8"	\$635.03		\$654.67		\$719.48
10"	\$911.98		\$940.20		\$1,033.28
12"	\$1,703.33		\$1,756.03		\$1,929.88
	<i>Threshold (gal)</i>	<i>(per 100 gal)</i>	<i>Threshold (gal)</i>	<i>(per 100 gallons)</i>	
Combined Water Volumetric Rate					
Block 1	Base	\$0.3074	Base	\$0.3603	\$0.3948
Block 2	101% - 125% of Base	\$0.3626	Greater than Base	\$1.0811	\$1.1845
Block 3	126% - 175% of Base	\$0.4359			
Block 4	176% of Base and Above	\$0.5345			

Proposed FY 2015 and 2016 Water Rates – Irrigation (ICL)

Description	Irrigation ICL				
	Existing		Restructured		Proposed 2016
<i>Availability Charge (meter size)*</i>	<i>(per bill)</i>		<i>(per bill)</i>		
5/8"	\$10.53		\$10.54		\$11.58
3/4"	\$15.05		\$15.06		\$16.55
1"	\$24.08		\$24.08		\$26.46
1 1/2"	\$46.65		\$46.62		\$51.24
2"	\$73.74		\$73.63		\$80.92
3"	\$136.96		\$136.73		\$150.27
4"	\$227.28		\$226.84		\$249.30
6"	\$453.06		\$452.12		\$496.88
8"	\$723.99		\$722.49		\$794.02
10"	\$1,040.08		\$1,037.89		\$1,140.64
12"	\$1,943.21		\$1,939.07		\$2,131.04
	<i>Threshold (gal)</i>	<i>(per 100 gal)</i>	<i>Threshold (gal)</i>	<i>(per 100 gal)</i>	<i>(per 100 gal)</i>
Combined Water Volumetric Rate					
Block 1	6,732	\$0.3689	8,229	\$0.4519	\$0.4954
Block 2	17,205	\$0.4675 - \$0.5006	17,954	\$0.6326	\$0.6935
Block 3	Above	\$0.8572 - \$0.9912	162,316	\$0.8134	\$0.8917
Block 4			Above	\$1.0394	\$1.1395

Wastewater Rate Structure and Rates

- Maintain existing minimum allowance of 1,496 gallons included in the service availability charge for residential and general class customers.
- Implement a two block volumetric rate for the Residential class. This change also includes a significantly lower rate for the Lifeline Supply block of 2,992 gallons.
- Transition from a uniform fixed availability charge structure (regardless of meter size) to a meter-based tiered availability charge tied to the size of the water meter. Continue charging a uniform fixed availability charge to wholesale wastewater customers.
- Continue to group the multi-family customers with the General class.
- New residential customers with no established average winter consumption are currently charged a monthly wastewater charge based on an assumed consumption of 11 ccf (8,229 gallons). After 3 months, the customer is charged the lesser of actual average water usage or the unaveraged rate. Consider reducing the unaveraged rate by 1 ccf (748 gallons) each year for the next 3 years to bring the unaveraged rate more closely in line with the system-wide Average Winter Consumption.
- Eliminate the distinction between ICL and OCL wholesale rates and develop one wholesale wastewater rate structure that fully recovers the estimated cost of providing wastewater service to wholesale customers.
- Consider the following wastewater rate schedules for FY 2015 for ICL customers.

Proposed FY 2015 and 2016 Wastewater Rates- Residential (ICL) & General (ICL)

Sewer ICL					
Description	Existing Residential & General	Restructured Residential	Proposed FY 16 Residential	Restructured General	Proposed FY 16 General
Availability Charge (meter size)*	<i>(per bill)</i>				
5/8"	\$12.69	\$11.67	\$12.29	\$11.67	\$12.29
3/4"	\$12.69	\$12.84	\$13.52	\$12.84	\$13.52
1"	\$12.69	\$14.59	\$15.36	\$14.59	\$15.36
1 1/2"	\$12.69	\$20.43	\$21.51	\$20.43	\$21.51
2"	\$12.69	\$29.18	\$30.73	\$29.18	\$30.73
3"	\$12.69	\$58.36	\$61.45	\$58.36	\$61.45
4"	\$12.69	\$87.54	\$92.18	\$87.54	\$92.18
6"	\$12.69	\$145.90	\$153.63	\$145.90	\$153.63
8"	\$12.69	\$233.43	\$245.80	\$233.43	\$245.80
10"	\$12.69	\$350.15	\$368.71	\$350.15	\$368.71
12"	\$12.69	\$466.87	\$491.61	\$466.87	\$491.61
Wastewater Volumetric Rate	<i>(per 100 gallons)</i>				
Block 1**	\$0.3365	\$0.2495	\$0.2627	\$0.3343	\$0.3520
Block 2	n/a	\$0.3743	\$0.3941	n/a	n/a

*Sewer availability charge includes a minimum allowance of 1,496 gallons.

** The proposed Residential volumetric rates consist of two blocks with Block 1 ending at 2,992 gallons.

Proposed FY 2015 and 2016 Wastewater Rates – Wholesale

Description	Wholesale Sewer		
	Existing	Restructured	Proposed 2016
Availability Charge	<i>(per bill)</i>		
All Meter Sizes	\$149.02	\$273.33	\$287.82
Wastewater Volumetric Rate	<i>(per 100 gallons)</i>		
Uniform	\$0.3641	\$0.3567	\$0.3756

Revenue Stability and Drought Rates

- Develop a revenue stability strategy to address revenue volatility associated with extreme weather conditions. This strategy might include:
 - Reducing the projected amount of water sales when developing budgets and determining the need for rate adjustments.
 - Automatically adjusting rates during periods when significant drought restrictions are in effect in order to further incentivize lower water usage as well as offset revenue losses from a significant reduction in customer usage. A drought rate analysis is not contained within this report.

Recycled Water

- Continue with the same Recycled Water structure until a more detailed analysis can be conducted with input from a recycled water users group. This analysis will need to take into account the price of recycled water compared to the price of potable water as well as any additional costs incurred by customers to utilize recycled water instead of potable water.
- Increase recycled water rates annually based on weighted average potable water rate adjustments. The proposed recycled water rate increase is 9.6%, effective Jan. 1, 2016, which is equal to the weighted average increase in Water and Water Supply rates. The 2017 plan for recycled water rates includes an amount not to exceed 12.3% to be effective on consumption on or about January 1, 2017.

District Special Project

- Achieve rate consolidation between SAWS and District Special Project (DSP) no later than January 2017 to meet state law.
- The establishment of a water rate class for former Bexar Metropolitan Water District service area customers upon the dissolution of the District Special Project to remain in effect until full rate integration of the System occurs as required by law.

Fire Line Charges

- SAWS proposed fire line increase is of 9.6%.

Sewer Surcharges

- Increase existing sewer surcharge rates by 11.7% in connection with potential rate adjustment.

Affordability Program

- In addition to a Lifeline Supply rate for water and wastewater, other program modifications include:
 - Expand outreach to increase participation
 - Simplify process for qualifying participants
 - Update data on existing participants in a timely manner
 - Possible expansion of direct emergency assistance provided through Project Agua
 - Timely identification and repair of leaks resulting in high bills for qualifying customers

Irrigation System Non-Compliance

- Failure to comply with the annual irrigation system inspection requirements will result in the assessment of additional charges on the account associated with the irrigation system.
- Assessment of an annual enforcement fee in the amount of \$153.00 for accounts not in compliance.

- Assessment of an additional volumetric rate of \$0.0969 per 100 gallons on all irrigation consumption on a monthly basis; this additional rate shall continue to be assessed until all compliance requirements have been met.

Other Special Services Fees

- Automatic increases for certain special services fees at the annual rate of inflation each year after 2016.
- Consider implementing cost-based Special Services Fees. Other fees not part of the RAC include Fat Oil and Grease (FOG) Fees, Encroachment/Easement Application Processing Fee, Industrial Waste Permit Fees, and Liquid Waste Hauler & Disposal Fees, and Laboratory Fees.

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Appendix B: 5-Year Capital Improvement Program

5-Year Capital Improvement Program

	2016	2017	2018	2019	2020	Total
Wastewater	\$ 129,552,502	\$ 141,000,973	\$ 173,664,272	\$ 181,233,670	\$ 176,311,066	\$ 801,762,483
Water Delivery	\$ 72,054,669	\$ 76,816,274	\$ 89,565,275	\$ 58,184,007	\$ 73,639,470	\$ 370,259,695
Recycled Water	\$ -	\$ 594,441	\$ 611,085	\$ 628,196	\$ 645,786	\$ 2,479,508
Water Resources	\$ 29,140,512	\$ 116,378,014	\$ 33,194,730	\$ 49,391,615	\$ 20,955,519	\$ 249,060,390
Chilled Water	\$ 4,903,375	\$ 2,731,787	\$ -	\$ 1,044,324	\$ 4,869,623	\$ 13,549,109
Total	\$ 235,651,058	\$ 337,521,489	\$ 297,035,362	\$ 290,481,812	\$ 276,421,464	\$ 1,437,111,185

*Above Table excludes DSP Capital Plan of \$91M (5-Year), which is part of the future rate projections.

Further details on the 5-Year Capital Improvements Plan from 2016 to 2020 are listed below.

- The total Wastewater budget of \$801.8 million includes:
 - o \$539.5 million in sewer main replacements to replace aging infrastructure and to comply with the EPA consent decree;
 - o \$141.6 million in governmental projects to move and replace infrastructure necessary for other governmental projects;
 - o \$84.9 million in treatment facility improvements; and
 - o \$18.3 million in collection facilities for lift station elimination/rehabilitation and odor control improvements.
- The total Water Delivery budget of \$370.3 million includes:
 - o \$149.3 million in governmental projects to move and replace infrastructure necessary for other governmental projects;
 - o \$142.4 million in production facility improvements for things such as pumps, wells and storage tanks;
 - o \$35.3 million in new water mains to serve system growth and new customers; and
 - o \$25.8 million in water main replacements to replace aging infrastructure.
- The total Water Resources budget of \$249.1 million includes:
 - o \$146 million for Vista Ridge Integration;
 - o \$86.8 million for the Water Resources Integration Pipeline for a water transmission pipeline that will convey water from ASR, Carrizo and Desalination programs located in south Bexar County to existing facilities in western and northwestern Bexar County; and
 - o \$12 million for Desalination for inspection wells and well field land acquisition.

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Appendix C: Monthly Bill Impact Residential and General Class

Monthly Bill Impact Residential Class

Block	Gallons for Top of Block	Existing Rates	Rate Design	New Rates
1	2,992	\$33.37	\$28.56	\$30.70
2	4,489	\$42.35	\$40.22	\$43.27
3	5,985	\$51.30	\$50.95	\$54.82
4	7,481	\$56.76	\$57.13	\$61.60
5	10,473	\$72.19	\$76.57	\$82.74
6	14,962	\$97.15	\$107.43	\$116.37
7	20,199	\$137.66	\$145.89	\$158.40
8	26,000	\$192.45	\$205.78	\$223.87

*Includes EAA & TCEQ pass-through fees. Excludes Stormwater Fees.

Monthly Bill Impact General Class

	% of Base	Gallons	2015 Rates	Rate Design	2016 Rates
50,000 gallons 1" meter	100%	50,000	\$376.49	\$363.52	\$391.72
	125%	62,500	\$465.49	\$451.39	\$486.47
	175%	87,500	\$658.44	\$652.67	\$703.94
200,000 gallons 2" meter	100%	200,000	\$1,459.66	\$1,416.47	\$1,526.34
	125%	250,000	\$1,816.12	\$1,767.98	\$1,905.31
	175%	350,000	\$2,587.53	\$2,573.09	\$2,775.17
500,000 gallons 4" meter	100%	500,000	\$3,680.23	\$3,605.67	\$3,885.74
	125%	625,000	\$4,571.37	\$4,484.44	\$4,833.19
	175%	875,000	\$6,499.89	\$6,497.21	\$7,007.83

*Includes Water, Water Supply, Wastewater, and Pass-Through Fees

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Attachment D: Affordability Discount Program Summary

	Income at or below	Income at or below	Income at or below	Income at or below
	50% of Poverty	75% of Poverty	100% of Poverty	125% of Poverty
Water & Sewer				
2015 Discount	\$ 14.35	\$ 10.03	\$ 7.18	\$ 5.72
2016 Increase	\$ 3.65	\$ 2.57	\$ 1.07	\$ 0.83
2016 Discount	\$ 18.00	\$ 12.60	\$ 8.25	\$ 6.55
Water Only				
2015 Discount	\$ 7.40	\$ 5.17	\$ 3.63	\$ 2.90
2016 Increase	\$ 0.60	\$ 0.43	\$ 0.37	\$ 0.02
2016 Discount	\$ 8.00	\$ 5.60	\$ 4.00	\$ 2.92
Sewer Only				
2015 Discount	\$ 6.95	\$ 4.86	\$ 3.55	\$ 2.82
2016 Increase	\$ 3.05	\$ 2.14	\$ 0.70	\$ 0.81
2016 Discount	\$ 10.00	\$ 7.00	\$ 4.25	\$ 3.63