



City of San Antonio

Agenda Memorandum

File Number:13-986

Agenda Item Number: 4.

Agenda Date: 11/21/2013

In Control: City Council A Session

DEPARTMENT:

Finance

DEPARTMENT HEAD:

Troy Elliot

COUNCIL DISTRICTS IMPACTED:

City Wide

SUBJECT:

San Antonio Water System (SAWS) Proposed Water, Water Supply, Recycled Water and Wastewater Rate Adjustments

SUMMARY:

The proposed Ordinance authorizes approval of adjustments to SAWS Water, Water Supply, Recycled Water and Wastewater rates.

BACKGROUND INFORMATION:

SAWS has proposed to increase water, water supply and wastewater rates effective January 1, 2014. The City hosted two City Council work sessions (October 2nd and October 17rd) to allow SAWS to present its rate case and to provide an opportunity for the public to provide input on the proposed request. The rates were presented for review at the October 1, 2013 meeting of the SAWS Board of Trustees and final consideration was given by the Board of Trustees on November 12, 2013.

The Public Utilities Staff ("Staff") of the Finance Department has been working with SAWS staff to conduct a comprehensive review of the proposed water, water supply and wastewater rate adjustments since August 2013. The review included areas such as:

- Economic/Rate Model
 - Flow of Funds
- Key Financial Targets

- Debt Service Coverage
 - Debt/Equity Ratio
 - Days Cash on Hand
 - Reserve Balances
 - Additional Repair and Replacement Funds
- Revenue Requirements
 - Proposed Capital Plan
 - Operations and Maintenance Budget
 - Financing Plan
 - Affordability Programs
 - EPA Consent Decree
 - Water Supply Acquisition & Diversity

The proposed rate adjustments will equate to an increase of 5.1% on the average monthly residential SAWS bill. This assumes monthly water usage of 7,788 gallons and wastewater usage of 6,178 gallons. The table below shows the current and projected average monthly residential bill.

	2013 Current	2014 Proposed	2015 Proposed
Water Supply	\$9.29	\$10.51	\$11.16
Water Delivery	\$15.29	\$15.66	\$16.09
Waste Water	\$25.75	\$26.74	\$28.46
Total SAWS	\$50.33	\$52.91	\$55.71
Increase \$		\$2.58	\$2.80
Increase %		5.10%	5.30%

To help mitigate the impact of the rate increase on low-income customers, a continuation of the affordability discount will be available for those who have income at or below 125% of Federal Poverty guidelines and meet one of the following criteria: are elderly; are disabled; or have children under the age of 18 years. There will also be an increase of 15% in the 2014 funding of the Affordability Discount Program up to \$2.5 million. The chart below shows the impact of the additional funding.

Affordability Discount Program (Combined Water & Wastewater Billing)

Poverty Level	2013 Bill Discount	2014 Bill Discount	2014 Bill Discount
50%	\$ 12.97	\$ 13.63	24 %
75%	\$ 9.07	\$ 9.53	17 %
100%	\$ 6.49	\$ 6.82	12 %
125%	\$ 5.17	\$ 5.43	10 %

This discount is in addition to the following existing affordability/benefit programs which provide assistance to qualifying

customers who need help paying their SAWS bill: Project Agua, Senior Citizen Billing, Disability Billing, Plumbers to People, Laterals to People, Sewer Laterals Reimbursement, Payment Arrangements, Conservation Makeover and Leak Adjustments.

ISSUE:

SAWS proposed capital plan, EPA Consent Decree compliance and operational requirements necessitate the need for additional rate support to fund these requirements while maintaining the financial integrity of the System.

ALTERNATIVES:

If the rate support is not approved, the proposed SAWS Capital Plan and Operations Budget as well as the financial integrity of the System would be significantly impacted.

FISCAL IMPACTS:

The City receives approximately 2.7 % of gross revenues from SAWS. If the new rates are implemented on January 1, 2014, additional revenue of approximately \$512,000 will be generated for the remainder of the City's fiscal year. On an annual basis, City payment would increase by approximately \$682,000 beginning in FY15.

The City's utility expenses would also increase for the remainder of the current fiscal year in the amount of approximately \$154,000. On an annual basis, the City's utility expenses will increase by approximately \$205,000 beginning in FY15. If approved, the adjustments for both revenues and expenses will be incorporated into the City's budgeting process.

RECOMMENDATION:

Staff recommends approval of the proposed Ordinance adjusting the SAWS water, water supply, recycled water and wastewater rates effective January 1, 2014.