

AN ORDINANCE 2013-11-21-0777

AUTHORIZING A TWO-YEAR RATE PLAN BY IMPLEMENTING A RATE INCREASE OF 5.1 PERCENT FOR 2014 AND A RATE INCREASE NOT TO EXCEED 5.3 PERCENT FOR 2015 TO THE SAN ANTONIO WATER SYSTEM'S WATER DELIVERY, WATER SUPPLY, AND WASTEWATER BASE RATES (SYSTEM AVERAGE); A RATE INCREASE OF 2.5% FOR RECYCLED WATER RATES IN 2014 AND AN INCREASE NOT TO EXCEED 2.7% IN RECYCLED WATER RATES FOR 2015; CORRESPONDING TARIFF AMENDMENTS TO CHAPTER 34 OF THE SAN ANTONIO CITY CODE TO IMPLEMENT THE RATE ADJUSTMENT; AND AMENDMENTS TO THE AFFORDABILITY DISCOUNT PROGRAM FOR QUALIFYING LOW-INCOME CUSTOMERS.

* * * * *

WHEREAS, pursuant to Chapter 1502 of the Texas Government Code, the City Council, acting in its regulatory capacity, has original jurisdiction over the rates of the San Antonio Water System (SAWS) and shall set rates sufficient to cover all operating, maintenance, depreciation, replacement, improvements, and interest charges in connection with the SAWS utility system, and such rates shall cover all outstanding debt against the system, including any sinking funds established to pay outstanding public securities; and

WHEREAS, the City Charter created the position of Supervisor of Public Utilities authorized to oversee the activities of SAWS and with regards to proposed rate adjustments, review and assemble the facts which are essential to the proper determination of cost of service necessary for the City Council to establish reasonable and prudent utility rates; and

WHEREAS, SAWS operates a combined water, chilled water and steam, and wastewater utility system on behalf of the City of San Antonio (City), which serves approximately 368,400 water and 416,600 wastewater customers in the San Antonio metropolitan area; and

WHEREAS, on November 18, 2013 the SAWS Board of Trustees adopted two resolutions (Board Resolutions) recommending an increase in 2014 to current Water Delivery, Water Supply, and Wastewater rates by a system average amount of 5.1 percent as well as an increase of 2.5% in Recycled Water rates, which will increase annual revenues by \$23.6 million, in order to meet the financial requirements of the proposed 2014 SAWS Annual Budget, which was also approved; and a proposed rate adjustment for 2015 not to exceed 5.3 percent system average to the Water Supply, Water Delivery, and Wastewater service base rates as well as a not to exceed 2.7% increase in Recycled Water rates (Board Resolutions attached as **Exhibit A**); and

WHEREAS, the system average 5.1 percent proposed rate adjustment will increase (i) Water Delivery Service rates by 2.5 percent; (ii) Water Supply Service rates by 13.1 percent; and (iii) Wastewater Service rates by 3.8 percent; and

WHEREAS, the proposed 2014 rate adjustment will affect rate classes in the Water Delivery, Water Supply, and Wastewater service categories, but will not make any changes to the rate design structure approved by the City Council on June 17, 2010 in Ordinance No. 2010-06-17-0532; and

WHEREAS, in 2011, SAWS projected a 13.5 percent rate increase for Fiscal Year 2014, but was able to reduce the rate request to 5.1 percent through the following adjustments: (1) Operation and Maintenance (O&M) budget cuts (2.9%); (2) increased revenue projections (2.7%); (3) capital financing savings (1.6%); (4) postponed procurement of large scale water supply contracts (0.6%); and (5) capital budget reallocations (0.6%); and

WHEREAS, over the next five years SAWS is facing capital expenditures in the amount of \$1.44 billion to fund a capital improvement plan (CIP) to upgrade wastewater infrastructure (\$800 million), diversify water resources (\$253 million), and develop additional water distribution capacity (\$374 million); and

WHEREAS, in order to meet the financial demands of these infrastructure projects, SAWS foresees the need for annual rate increases through 2018; and

WHEREAS, the primary drivers for the rate adjustment are O&M and capital expenditures related to the wastewater system associated with a Consent Decree entered in 2013 with the Environmental Protection Agency (EPA Consent Decree); O&M and capital expenditures related to water supply acquisition and diversification projects; and continued growth in O&M expenses associated with the funding of *other post-employment benefits* (OPEB) expenses as required by Government Accounting Standards Board's Statement No. 45 (GASB 45); and

WHEREAS, SAWS continues to maneuver through several difficult operational initiatives to provide reliable services to customers while minimizing impact on rates, including: (1) EPA Consent Decree – cleaning intensive plan reduced sewer system overflows (SSOs) by 30 percent during 2012-13 period; (2) Drought Management – challenges of reduced water supplies have been met through conservation measures, water supply from the Aquifer Storage & Recovery (ASR) facility, and new pipeline to access Carrizo Aquifer water supply; and (3) Operational Efficiencies – 2014 budget was reduced by over \$10 million in operational efficiencies, study conducted by PA Consulting Group recognizes \$8.3 million in potential savings by 2015, and SAWS has created Innovation & Efficiency Department; and

WHEREAS, the SAWS bond covenants require system revenues to be applied based on the following flow of funds priority: (1) O&M expenses; (2) debt service and reserve fund requirements; (3) city general fund transfer; (4) equal transfer to Renewal & Replacement (R&R) Account; and (5) remainder to the R&R Account; and

WHEREAS, the SAWS revenue requirement for Fiscal Year 2014, including the proposed 5.1 percent system average rate increase, is estimated to be \$546.3 million allocated among the flow of funds categories: (1) O&M expenses - \$260.3 million; (2) debt service - \$182.5 million; (3) city transfer - \$12.9 million; and (4) R&R Account transfer - \$90.6 million; and

WHEREAS, SAWS made two presentations to the City Council in support of the proposed rate increase – the first on October 2, 2013 focusing on the utility system’s revenue requirement, impact on customer rates, and adjustment to the Affordability Discount Program (attached as **Exhibit B**), and the second on October 17, 2013 covering rate design, water supply strategy, and two-year rate request plan (attached as **Exhibit C**); and

WHEREAS, on November 6, 2013, the City Council held a “B” Session in which it heard the recommendation of the Supervisor of Public Utilities supporting the adjusted 5.1 percent system average rate increase for Fiscal Year 2014 (the presentation is attached as **Exhibit D**); and

WHEREAS, the Public Utilities Office of the Finance Department, under the direction of the Supervisor of Public Utilities, conducted a review of the proposed rate adjustment by focusing in the following areas: (1) Fiscal Year 2014 CIP for water supply resources, water delivery network, and wastewater infrastructure; (2) operations and maintenance expenses; (3) economic/rate model and plan; (4) sales forecast; (5) cash flow analysis; (6) key financial targets; (7) revenue requirement; (8) credit considerations; (9) bill impact analysis; and (10) adjustment to the Affordability Discount Program; and

WHEREAS, SAWS has developed multiple Affordability Programs, including: (1) Affordability Discount Program; (2) Project Agua (Payment Assistance); (3) Senior Citizen Billing; (4) Disability Billing; (5) Plumbers to People; (6) Laterals to People; (7) Sewer Laterals Reimbursement; (8) Payment Arrangements; (9) Conservation Makeover; and (10) Leak Adjustment; and

WHEREAS, SAWS intends to increase funding for the Affordability Discount Program by 15 percent from \$2.2 million to \$2.5 million and proposes the following adjustments to the Program for Fiscal Year 2014 (applicable to eligible customers receiving water and wastewater services):

Poverty Level	2013 Bill Discount	2014 Bill Discount	Discount off Average Bill of \$55.70
50%	\$12.97	\$13.63	24%
75%	\$9.07	\$9.53	17%
100%	\$6.49	\$6.82	12%
125%	\$5.17	\$5.43	10%

WHEREAS, based on the financial analysis conducted by the Office of Public Utilities focusing on the SAWS proposed budget for Fiscal Year 2014, the Supervisor of Public Utilities recommends a system average rate increase of 5.1 percent to the SAWS Water Supply, Water Delivery, and Wastewater base rates and a 2.5% increase in Recycled Water rates to become effective January 1, 2014 as set out in his “City of San Antonio Interdepartmental Correspondence – Report on Proposed Adjustment to SAWS Rates and Rate Structure” dated November 6, 2013 in order to maintain the financial integrity of the utility system; and

WHEREAS, the Supervisor of Public Utilities makes the following policy recommendations to SAWS: (1) continue to work with the City to study the utility system’s pension and benefits plans and associated costs; (2) continue to provide quarterly written progress reports to the City

related to the SSO program which outline performance of the program to include operational statistics such as miles of lines cleaned and televised and related financial information; (3) continue 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, drought management plan, conservation initiatives, and rate structure (these key issues should be aligned from a policy perspective); and (4) continue to implement, as applicable, efficiencies identified in the recently completed efficiency study by PA Consulting Group; and

WHEREAS, the proposed rate adjustment is expected to increase monthly rates for the average residential customer by \$2.58 to \$52.91 (excluding mandatory regulatory fees); and

WHEREAS, the proposed rate adjustment for 2015, not to exceed 5.3 percent system average in Water Delivery, Water Supply and Wastewater rates and not to exceed 2.7% in Recycled Water rates, would be effective following a traditional rate review by the Supervisor of Public Utilities and City Council consideration of his rate recommendation; and

WHEREAS, the proposed rate adjustments for 2014, including the increased funding for the SAWS Affordability Discount Program, are consistent with Section 1502.057 of the Texas Government Code which requires municipal utility rates to recover all operating, maintenance, depreciation, replacement, improvement, and interest charges in connection with the utility system; and any outstanding debt against the system; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. After holding public hearings and consideration of the SAWS proposed two-year rate plan,, the City Council hereby approves a system average rate increase of 5.1 percent for 2014 to the Water Supply, Water Delivery, and Wastewater service base rates and a 2.5% increase in Recycled Water rates, as discussed above, which is intended to generate additional annual revenues in the amount of \$23.6 million. In addition, the City Council approves a system average rate increase not to exceed 5.3 percent for 2015 to the Water Supply, Water Delivery, and Wastewater service base rates and a not to exceed 2.7 percent increase in Recycled Water rates, subject to the following conditions:

1. The Supervisor of Public Utilities will conduct a traditional rate review for 2015 and make his recommendation to the City Council.
2. If the Supervisor of Public Utilities and SAWS agree on the rate recommendation which is at or below 5.3 percent and 2.7% respectively, the rate increases will go into effect without further City Council action. In such case, Chapter 34 of the San Antonio City Code shall be amended consistent with such rate recommendation and the new rates will go into effect January 1, 2015. The report of the Supervisor of Public Utilities and amendments to the Chapter 34 shall be filed with the City Clerk and be made part of this ordinance.
3. If the Supervisor of Public Utilities and SAWS disagree on the rate recommendation, the City Council will determine which rates will go into effect for 2015 by separate rate ordinance.

SECTION 2. All other recommendations of the Supervisor of Public Utilities are approved.

SECTION 3. The 2014 adjusted rates for all affected customers classes are set out in **Exhibit E**, which is incorporated to this Ordinance for all purposes. Chapters 34 of the San Antonio City Code is amended by adding the underscored words, rates and fees, and deleting those struck through words, rates and fees as set out in **Exhibit E**.

SECTION 4. Within 30 days following the effective date of this Ordinance, SAWS shall send notification of the new rates to all affected customers by direct mail or electronic message for customers that have elected to receive electronic invoices.

SECTION 5. The adjusted rates are based on the cost of service method and were reviewed by the Supervisor of Public Utilities, and based on the testimony presented and analysis conducted by SAWS and the Supervisor of Public Utilities, the City Council finds and determines that said rate adjustments are fair and reasonable, equal and uniform, nondiscriminatory, and necessary to meet the revenue requirements of the SAWS utility system.

SECTION 6. This Ordinance shall become effective immediately upon passage by eight (8) votes of the City Council and if passed upon fewer than eight (8) votes after the tenth (10th) day after passage thereof. The revised rates as set out in **Exhibit E**, and as approved by this Ordinance, shall become effective on January 1, 2014 and implemented consistent with the SAWS January 2014 billing cycle.

PASSED AND APPROVED, this 21st day of November 2013.

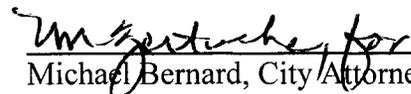

M A Y O R
Julián Castro

ATTEST:



Leticia M. Vacek, City Clerk

APPROVED AS TO FORM:



Michael Bernard, City Attorney

Agenda Item:	4						
Date:	11/21/2013						
Time:	11:33:59 AM						
Vote Type:	Other: Approve Rate Increase For 1 Year						
Description:	An Ordinance authorizing the adjustment of the Water, Water Supply and Waste Water rates of the San Antonio Water System (SAWS), to be effective January 1, 2014. [Ben Gorzell, Chief Financial Officer; Troy Elliot, Director, Finance]						
Result:	Failed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor			x			
Diego Bernal	District 1			x			
Ivy R. Taylor	District 2			x			
Rebecca Viagran	District 3			x			
Rey Saldaña	District 4			x			
Shirley Gonzales	District 5			x			
Ray Lopez	District 6			x			
Cris Medina	District 7			x			
Ron Nirenberg	District 8		x				x
Joe Krier	District 9			x			
Carlton Soules	District 10		x			x	

Agenda Item:	4
Date:	11/21/2013
Time:	11:34:15 AM
Vote Type:	Motion to Appr w Cond
Description:	An Ordinance authorizing the adjustment of the Water, Water Supply and Waste Water rates of the San Antonio Water System (SAWS), to be effective January 1, 2014. [Ben Gorzell, Chief Financial Officer; Troy Elliot, Director, Finance]
Result:	Passed

Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor		x				
Diego Bernal	District 1		x				
Ivy R. Taylor	District 2		x				
Rebecca Viagran	District 3		x				
Rey Saldaña	District 4		x				
Shirley Gonzales	District 5		x				
Ray Lopez	District 6		x			x	
Cris Medina	District 7		x				
Ron Nirenberg	District 8		x				
Joe Krier	District 9		x				x
Carlton Soules	District 10			x			

EXHIBIT "A"

TO: San Antonio Water System Board of Trustees

FROM: Mary Bailey, Controller; and
Douglas Evanson, Sr. Vice President/Chief Financial Officer

THROUGH: Robert R. Puente, President/Chief Executive Officer

**SUBJECT: APPROVAL OF THE SAN ANTONIO WATER SYSTEM ANNUAL BUDGET
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014**

Board Action Date: November 18, 2013

SUMMARY AND RECOMMENDATION:

In accordance with the San Antonio Water System's founding City Ordinance No. 75686 (Ordinance), the Board shall prepare an annual budget to serve as a tool in controlling and administering the management and operation of the San Antonio Water System (SAWS). The annual budget shall reflect an estimate of Gross Revenues and an estimate of the disposition of those revenues in accordance with the flow of funds requirements set forth in that Ordinance. Immediately following the approval of the annual budget by the Board, the budget shall be submitted to City Council for review and consultation.

The attached Resolution approves the SAWS Annual Budget for the Fiscal Year Ending December 31, 2014 and authorizes the submittal of the budget to the City Council for review and consultation.

The 2014 Annual Budget:

- Balances revenue requirements with available revenues and other funding sources
- Requires adjustments to rates of 2.5% for Water Delivery rates, 13.1% for Water Supply Fee rates, 2.5% for Recycled Water rates, and 3.8% for Wastewater rates
- Requires rates adjustments that have a combined increase of 5.1% to Water Delivery, Wastewater, and Water Supply Fee rates for the average SAWS residential water and wastewater customer, assuming an average customer uses 7,788 gallons of water and discharges 6,178 gallons of wastewater per month
- Generates \$23.6 million in additional revenues generated from rate adjustments to the Water Supply Fee (\$12.7 million), Water Delivery rates (\$3.4 million), and Wastewater rates (\$7.5 million).
- Assumes 2014 billed water usage of 56.0 billion gallons based on normal weather conditions
- Assumes Water customer growth of 1.4% and wastewater growth of 1.7% for a combined growth of 1.5%

- Includes estimated total Sources of Funds of \$546.3 million, which is \$45.3M or 9.0% higher than the 2013 Sources of Funds and comprised of:
 - Operating revenues totaling \$503.5 million
 - Non-Operating revenues totaling \$5.4 million
 - Equity transfer of \$1.4 million
 - Capital recovery fees of \$36.0 million
- Provides for funding of \$260.3 million in operations and maintenance costs, reflecting a \$16.4 million or 6.7% increase when compared to the 2013 Budget
- Assumes funding for \$391.2 million of capital improvement projects
 - \$160.7 million in Water Supply projects
 - \$87.6 million in Water Delivery projects
 - \$140.1 million in Wastewater projects
 - \$2.8 million in Chilled Water and Steam projects
- Provides for \$7.4 million in capital outlay funding for vehicles, equipment, and computer related capital
- Provides for \$182.3 million in funding for debt service and expenses, which is \$18.4 million or 11.2% higher than the 2013 budget for debt service and expenses
- Plans for debt coverage of 1.96 times for senior lien debt and 1.37 times for total bonded debt
- Includes a transfer of \$12.9 million to the City of San Antonio
- Increases the Affordability program by 15% to \$2.5 million

The adjustments to the rates are proposed to be effective for consumption on or about January 1, 2014, and shall be applied to all billings after one complete monthly billing period on or about February 1, 2014

Staff will submit an amendment of the Annual Budget to the Board for approval in the event the actual amount Available for R&R – Unrestricted will be less than the amount shown in Attachment I or Debt Service and Expenses or Draw on Equity will be greater than the amount shown in Attachment I.

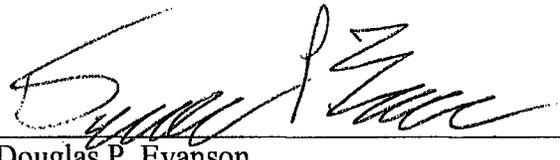
Staff recommends that the Board approve this Resolution.

FINANCIAL IMPACT:

Attachment I presents the 2014 SAWS Annual Budget in the form of estimated sources and uses of funds.



Mary Bailey
Controller



Douglas P. Evanson
Senior Vice President/Chief Financial Officer

APPROVED:



Robert R. Puente
President/Chief Executive Officer

Attachments:

1. ATTACHMENT I – 2014 SAWS Annual Budget

ATTACHMENT I
San Antonio Water System
2014 Annual Budget
Estimated Sources and Uses of Funds

Sources of Funds	Millions \$
Operating Revenues	\$503.5
Non-operating Revenues	5.4
Draw on Equity	1.4
Capital Recovery Fees	36.0
Total	\$546.3

Uses of Funds	
Operations and Maintenance	\$260.3
Debt Service & Expenses	182.3
Transfer to COSA	12.9
Available for R&R – Restricted	36.1
Available for R&R – Unrestricted	54.7
Total	\$546.3

RESOLUTION NO. **13-331**

OF THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES APPROVING THE ANNUAL BUDGET FOR THE SAN ANTONIO WATER SYSTEM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014; AUTHORIZING THE APPROVED ANNUAL BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014 BE SUBMITTED TO THE CITY COUNCIL FOR REVIEW AND CONSULTATION; DIRECTING THE STAFF TO SUBMIT A BUDGET AMENDMENT TO THE BOARD IN CERTAIN INSTANCES; FINDING THE RESOLUTION TO HAVE BEEN CONSIDERED PURSUANT TO THE LAWS GOVERNING OPEN MEETINGS; PROVIDING A SEVERABILITY CLAUSE; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the preparation of the Annual Budget, along with other policies and procedures consistent with prudent utility practice, is a management tool that is utilized in decision making and in managing the financial affairs of the San Antonio Water System (SAWS); and

WHEREAS, Ordinance No. 75686 adopted on April 30, 1992 by the City Council of the City of San Antonio, Texas (SAWS Creation Ordinance), requires that the SAWS Board of Trustees (Board) prepare an Annual Budget; and

WHEREAS, SAWS Creation Ordinance requires that the Annual Budget be submitted to the City Council for review and consultation; and

WHEREAS, the Annual Budget reflects an estimate of the Gross Revenues and disposition of those revenues in accordance with the flow of funds as set forth in the SAWS Creation Ordinance,

WHEREAS, the Annual Budget includes the financing plan for a Capital Improvement Program which has been prepared to serve as a plan for the implementation of capital improvements to the System; and

WHEREAS, the Annual Budget for the Fiscal Year ending December 31, 2014 assumes rate increases of approximately 2.5% for Water Delivery rates, 13.1% for Water Supply Fee rates, 2.5% for Recycled Water rates, and 3.8% for Wastewater rates; and

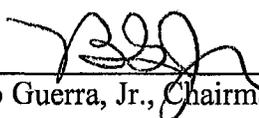
WHEREAS, the Board desires (i) to approve the Annual Budget of the System for the Fiscal Year ending December 31, 2014; and (ii) to submit the Annual Budget, as set forth in Attachment I, and a report detailing the estimated sources and uses of funds and the Capital Improvement Program for the Fiscal Year ending December 31, 2014 to the City Council for

their review and consultation; and (iii) to direct SAWS staff to submit an amendment of the Annual Budget to the Board for approval only if any of the following is projected to occur: the actual amount of funds available for deposit to the R&R – Unrestricted will be less than the amount shown in Attachment I or Debt Service and Expenses or Draw on Equity will be greater than the amount shown in Attachment I; now, therefore:

BE IT RESOLVED BY THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES:

1. That the Annual Budget of the San Antonio Water System for the Fiscal Year ending December 31, 2014 as set forth in Attachment I is hereby approved; such Annual Budget is incorporated herein by reference and a report detailing the estimated sources and uses of funds and the Capital Improvement Program for the fiscal year ending December 31, 2014 is available for inspection at the office of the Board of Trustees Administrator. Capitalized terms utilized hereby and not defined shall have the meanings ascribed in the Creation Ordinance.
2. That the submittal of the Annual Budget, as set forth in Attachment I, and a report detailing the estimated sources and uses of funds and the Capital Improvement Program for the Fiscal Year ending December 31, 2014 for the San Antonio Water System to the City Council for their review and consultation, pursuant to the City Ordinance No. 75686 is hereby authorized.
3. That the Board directs SAWS staff to submit an amendment of the Annual Budget to the Board for approval in the event the actual amount Available for R&R – Unrestricted will be less than the amount shown in Attachment I or Debt Service and Expenses or Draw on Equity will be greater than the amount shown in Attachment I.
4. It is officially found, determined and declared that the meeting at which this Resolution is adopted was open to the public, and that public notice of the time, place and subject matter of the public business to be conducted at such meeting, including this Resolution, was given to all as required by the Texas codes annotated, as amended, Title 5, Chapter 551, Government Code.
5. If any part, section, paragraph, sentence, phrase or word of this Resolution is for any reason held to be unconstitutional, illegal, inoperative, or invalid, or if any exception to or limitation upon any general provision herein contained is held to be unconstitutional, illegal, invalid, or ineffective, the remainder of this Resolution shall nevertheless stand effective and valid as if it had been enacted without the portion held to be unconstitutional, illegal, invalid, or ineffective.
6. That this Resolution shall take effect immediately from and upon passage hereof.

PASSED AND APPROVED this the eighteenth day of November, 2013.



Berto Guerra, Jr., Chairman

ATTEST:

Patricia E. Merritt
Secretary

TO: San Antonio Water System Board of Trustees

FROM: Mary Bailey, Controller; and
Douglas Evanson, Sr. Vice President/Chief Financial Officer

THROUGH: Robert R. Puente, President/Chief Executive Officer

**SUBJECT: RATE ADJUSTMENT RECOMMENDATIONS FOR FISCAL YEARS
ENDING DECEMBER 31, 2014 AND 2015**

Board Action Date: November 18, 2013

SUMMARY AND RECOMMENDATION:

The attached Resolution authorizes the submittal to the San Antonio City Council for review and approval of adjustments to all water delivery, water supply fee, wastewater, and recycled water rates. The adjustments to the rates are necessary to provide adequate funding for the fiscal years ending December 31, 2014 and 2015 for costs of operating and maintaining the System, repairing and replacing the aging infrastructure, investing in water supply initiatives in support of the Water Management Plan and complying with the requirements of the Consent Decree entered into with the United States Environmental Protection Agency and Texas Commission on Environmental Quality relating to the reduction of sanitary sewer overflows.

SAWS estimates that \$23.6 million in additional revenues are necessary in 2014 from rate adjustments to the Water Supply Fee (\$12.7 million), Water Delivery rates (\$3.4 million), and Wastewater rates (\$7.5 million). Specifically, percentage increases of 2.5% for Water Delivery rates, 13.1% for Water Supply Fee rates, 2.5% for Recycled Water rates, and 3.8% for Wastewater rates are recommended to support the 2014 Annual Budget. These adjustments to the rates have a combined increase of 5.1% to Water Delivery, Wastewater, and Water Supply Fee rates for the average SAWS residential water and wastewater customer, assuming an average customer uses 7,788 gallons of water and discharges 6,178 gallons of wastewater per month.

The 2014 proposed rates are as shown in Attachment I, Schedules A, B, C, D, E, and F to the Resolution. The 2014 adjustments to the rates are proposed to be effective for consumption on or about January 1, 2014, and shall be applied to all billings after one complete monthly billing period on or about February 1, 2014.

For fiscal year 2015, SAWS estimates that \$23.7 million in additional revenues will be necessary from rate adjustments to the Water Supply Fee (\$6.8 million), Water Delivery rates (\$3.9 million), and Wastewater rates (\$13 million). In order to generate this additional revenue, adjustments to the 2014 proposed rates are not expected to exceed 2.7% for Water Delivery rates, 6.2% for Water Supply Fee rates, 2.7% for Recycled Water rates, and 6.4% for Wastewater

rates for 2015 (maximum rate adjustments). These maximum rate adjustments represent a combined increase of 5.3% to the 2014 Water Delivery, Wastewater, and Water Supply Fee rates for the average SAWS residential water and wastewater customer.

As SAWS develops its 2015 Annual Budget, staff will work with the Public Utilities Office to perform a review of the 2015 final rate adjustments. The 2015 final rate adjustments will be subject to Board approval in late 2014. As long as the 2015 final rate adjustments approved by the Board do not exceed the maximum rate adjustments approved by City Council for 2015 and the Public Utilities Office is in agreement with the determination of the 2015 final rate adjustments, no further action by Council will be required for the final rate adjustments to take effect on January 1, 2015. Should there be any disagreement between SAWS and the Public Utilities Office regarding the 2015 final rate adjustments, City Council may need to take additional action to determine which rates will go into effect for 2015.

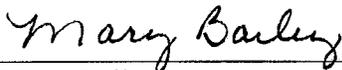
Staff recommends that the Board approve this resolution.

FINANCIAL IMPACT:

The approval of these rate adjustments recommended by the resolution will recover approximately \$23.6 million of additional gross metered revenues in 2014 and as much as \$23.7 million in 2015.

SUPPLEMENTARY COMMENTS:

The Public Utilities Office of the City of San Antonio has reviewed the methodology and calculations of the proposed rate adjustments for fiscal year 2014 and has recommended that City Council approve the rate adjustment request. Further review will be performed by the Public Utilities Office in 2014 for the 2015 rate adjustments once the 2015 SAWS annual budget has been finalized.



Mary Bailey
Controller



Douglas P. Evanson
Senior Vice President/Chief Financial Officer

APPROVED:



Robert R. Puente
President/Chief Executive Officer

Attachments:

ATTACHMENT I: Amendments to Chapter 34, Article II of the San Antonio City Code

Schedule A – Residential Class Water and Sewer Rate Schedules

Schedule B – General Class Water and Sewer Rate Schedules

Schedule C – Wholesale Class Water and Sewer Rate Schedules

Schedule D – Irrigation Class Water and Sewer Rate Schedules

Schedule E – Water Supply Fee Schedule

Schedule F – Recycled Water Rate Schedules

ATTACHMENT II: 2015 Maximum Rate Adjustments

ATTACHMENT I

AMENDMENTS TO CHAPTER 34, ARTICLE II OF THE SAN ANTONIO CITY CODE

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article II, Water Service and Rates, Section 34-121, Establishment of Rate Schedules is hereby amended by deleting the language that is stricken and adding the language that is underlined (added) as set forth herein.

Article II. Water Service and Rates

Section 34-121. Establishment of Rates and Schedules

~~The schedule of water service rates and charges contained in Schedule A relating to residential water customers, the schedule of water service rates and charges contained in Schedule B relating to general water customers, the schedule of water service rates and charges in Schedule C relating to wholesale water customers, and the schedule of water service rates and charges in Schedule D for irrigation water rates, as amended, attached hereto, shall be effective for all consumption on or about January 1, 2012 and shall be the lawful rates for water service to be charged by the System.~~

The schedule of water service rates and charges contained in Schedule A relating to residential water customers, the schedule of water service rates and charges contained in Schedule B relating to general water customers, the schedule of water service rates and charges in Schedule C relating to wholesale water customers, and the schedule of water service rates and charges in Schedule D for irrigation water rates, as amended, attached hereto, shall be effective for all consumption on or about January 1, 2014 and shall be the lawful rates for water service to be charged by the System.

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article II, Water Service and Rates, Section 34-122, Rate Schedules is hereby amended by deleting the language that is stricken and adding the language that is underlined (added) as set forth herein.

Section 34-122. Rate Schedules

Rate Schedules A, B, C and D relating to residential, general and wholesale, and irrigation customers are hereby amended and shall hereinafter read as attached hereto and incorporated herein.

AMENDMENTS TO CHAPTER 34, ARTICLE III OF THE SAN ANTONIO CITY CODE

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article III, Sewer Service and Rates, Section 34-226, Establishment of Rates and Schedules, is hereby amended by deleting the language that is stricken and adding the language that is underlined (added) as set forth herein.

Article III, Sewer Service and Rates

Rate Schedules A, B, and C relating to wastewater residential, general, and wholesale customers are hereby amended and shall hereinafter read as attached hereto and incorporated herein.

Section 34.226. Establishment of Rates and Schedules, Rates Schedules and Affordability Discount Analysis

~~The schedule of sewer service rates and charges contained in Schedule A for residential sewer service customers, the schedule of sewer service rates and charges contained in Schedule B for general sewer service customers, and the sewer service rates and charges contained in Schedule C for wholesale sewer service customers, as amended attached hereto, shall be effective for all consumption on or about March 1, 2013, and shall be the lawful rates for sewer service to be charged by the System.~~

The schedule of sewer service rates and charges contained in Schedule A for residential sewer service customers, the schedule of sewer service rates and charges contained in Schedule B for general sewer service customers, and the sewer service rates and charges contained in Schedule C for wholesale sewer service customers, as amended attached hereto, shall be effective for all consumption on or about January 1, 2014, and shall be the lawful rates for sewer service to be charged by the System.

Rate Schedules A, B and C relating to sewer service for residential, general and wholesale customers are hereby amended and shall hereinafter read as attached hereto and incorporated herein.

**AMENDMENTS TO CHAPTER 34, ARTICLE VIII OF THE SAN ANTONIO CITY
CODE**

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article VIII, Recycled Water Service and Rates is hereby amended by deleting the language that is stricken and adding the language that is underlined (added) as set forth herein.

Article VIII, Recycled Water Service and Rates

Section 34-1301. Establishment of Rates.

~~The rates and charges for recycled water service which will be applied to all recycled water consumption beginning on or about January 1, 2012 are set out in Schedule F to this Chapter and shall be the lawful rates for recycled water service to be charged by the System.~~

The rates and charges for recycled water service which will be applied to all recycled water consumption beginning on or about January 1, 2014 are set out in Schedule F to this Chapter and shall be the lawful rates for recycled water service to be charged by the System.

**AMENDMENTS TO CHAPTER 34, ARTICLE IX OF THE SAN ANTONIO CITY
CODE**

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article IX, Water Supply Fee is hereby amended by deleting the language that is stricken and adding the language that is underlined (added) as set forth herein.

Article IX, Water Supply Fee

Section 34-1345. Water Supply Fee Schedule

~~The Water Supply Fee which will be applied to all consumption beginning on or about March 1, 2013 is set out in Schedule E to this Chapter. Such Water Supply Fee schedule shall remain in effect as set out in Schedule E until the System's Board of Trustees and Council of the City of San Antonio determine that an additional adjustment is necessary to most effectively meet the water supply development needs of system customers.~~

The Water Supply Fee which will be applied to all consumption beginning on or about January 1, 2014 is set out in Schedule E to this Chapter. Such water supply fee schedule shall remain in effect as set out in Schedule E until the System's Board of Trustees and Council of the City of San Antonio determine that an additional adjustment is necessary to most effectively meet the water supply development needs of system customers.

**ATTACHMENT I
SCHEDULE A**

**RESIDENTIAL CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Service Availability Charge (minimum bill) for all residential water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons of water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$7.31
3/4"	10.26
1"	16.14
1-1/2"	30.83
2"	48.44
3"	89.58
4"	148.33
6"	295.23
8"	471.50
10"	677.14
12"	1,264.71

MONTHLY VOLUME CHARGE

<u>Usage Blocks Gallons</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
First 5,985	\$0.0971	\$0.0971
Next 6,732	0.1406	0.1529
Next 4,488	0.1982	0.2273
Over 17,205	0.3471	0.4710

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

The Service Availability Charge (minimum bill) for all residential water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$9.52
3/4"	13.34
1"	20.97
1-1/2"	40.08
2"	62.99
3"	116.47
4"	192.84
6"	383.80
8"	612.96
10"	880.29
12"	1,644.14

MONTHLY VOLUME CHARGE

<u>Usage Blocks Gallons</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
First 5,985	\$0.1264	\$0.1264
Next 6,732	0.1828	0.1988
Next 4,488	0.2578	0.2956
Over 17,205	0.4513	0.6121

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

SEWER

Sewer service charges for all metered residential connections are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the rate schedules below.

INSIDE CITY LIMITS (ICL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$11.93
Over 1,496 gallons - \$0.3163 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$33.22 per month.

OUTSIDE CITY LIMITS (OCL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$14.33
Over 1,496 gallons - \$0.3795 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$39.87 per month.

**ATTACHMENT I
SCHEDULE B**

**GENERAL CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Service Availability Charge (minimum bill) for all general water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$10.16	Base*	\$0.1176
3/4"	14.53	>100-125% of Base	0.1406
1"	23.24	>125-175% of Base	0.1971
1-1/2"	45.03	>175% of Base	0.2887
2"	71.18		
3"	132.20		
4"	219.38		
6"	437.32		
8"	698.83		
10"	1,003.94		
12"	1,875.69		

*The Base Use is defined as 100% of the Annual Average Consumption

The Service Availability Charge (minimum bill) for all general water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$13.21	Base*	\$0.1529
3/4"	18.88	>100-125% of Base	0.1827
1"	30.20	>125-175% of Base	0.2562
1-1/2"	58.54	>175% of Base	0.3752
2"	92.54		
3"	171.87		
4"	285.19		
6"	568.51		
8"	908.49		
10"	1,305.13		
12"	2,438.39		

*The Base Use is defined as 100% of the Annual Average Consumption

SEWER

Sewer service charges are computed from the water usage schedules below for all metered connections.

INSIDE CITY LIMITS (ICL)	OUTSIDE CITY LIMITS (OCL)
Monthly Service Availability Charge (includes first 1,496 gallons) - <u>\$11.93</u>	Monthly Service Availability Charge (includes first 1,496 gallons) - <u>\$14.33</u>
Over 1,496 gallons - <u>\$0.3163</u> per 100 gallons.	Over 1,496 gallons - <u>\$0.3795</u> per 100 gallons.

**ATTACHMENT I
SCHEDULE C**

**WHOLESALE CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Service Availability Charge (minimum bill) for all wholesale water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u> †	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$295.23	Base*	\$0.0816
8"	471.50	>100-125% of Base	0.1225
10"	677.14	>125-175% of Base	0.1769
12"	1,264.71	>175% of Base	0.2502

*The Base Use is defined as 100% of the Annual Average Consumption

The Service Availability Charge (minimum bill) for all wholesale water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u> †	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$383.80	Base*	\$0.1060
8"	612.96	>100-125% of Base	0.1593
10"	880.29	>125-175% of Base	0.2300
12"	1,644.14	>175% of Base	0.3252

*The Base Use is defined as 100% of the Annual Average Consumption

† Wholesale water service will not be provided through a meter smaller than 6" in order to comply with fire-flow requirements and the "Criteria for Water Supply and Distribution in the City of San Antonio and its Extraterritorial Jurisdiction."

SEWER

INSIDE CITY LIMITS (ICL)

\$0.2850 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.14 per 100 cubic feet)

OUTSIDE CITY LIMITS (OCL)

\$140.06 Monthly Service Availability Charge plus \$0.3422 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.56 per 100 cubic feet)

**ATTACHMENT I
SCHEDULE D**

**IRRIGATION CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Service Availability Charge (minimum bill) for all irrigation water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks,</u> <u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$10.16	0 Gallons	\$0.0000	\$0.0000
3/4"	14.53	Next 6,732	0.1653	0.1653
1"	23.24	Next 10,473	0.1982	0.2301
1-1/2"	45.03	Over 17,205	0.3471	0.4764
2"	71.18			
3"	132.20			
4"	219.38			
6"	437.32			
8"	698.83			
10"	1,003.94			
12"	1,875.69			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

The Service Availability Charge (minimum bill) for all irrigation water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks,</u> <u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$13.21	0 Gallons	\$0.0000	\$0.0000
3/4"	18.88	Next 6,732	0.2148	0.2148
1"	30.20	Next 10,473	0.2577	0.2992
1-1/2"	58.54	Over 17,205	0.4513	0.6193
2"	92.54			
3"	171.87			
4"	285.19			
6"	568.51			
8"	908.49			
10"	1,305.13			
12"	2,438.39			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

**ATTACHMENT I
SCHEDULE E**

**WATER SUPPLY FEE SCHEDULE
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Water Supply Fee assessed on all potable water service for water usages in every instance of service for each month or fraction thereof shall be as follows:

<u>Rate Class</u>	<u>Usage Blocks, Gallons</u>	<u>Fee to be Assessed (per 100 gallons)</u>
<u>Residential</u>	<u>First 5,985</u>	\$0.1223
	<u>Next 6,732</u>	\$0.1768
	<u>Next 4,488</u>	\$0.2495
	<u>Over 17,205</u>	\$0.4366
<u>General</u>	<u>Base*</u>	\$0.1880
	<u>>100-125% of Base</u>	\$0.1880
	<u>>125-175% of Base</u>	\$0.1880
	<u>>175% of Base</u>	\$0.1880
<u>Wholesale</u>	<u>Base*</u>	\$0.1880
	<u>>100-125% of Base</u>	\$0.1880
	<u>>125-175% of Base</u>	\$0.1880
	<u>>175% of Base</u>	\$0.1880
<u>Irrigation</u>	<u>0 Gallons</u>	\$0.0000
	<u>Next 6,732</u>	\$0.1880
	<u>Next 10,473</u>	\$0.2495
	<u>Over 17,205</u>	\$0.4735

*The Base Use is defined as 100% of the Annual Average Consumption

**ATTACHMENT I
SCHEDULE F**

**RECYCLED WATER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM
San Antonio, Texas**

Effective for Consumption on or about January 1, 2014

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each mo

EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	<u>Service Availability Charge</u>
5/8"	\$9.26
3/4"	12.05
1"	15.69
1-1/2"	24.95
2"	36.48
3"	97.03
4"	144.22
6"	275.12
8"	414.70
10"	568.64
12"	701.61

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
Transferred Amount	\$0.0244	\$0.0244
All in excess of transferred amount	0.0914	0.0971
<u>The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.</u>		

NON EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$9.26
3/4"	12.05
1"	15.69
1-1/2"	24.95
2"	36.48
3"	97.03
4"	144.22
6"	275.12
8"	414.70
10"	568.64
12"	701.61

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
First 748,000	\$0.0978	\$0.1051
Over 748,000	0.0999	0.1061
<u>The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.</u>		

ATTACHMENT II

SAN ANTONIO WATER SYSTEM

2015 MAXIMUM RATE ADJUSTMENTS

Effective for consumption on or about January 1, 2015

RATE	MAXIMUM RATE ADJUSTMENT
WATER DELIVERY	2.7%
WATER SUPPLY	6.2%
WASTEWATER	6.4%
AVERAGE RATE IMPACT*	5.3%
RECYCLED WATER	2.7%

*Represents the combined impact on the average SAWS residential customer before EAA and TCEQ pass-through fees. Assumes monthly water usage of 7,788 gallons and wastewater usage of 6,178 gallons.

RESOLUTION NO. 13-332

OF THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES DETERMINING THE NECESSITY FOR ADJUSTMENTS TO ALL WATER DELIVERY, WATER SUPPLY FEE, WASTEWATER AND RECYCLED WATER RATES TO SUPPORT THE SAN ANTONIO WATER SYSTEM'S 2014 ANNUAL BUDGET; DIRECTING THAT A FULL REPORT OF THE BASIS FOR THE PROPOSED 2014 ADJUSTMENTS TO ALL WATER DELIVERY, WATER SUPPLY FEE, WASTEWATER AND RECYCLED WATER RATES BE SUBMITTED TO THE CITY COUNCIL OF THE CITY OF SAN ANTONIO; RECOMMENDING THAT THE CITY COUNCIL ADOPT SUCH ADJUSTMENTS TO THE WATER DELIVERY, WATER SUPPLY FEE, WASTEWATER AND RECYCLED WATER RATES FOR CONSUMPTION ON OR ABOUT JANUARY 1, 2014; RECOMMENDING THAT THE CITY COUNCIL ADOPT CERTAIN AMENDMENTS TO CHAPTER 34 OF THE CITY CODE OF THE CITY OF SAN ANTONIO AND RATE SCHEDULES INCORPORATED THEREIN AS SET FORTH IN ATTACHMENT I; DETERMINING THE NECESSITY FOR ADDITIONAL ADJUSTMENTS TO WATER DELIVERY, WATER SUPPLY FEE, WASTEWATER AND RECYCLED WATER RATES TO SUPPORT THE SAN ANTONIO WATER SYSTEM'S PROJECTED REVENUE REQUIREMENTS FOR 2015; RECOMMENDING THAT THE CITY COUNCIL APPROVE ADDITIONAL ADJUSTMENTS TO THE WATER DELIVERY, WATER SUPPLY FEE, WASTEWATER AND RECYCLED WATER RATES FOR CONSUMPTION ON OR ABOUT JANUARY 1, 2015 EQUAL TO OR LESS THAN THE MAXIMUM RATE ADJUSTMENTS SET FORTH IN ATTACHMENT II; DIRECTING SAN ANTONIO WATER SYSTEM STAFF TO WORK WITH CITY COUNCIL AND THE PUBLIC UTILITIES OFFICE AS THE 2015 BUDGET IS FINALIZED TO ENSURE THAT THE CITY IS FULLY BRIEFED AND IN AGREEMENT WITH THE FINAL BUDGETED REVENUE REQUIREMENTS AND RATE ADJUSTMENTS FOR 2015; FINDING THIS RESOLUTION TO HAVE BEEN CONSIDERED PURSUANT TO THE LAWS GOVERNING OPEN MEETINGS; PROVIDING A SEVERABILITY CLAUSE; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, Ordinance No. 75686 adopted April 30, 1992 by the City Council of the City of San Antonio, Texas requires that the San Antonio Water System Board of Trustees (the "Board") shall determine the rates, fees and charges for services rendered and to be rendered by

the System with due consideration being accorded to the terms, covenants, and conditions contained in such Ordinance; and

WHEREAS, adjustments are necessary to all water delivery, water supply, wastewater, and recycled water rates to provide sufficient funding to support the System's 2014 Annual Budget; and

WHEREAS, additional adjustments will likely be necessary to all water delivery, water supply, wastewater, and recycled water rates in 2015 to provide sufficient funding to support the System's projected annual budget for 2015; and

WHEREAS, SAWS Board and staff will continue to work to reduce the projected revenue requirement for 2015; and

WHEREAS, the Board desires to continue to assist in maintaining the charges for water to be affordable to all of its customers, especially for the low income residential customers; and

WHEREAS, the System has followed and continues to follow all applicable notification requirements for rate adjustments for water service; and

WHEREAS, the San Antonio City Council is empowered to approve and adopt such proposed adjustments to rates and charges; and

WHEREAS, the San Antonio Water System Board of Trustees desires (i) to determine the necessity for adjustments to all water delivery, water supply fee, wastewater and recycled water rates for 2014; (ii) to direct that a full report of the basis for the proposed 2014 adjustments to all water delivery, water supply fee, wastewater and recycled water rates be submitted to the City Council of the City of San Antonio; (iii) to recommend that the City Council adopt such adjustments to the water delivery, water supply fee, wastewater and recycled water rates effective for consumption on or about January 1, 2014; (iv) to recommend further that the City Council adopt certain amendments to Chapter 34 of the City Code of the City of San Antonio and the rate schedules incorporated therein as set forth in Attachment I; (v) to determine the necessity for additional adjustments to all water delivery, water supply fee, wastewater and recycled water rates to support the System's projected revenue requirements for 2015; (vi) to recommend that the City Council approve additional adjustments to the water delivery rates, water supply fee rate, wastewater rates, and recycled water rates for consumption on or about January 1, 2015 equal to or less than the maximum rate adjustments set forth in Attachment II; (vii) to direct staff to continue to work with the City Council and City's Public Utilities Office as the 2015 budget is finalized to ensure that the City is fully briefed and in agreement with the final budgeted revenue requirements and rate adjustments for 2015; now therefore:

BE IT RESOLVED BY THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES:

1. That the necessity for adjustments to all water delivery, water supply fee, wastewater and recycled water rates to support the System's 2014 Annual Budget is hereby determined.

2. That the submission of a full report of the basis for the proposed 2014 adjustments to all water delivery, water supply fee, wastewater and recycled water rates is hereby directed to be made to the City Council of the City of San Antonio.
3. That the adoption by the City Council of such adjustments to the water delivery, water supply fee, wastewater and recycled water rates effective for consumption on or about January 1, 2014 is hereby recommended.
4. That the adoption of the amendments to Chapter 34 of the City Code of the City of San Antonio and the Rate Schedules incorporated therein, all as set forth in Attachment I, by the City Council of the City of San Antonio is hereby recommended.
5. That the necessity for additional adjustments to all water delivery, water supply fee, wastewater and recycled water rates to support the System's projected revenue requirements for 2015 is hereby determined.
6. That the approval by City Council of additional adjustments to the water delivery rates, water supply fee rate, wastewater rates, and recycled water rates for consumption on or about January 1, 2015 equal to or less than the maximum rate adjustments set forth in Attachment II is hereby recommended.
7. That staff is directed to work with the City Council and City's Public Utilities Office as the 2015 budget is finalized to ensure that the City is fully briefed and in agreement with the final budgeted revenue requirements and rate adjustments for 2015.
8. It is officially found, determined and declared that the meeting at which this resolution is adopted was open to the public, and that public notice of the time, place and subject matter of the public business to be conducted at such meeting, including this resolution, was given to all as required by the Texas Codes Annotated, as amended, Title 5, Chapter 551, Government Code.
9. If any part, section, paragraph, sentence, phrase or word of this resolution is, for any reason, held to be unconstitutional, illegal, inoperative or invalid, or if any exception to or limitation upon any general provision herein contained is held to be unconstitutional, illegal, invalid or ineffective, the remainder of this resolution shall nevertheless stand effective and valid as if it had been enacted without the portion held to be unconstitutional, illegal, invalid or ineffective.
10. This Resolution becomes effective immediately upon its passage.

PASSED AND APPROVED this the 18th day of November 2013.



Berto Guerra Jr., Chairman

ATTEST:

Patricia E. Merrill
Secretary

EXHIBIT “B”

Proposed Rate Adjustments

Robert R. Puente

President/CEO

Doug Evanson

Senior Vice President and CFO

- Efficiency Overview
- Revenue Requirements
- Rate Impacts
- Affordability

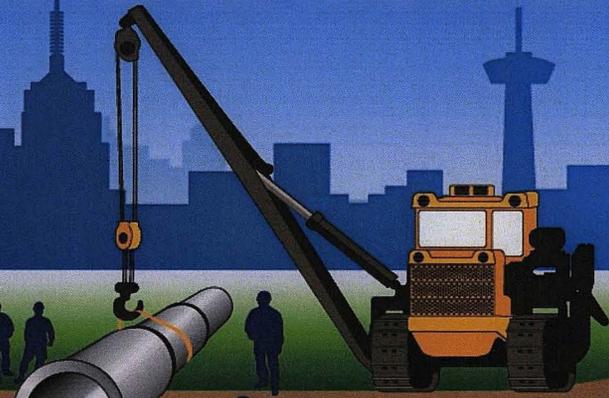
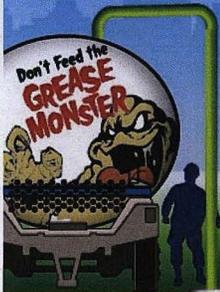
October 2, 2013

San Antonio City Council





Investing in Our Sewer System



Fix or Remove Lift Stations

Repair or Replace

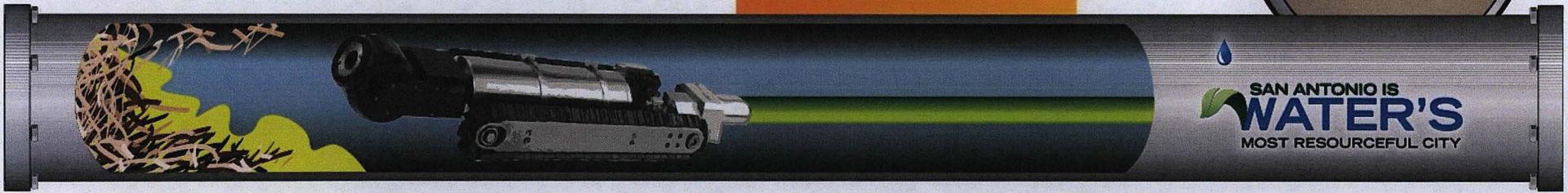
Measure Capacity

Clean Pipes



Visual Inspection

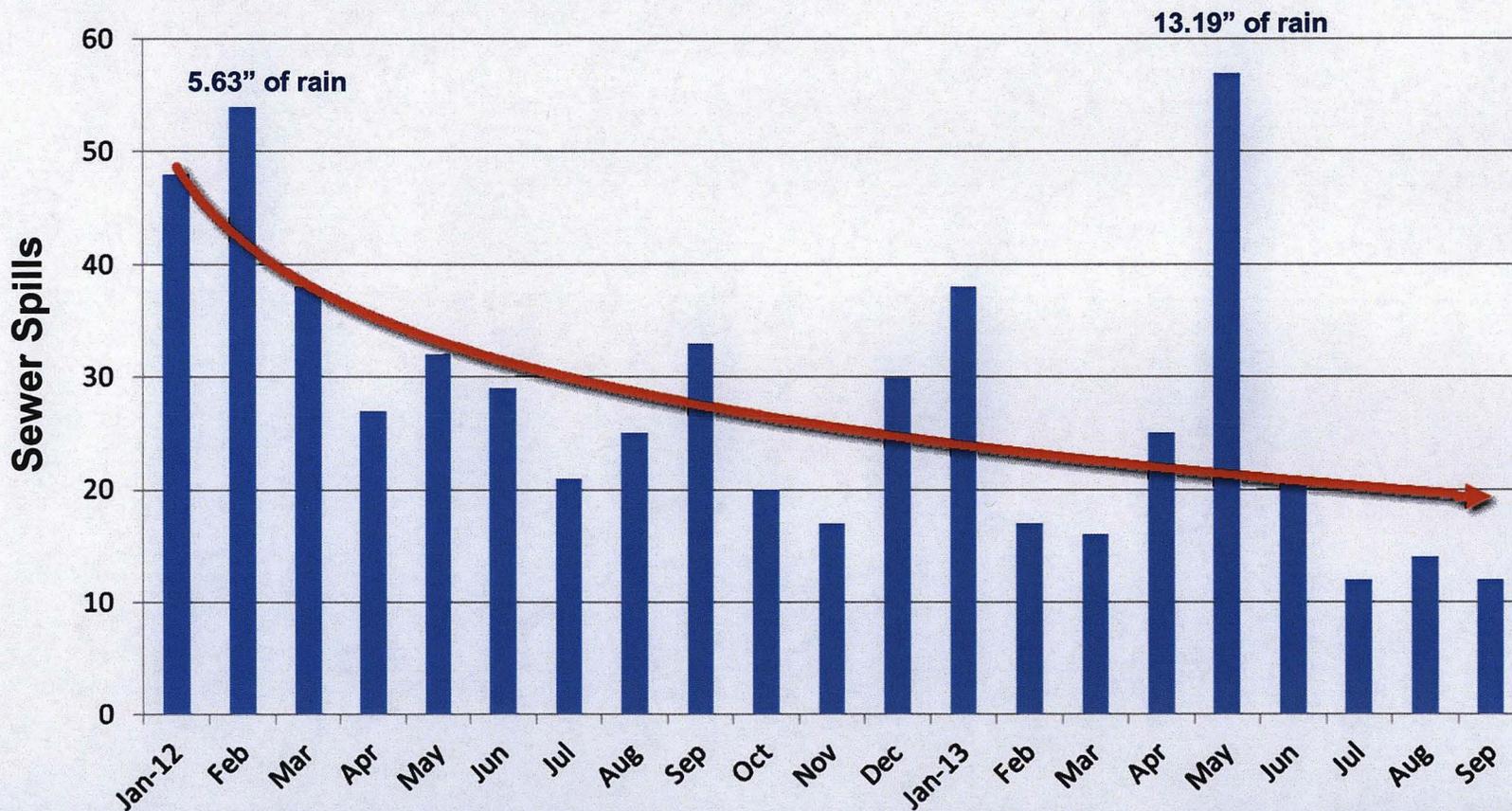
10 year Consent Decree with EPA



SAN ANTONIO IS WATER'S MOST RESOURCEFUL CITY

Sewer Spills Reduced 2012-2013

Sewer Investments are Working



Instead of these headlines...

“

With lakes drying up,
businesses are parched

- New York Times
September 2013

”

“

Lake levels could
shut down three-city
water system. ”

- Community Impact Newspaper
July 2013

“

Homeowners wonder where
Lake Granbury went.”

- Ft. Worth Star-Telegram
July 2013

...San Antonio sees these headlines

“

San Antonio embodies the **best practices** that could be adopted and applied to many cities' unique energy-water challenges.

- **Forbes.com**
September 2013

”

“

Water 'bank' now paying off for SAWS.

”

August 2013

Express-News

“

San Antonio Water System water recycling centers receive the **Gold Peak Performance Award**.

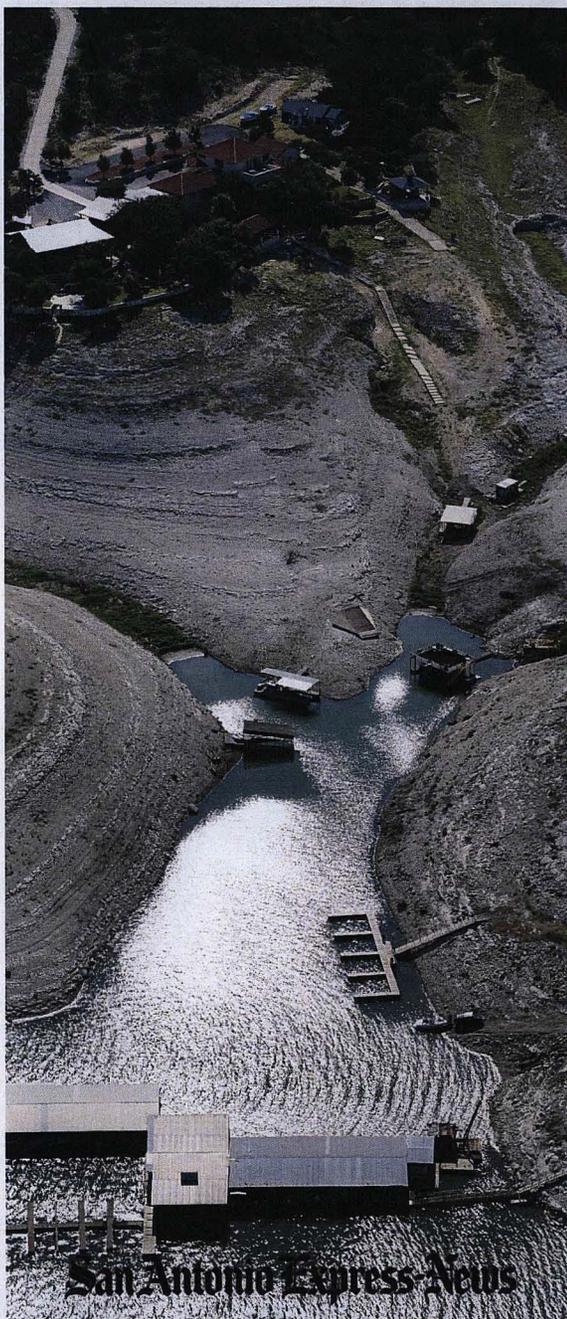
NACWA
September 2013

”



Managing a Historic Drought

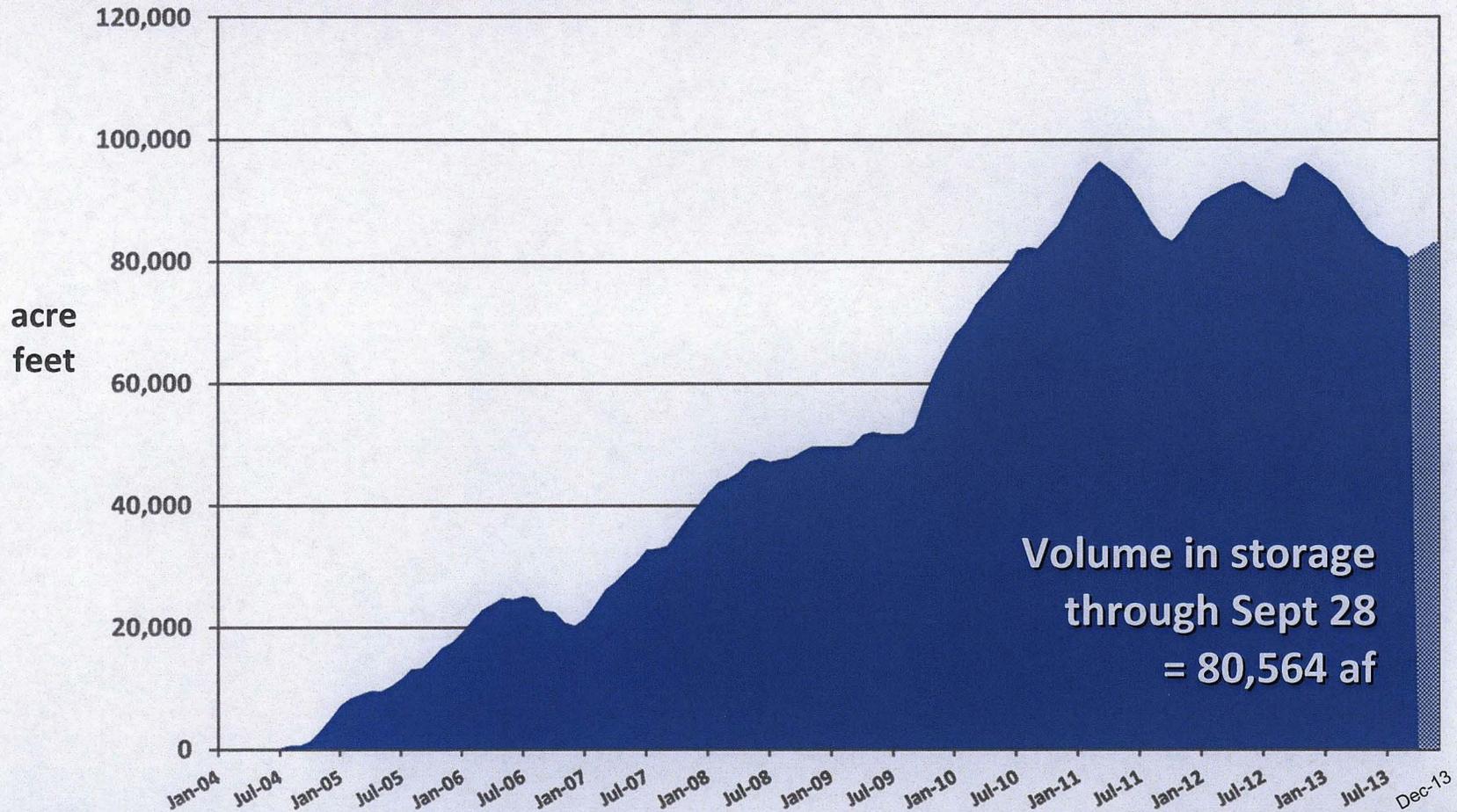
- Challenges
 - Edwards supplies cut by 30%
 - Medina Lake under 5% capacity
 - Trinity Aquifer levels decline
- Successful Water Management
 - International Model of Conservation
 - Aquifer Storage & Recovery proves its success again
 - Local Carrizo Aquifer supply
 - Averted Stage 3 Restrictions

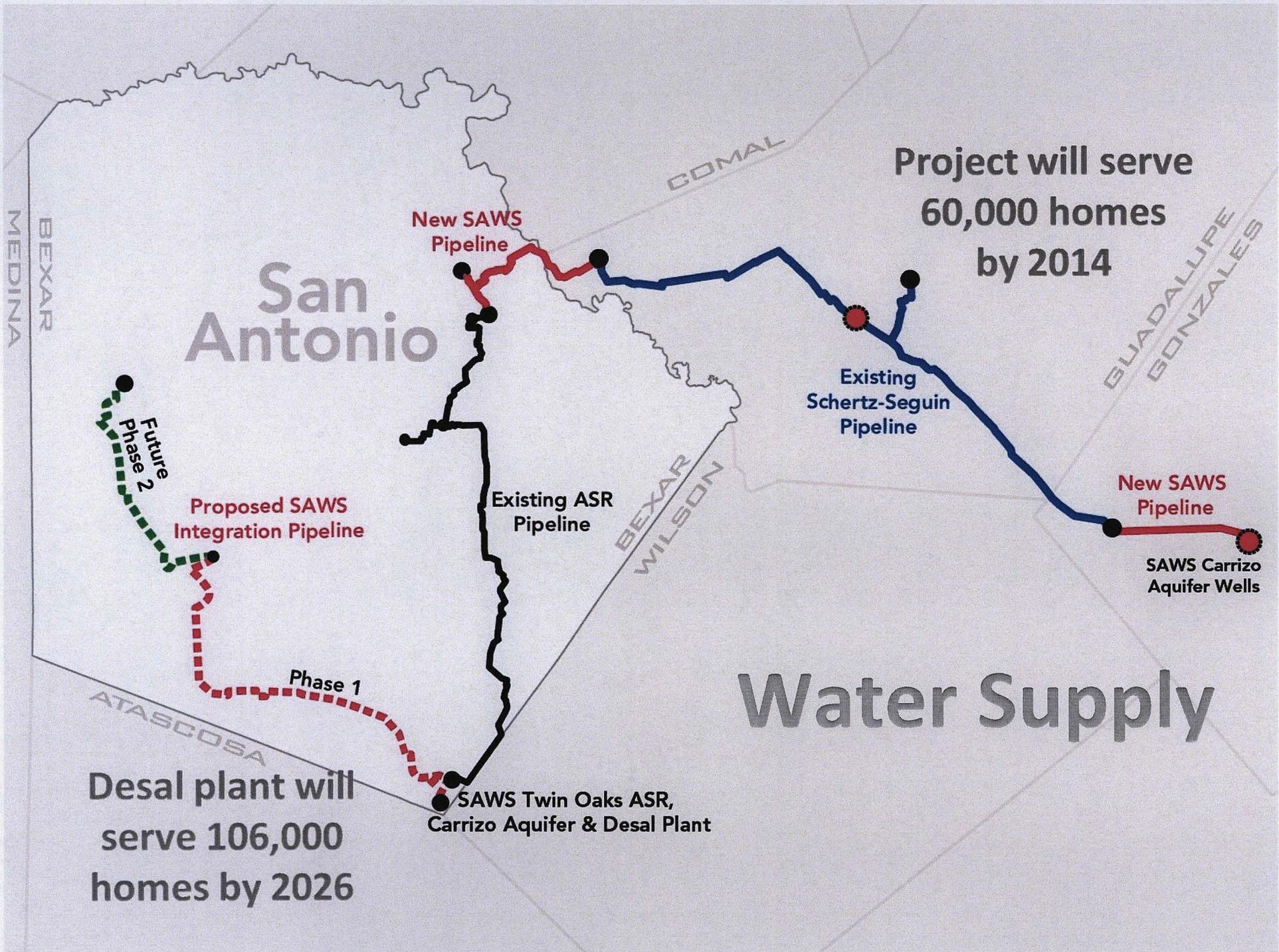


San Antonio Express-News

Aquifer Storage & Recovery

Began Storing Again September 18th





Project will serve
60,000 homes
by 2014

Desal plant will
serve 106,000
homes by 2026

Water Supply

BexarMet Integration Progress

Seamless Process

- Averted water and financial crises
- Employees completely integrated
- No water rate increases projected through integration
- Upgraded bond rating



Medina Lake 2013



Efficiency Study by PA Consulting

Independent External Review

“

PA has found SAWS to be well managed and operates as well as, or better than, its industry peers in most functional areas.

”

- PA Consulting, 2013

- One of the most complex utilities in the nation
- Recommended Savings Potential (after investments)
 - \$8.3 million in annual expenditures by 2015
 - 58 positions for elimination over 18 months

Efficiency Study by PA Consulting

Estimated Savings with Investment

Function	Estimated 2015 Savings
Water Management	\$141 K
Customer Service	\$1,544 K
Engineering	\$604 K
Operations	\$1,283 K
Facilities	\$184 K
Information Services	\$1,340 K
Fleet	\$1,123 K
Human Resources	\$500 K
Public Affairs	\$462 K
Security, Safety, Supply	\$1,119 K
TOTAL	\$8,300 K

Recommendations

- Eliminate positions, realign duties
- Eliminate Customer Centers
 - *Start with Southcross*
- Improve IVR System and Website
- Decrease fleet size
- Outsource custodial services
- Reduce chemical spending, training contracts
- Implement a Capital Project Management System
- Eliminate older software

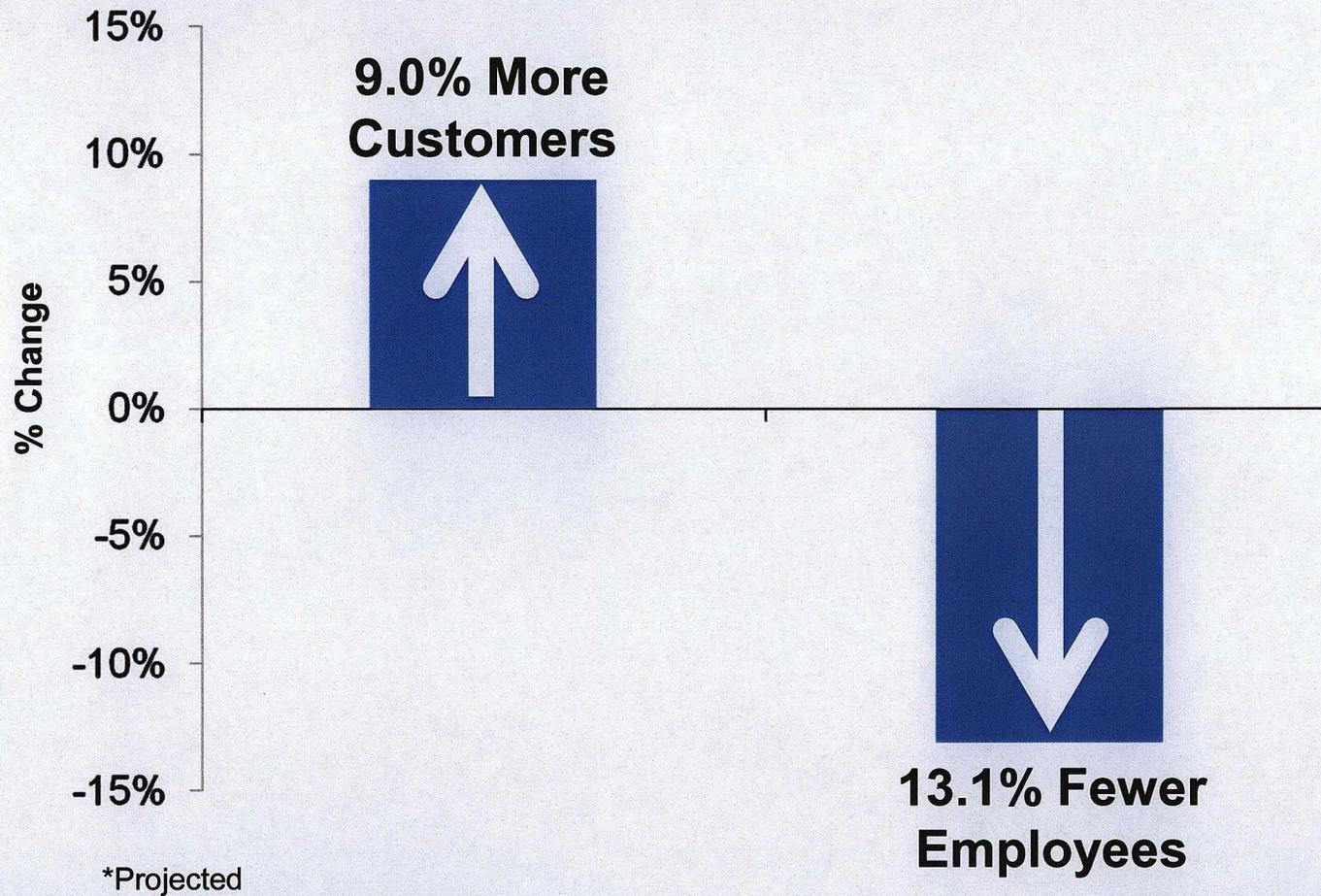
Commitment to Efficiency

Reducing Costs for the Ratepayer

- Over \$10 Million in 2014 budget reductions
 - 41 positions eliminated to date
 - Voluntary Retirement Incentive
 - Reductions in fleet size and use
 - Continued cost sharing and benefit adjustments
- Innovation & Efficiency Department created by redirecting existing positions

Efficiency Gains 2009 – 2015*

Combined SAWS & DSP



Rate Projections from 2013 Budget Process

Proposed 2014 Increase Projected to be 13.5%

Residential Bill (7,788 gallons water / 6,178 wastewater, ICL, Standard)						
	Adopted	Budget	Projected	Projected	Projected	Projected
Monthly Residential Bill	2012	2013	2014	2015	2016	2017
Water Supply	\$9.06	\$ 9.29	\$11.72	\$13.09	\$13.78	\$16.27
Water Delivery	\$15.29	\$ 15.29	\$16.00	\$17.02	\$17.82	\$18.32
Wastewater	\$22.10	\$ 25.75	\$29.38	\$32.14	\$34.36	\$35.46
Total	\$46.45	\$ 50.33	\$ 57.10	\$ 62.25	\$ 65.96	\$ 70.05
Increase		\$ 3.88	\$ 6.77	\$ 5.15	\$ 3.71	\$ 4.09
Increase %		8.4%	13.5%	9.0%	6.0%	6.2%

EAA Fee	\$3.04	\$2.67	\$2.67	\$2.67	\$2.67	\$2.67
State-Imposed TCEQ Fee	\$0.23	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22
Total With EAA / TCEQ Fees	\$49.72	\$ 53.22	\$ 59.99	\$ 65.14	\$ 68.85	\$ 72.94

Rate Projections from the 2013 Budget Process, excludes COSA Stormwater, assumes no change to pass-through fees

2014 Rate Request Reduced by 62%

Budget Cuts Help Reduce Rate Request

Previous Rates Forecast	13.5%
O&M Budget Cuts	- 2.9%
Increased Revenue Projections	- 2.7%
Capital Financing Savings	- 1.6%
Removal of RFCSP Integration*	-0.6%
Capital Budget Reallocation	-0.6%
Current Rate Request	5.1%

Excludes COSA Stormwater, assumes no change to pass-through fees

*Regional Water Supply Project will be brought separately to the City Council for consideration.

Two-Year Rate Request

- Request approval of a multi-year rate adjustment for 2014 and 2015
 - 2014 rate adjustment equal to 5.1%
 - 2015 rate adjustment ***not to exceed*** 5.3%
 - Subject to COSA oversight
- Five-Year Water Supply Fee increases granted in 2000
- Houston has automatic increases based on Producer Price Index + Customer Growth

Revenue Requirements

Rates and Charges

Ordinance No. 75686 – April 30, 1992

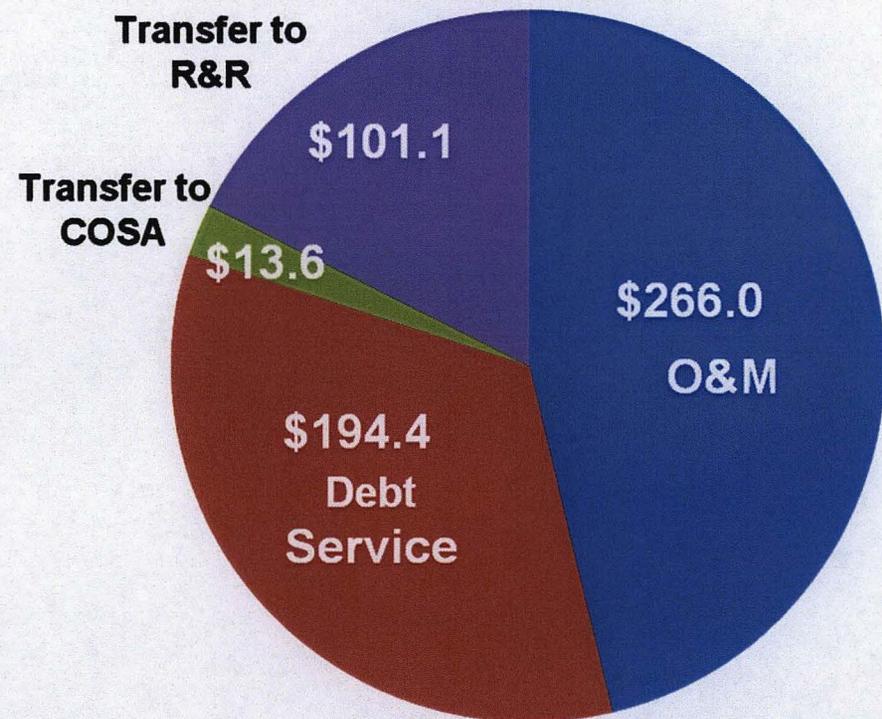
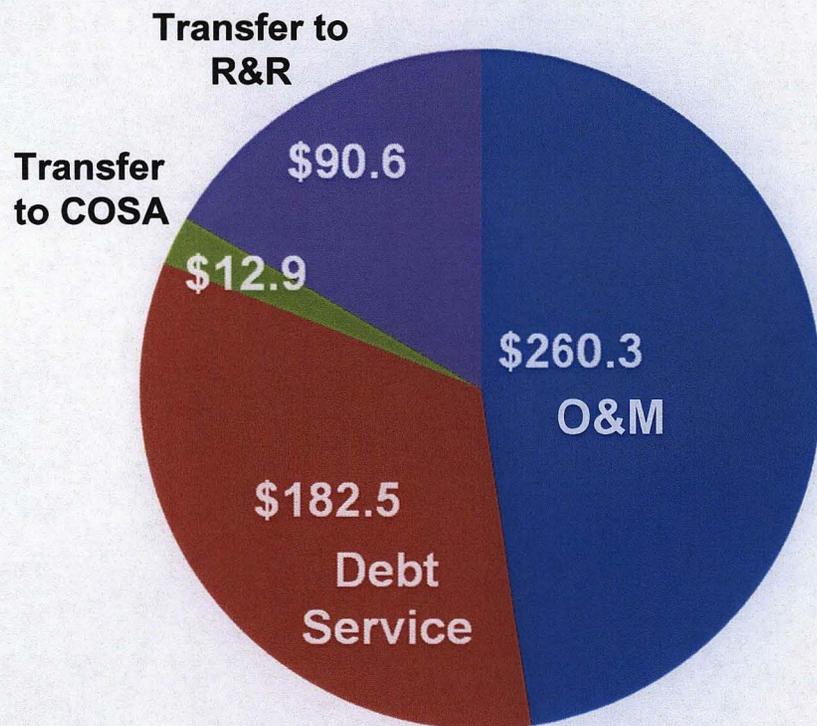
Gross Revenues shall be pledged in the following order of priority:

- 1) Maintenance and Operating Expenses
 - 2) Debt Service and Reserve Fund Requirements
 - 3) City General Fund Transfer
 - 4) Equal Transfer to Renewal & Replacement
 - 5) Any Surplus Transferred to Renewal & Replacement
- Amounts transferred to Renewal & Replacement provide cash funding for capital program

Revenue Requirements (\$ in millions)

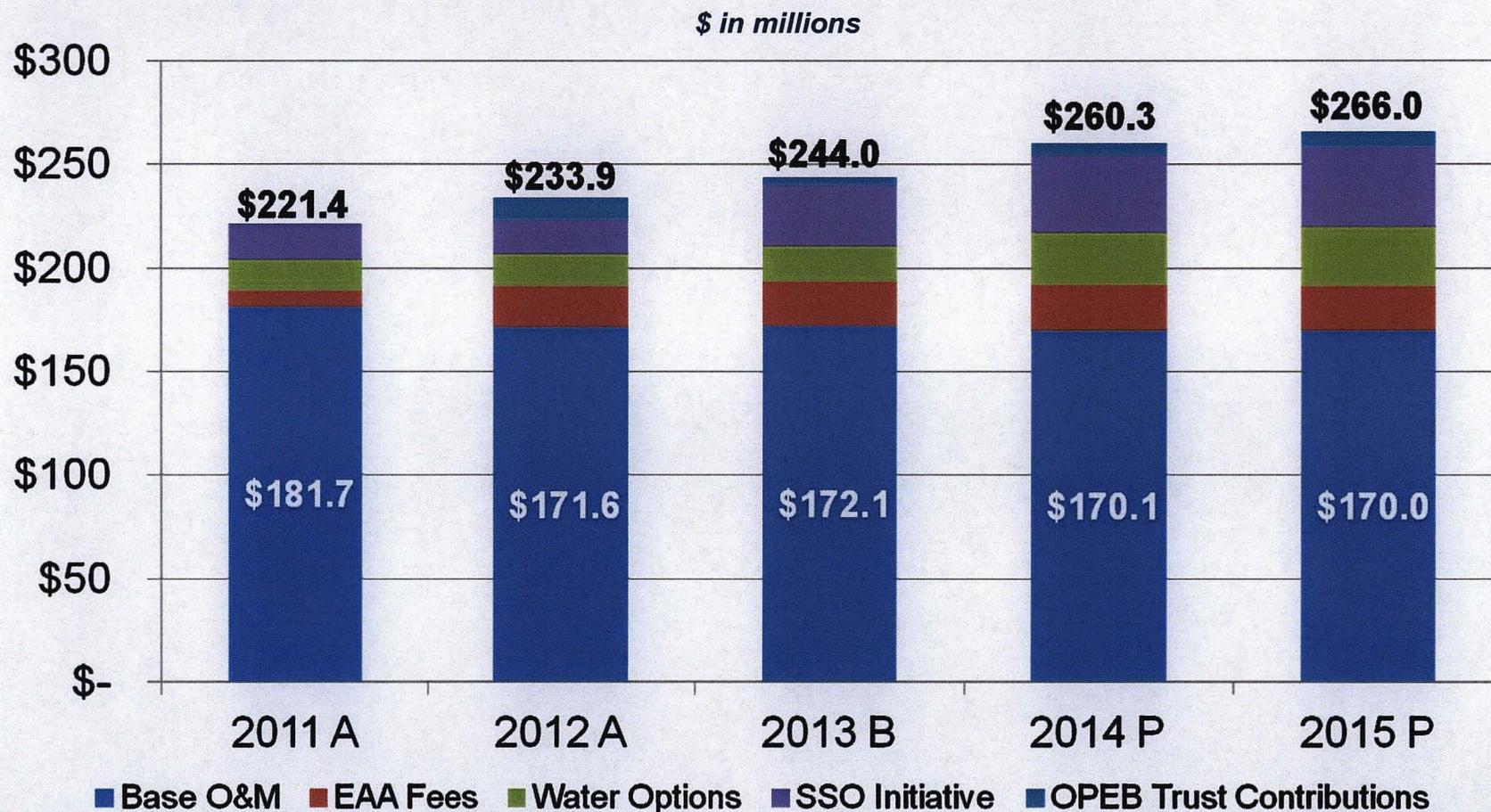
2014 Proposed
\$546.3

2015 Projected
\$575.1



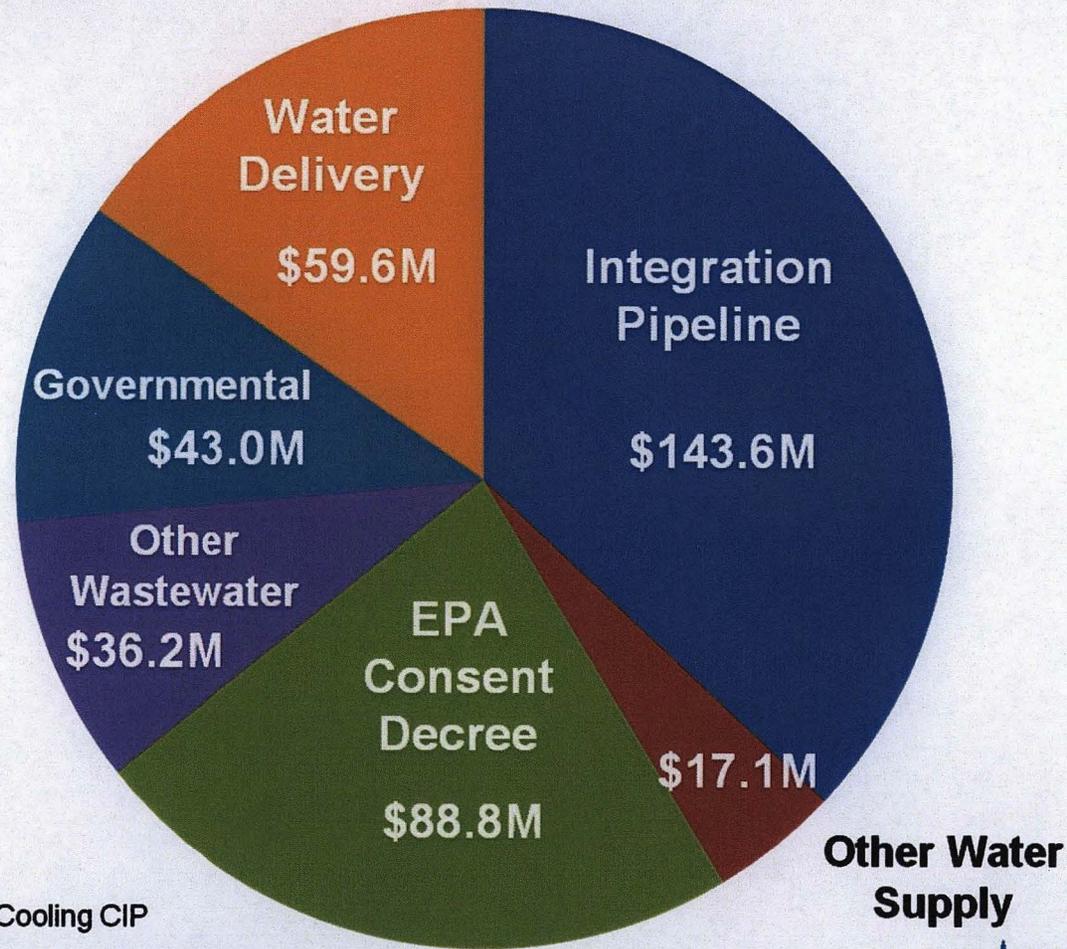
O&M History & Projections

Projected \$11.7 M Reduction in O&M Excluding Mandates & Key Initiatives



2014 Capital Program - \$388 M

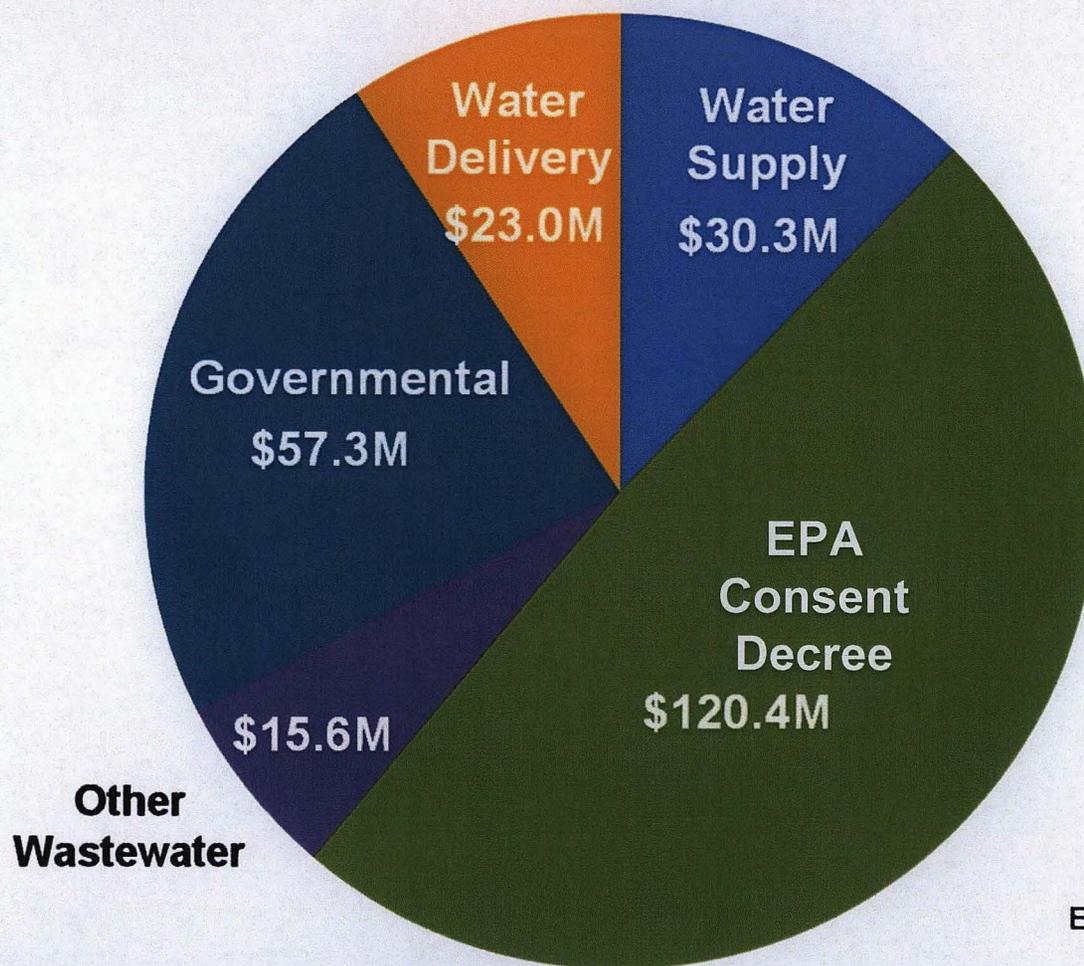
75% Dedicated to Water Supply, EPA & Governmental Programs



Excludes Heating & Cooling CIP

2015 Capital Program - \$247 M

84% Dedicated to Water Supply, EPA & Governmental Programs



Excludes Heating & Cooling CIP



Highest Credit Ratings in History

Requires Strong Financial Commitment

	Senior Lien	Junior Lien	Outlook
Fitch	AA+	AA	Stable
Moody's	Aa1	Aa2	Stable
S&P	AA+	AA	Stable

- Standard & Poor's – Upgrade
 - “...strong management and planning...”*
- Fitch Ratings
 - “Fitch cautions that a decline in debt service coverage could put downward pressure on the rating...”**

* Standard & Poor's Ratings Service – March 13, 2013

** Fitch Ratings – September 20, 2013

Proposed 2014 and 2015 Rates and Customer Bill Impacts

Projected Average Monthly Residential Bill

Reduced 2014 & 2015 Request

	2013	Proposed		Projected		
		2014	2015	2016	2017	2018
Water Supply	9.29	10.51	11.16	11.63	12.46	12.70
Water Delivery	15.29	15.66	16.09	16.92	17.55	18.53
Wastewater	25.75	26.74	28.46	31.14	31.14	33.53
Total SAWS	\$50.33	\$52.91	\$55.71	\$59.69	\$61.15	\$64.76
Increase \$		\$2.58	\$2.80	\$3.98	\$1.46	\$3.61
Increase %		5.1%	5.3%	7.1%	2.4%	5.9%

EAA Fee	2.67	2.57	2.97	2.97	2.97	2.97
TCEQ Fee	0.22	0.22	0.22	0.22	0.22	0.22
Total with Fees	\$53.22	\$55.70	\$58.90	\$62.88	\$64.34	\$67.98
Increase % with Fees		4.7%	5.7%	6.8%	2.3%	5.6%

Assumes water usage = 7,788 gallons & wastewater usage = 6,178 gallons, ICL, Standard rates

Rate impact of Regional Water Supply Project has been excluded from this analysis.

2014 Customer Bill Impact

86% of Request Supports Water Supply & Sewer System



- **Water Supply**

- Integration Pipeline Phase 1 - \$145M Capital
- Regional Carrizo Project
 - \$7.4 M operating increase over 2013

- **Wastewater (Consent Decree Compliance)**

- Sewer Main & Lift Station Replacement - \$89M Capital
- Clean, Inspect and Repair the Sewer System
 - \$7.2 million Operating increase over 2013

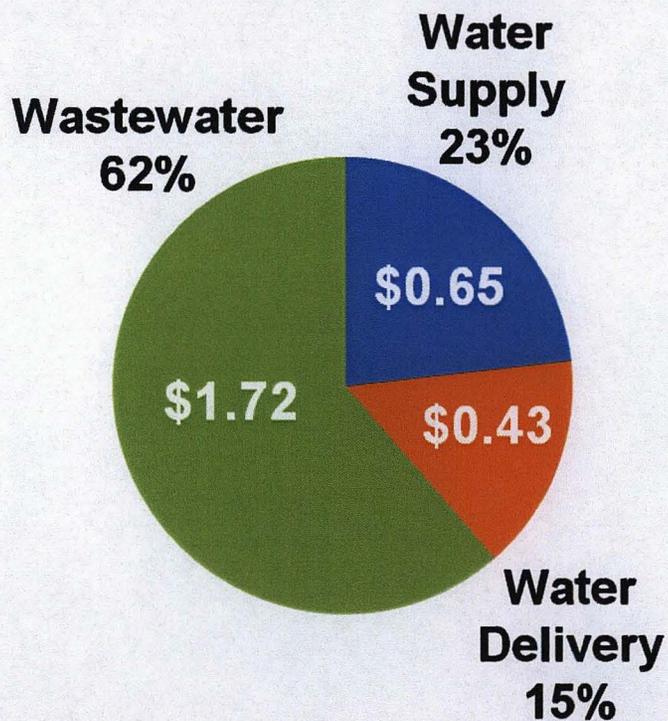
- **Water Delivery**

- Main replacements and production upgrades - \$71M Capital

Based on Average Residential Bill

2015 Customer Bill Impact

85% of Request Supports Water Supply & Sewer System



Based on Average Residential Bill

- **Wastewater (Consent Decree Compliance)**

- Sewer Main & Lift Station Replacement - \$120M Capital
- Clean, Inspect and Repair the Sewer System
 - \$1.8 million operating increase over 2014

- **Water Supply**

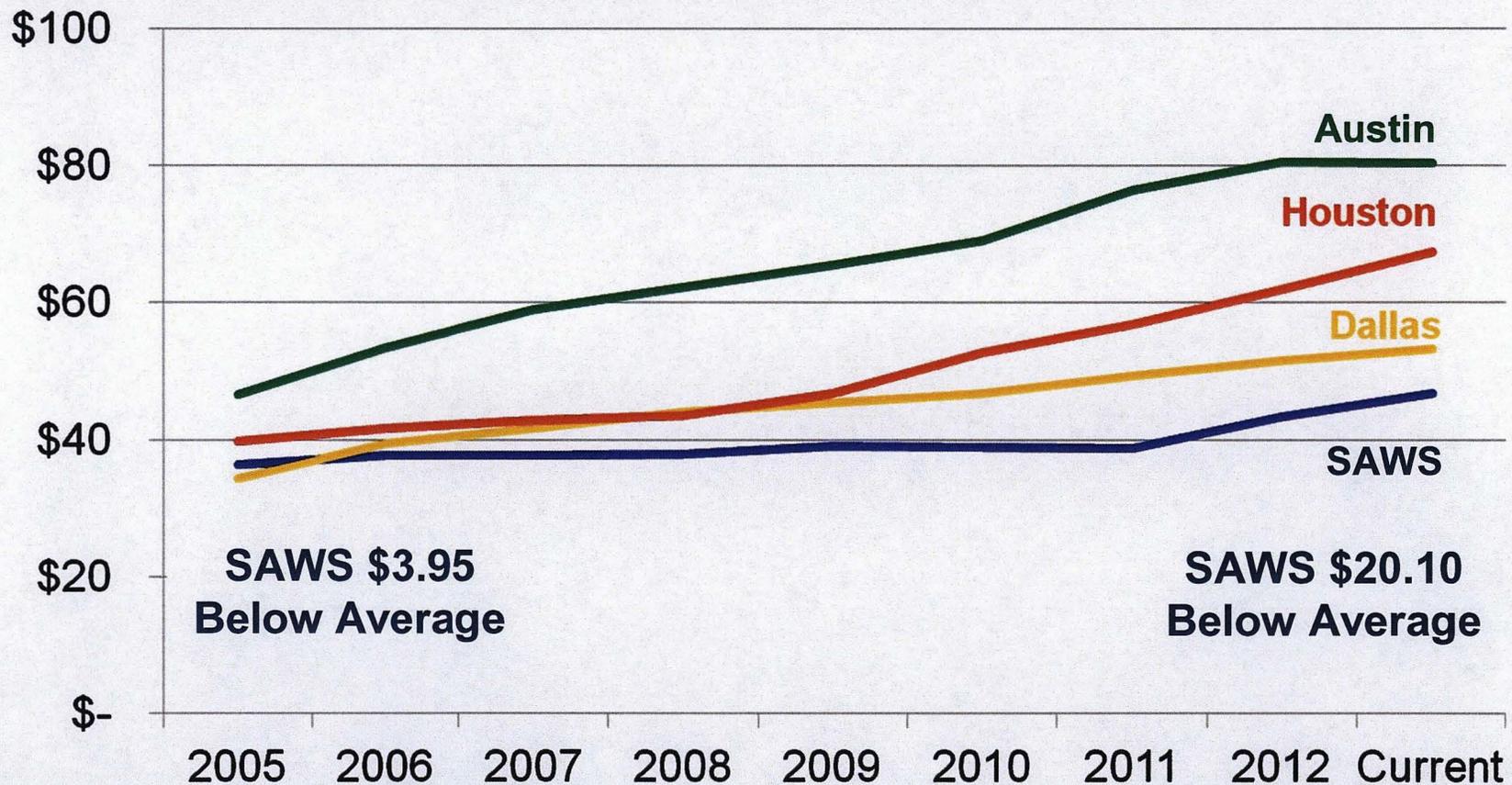
- Edwards Purchases, Recycled Water Improvements, Expanded Carrizo - \$30M Capital
- Regional Carrizo Project
 - \$2.5 M operating increase over 2014

- **Water Delivery**

- Main replacements & Production Upgrades – \$47M Capital

Lowest Rate Growth of Major Texas Cities

6,000 Gallon Residential Water & Sewer Bill

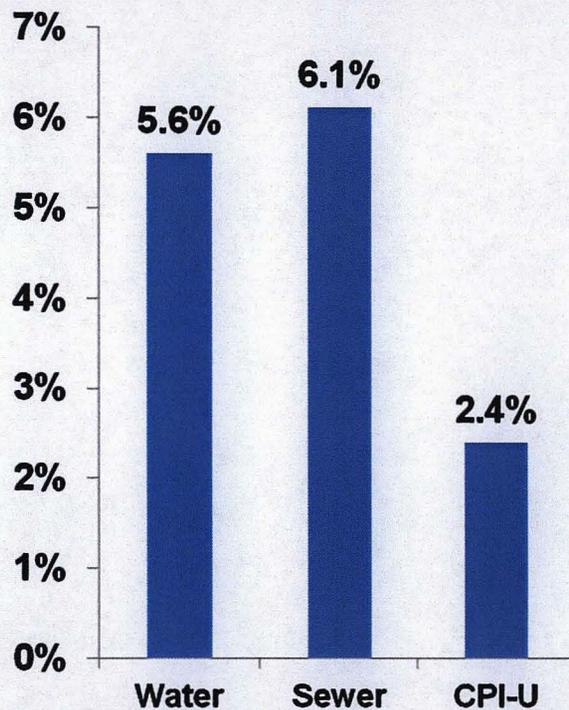


SAWS \$3.95
Below Average

SAWS \$20.10
Below Average

Black & Veatch National Rate Survey

50 Largest Cities – Water & Wastewater



Compound Avg Annual Increase 2001-2013

- Key Factors Driving Increases

- WW Consent Decreases
- Aging Infrastructure
- Economic Downturn
- Commodity Prices
- Lack of Capital Funding
- ↓ Usage ↑ Fixed Costs

- “Recognizing the Value of Water and Wastewater”

- “The increase in the average water and sewer bill since 2001 is significantly less than the increases seen in the typical bundled cable, mobile phone and energy bills.”

Affordability

Affordability Discount Program

Increase 2014 funding by 15% to \$2.5 million

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%

Based on 7,788 gallons water/6,178 gallons sewer usage

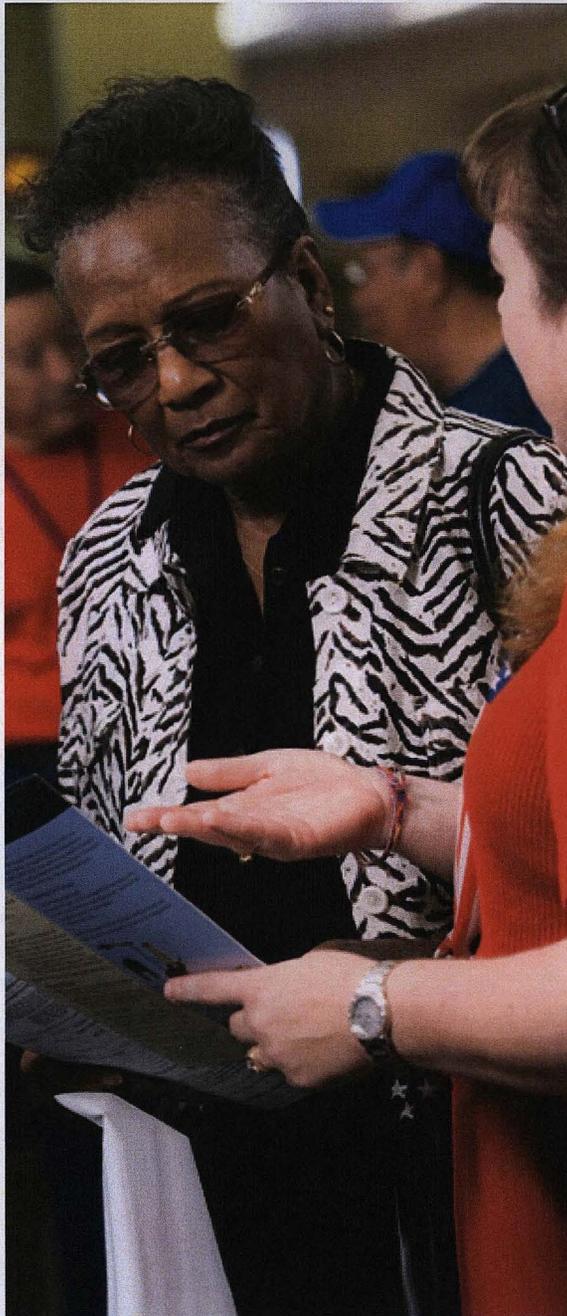


Affordability Discount Program

3,800 New Participants in 2013

District	Participants	% of Total
1	1,954	10.6%
2	2,927	16.1%
3	2,078	10.3%
4	2,210	10.3%
5	3,280	17.5%
6	2,358	12.6%
7	1,737	9.5%
8	377	2.0%
9	262	1.4%
10	700	3.7%
Subtotal	17,883	94.0%
Outside	1,678	6.0%
Y-T-D*	19,561	100.0%

*Through August, 2013

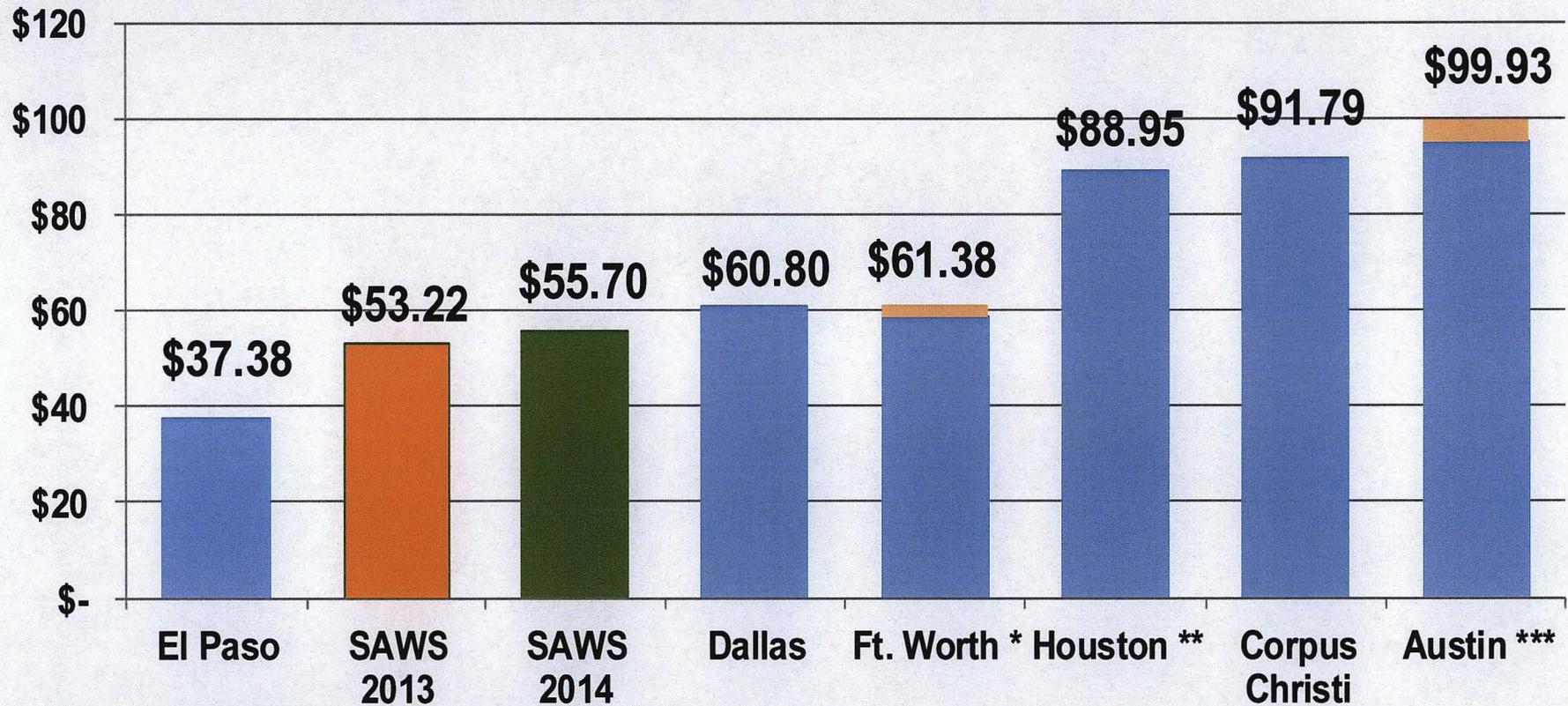


Affordability Programs	Assistance/Benefit	2013 Participants
Affordability Discount Program (ADP)	Sliding Scale \$3.50 - \$12.97 per month	19,561
Project Agua (Payment Assistance)	One time credit every 12 months for \$115	1,029
Senior Citizen Billing	Customers 60 years of age and older. Waives late fees and additional 10 days to pay	25,031
Disability Billing	Customers receiving Supplemental Security Income (SSI). Additional 10 days to pay	1,611
Plumbers to People	Home water leak repairs.	358
Laterals to People	Plumbing assistance outside the property line.	15
Sewer Laterals Reimbursement	Provides reimbursement of plumbing charges related to electronically locating the problem.	399
Payment Arrangements	Reduces amount on past due accounts, remaining balance by due date shown on current bill.	53,461
Conservation Makeover	Provide water efficient toilet and home fixtures	209
Leak Adjustments	Bill Adjustments vary by type of leak	5,238

*Through August, 2013

Average 2013 Residential Bills

SAWS Will Remain Among the Lowest in Texas



* Fort Worth monthly charges proposed to increase on January 1, 2014

** Houston wastewater charges based solely on water usage

*** Austin monthly charges approved to increase on November 1, 2013

Monthly charges as of October 2013, Based on 7,788 Gal. Water (Standard)/6,178 Gal. Wastewater. Includes EAA and TCEQ Fees.



Summary

Request 5.1% increase for 2014

Not to exceed 5.3% increase for 2015

- Increases needed for mandated wastewater efforts and water supply
- Efficiency helped reduce 2014 by 62%; 2015 by 41%
- Sewer Spills reduced by 30%
- Wise water supply investments helped avoid Stage 3
- Affordability funding boosted by 15%

Proposed Rate Adjustments

Robert R. Puente

President/CEO

Doug Evanson

Senior Vice President and CFO

October 2, 2013

San Antonio City Council



EXHIBIT "C"

Proposed Rate Adjustments

Robert R. Puente

President/CEO

Doug Evanson

Senior Vice President and CFO

October 17, 2013

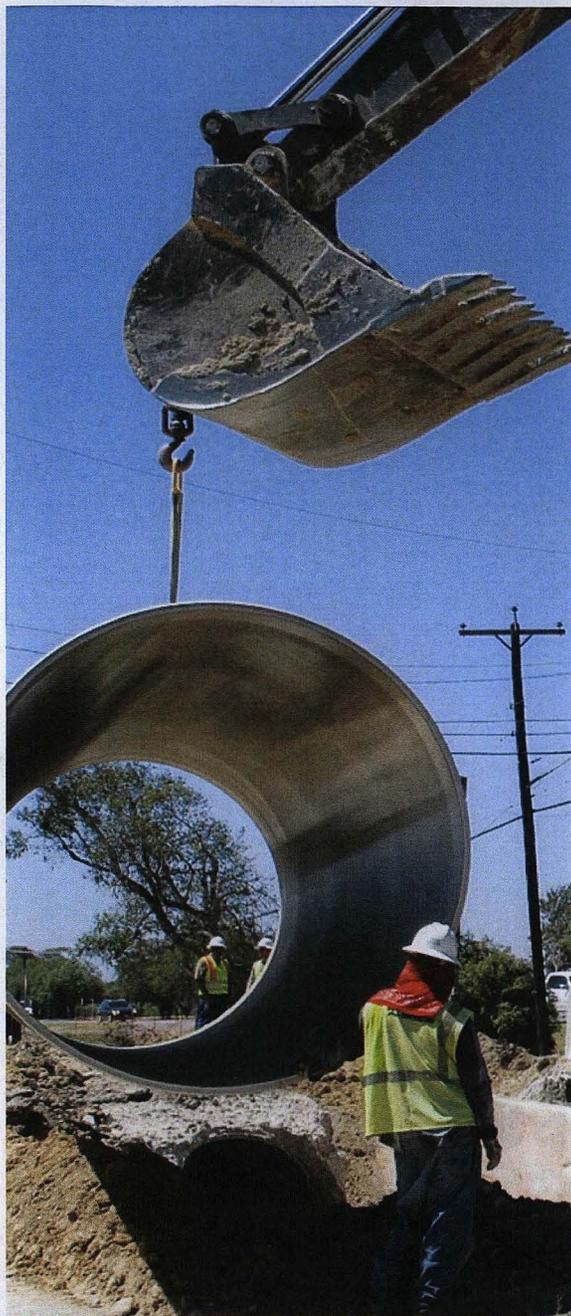
San Antonio City Council



Overview

Reduced 2014 & 2015 Rate Request

- Water Supply
- Two-Year Rate Adjustment
- Rate Design



Projected Average Monthly Residential Bill

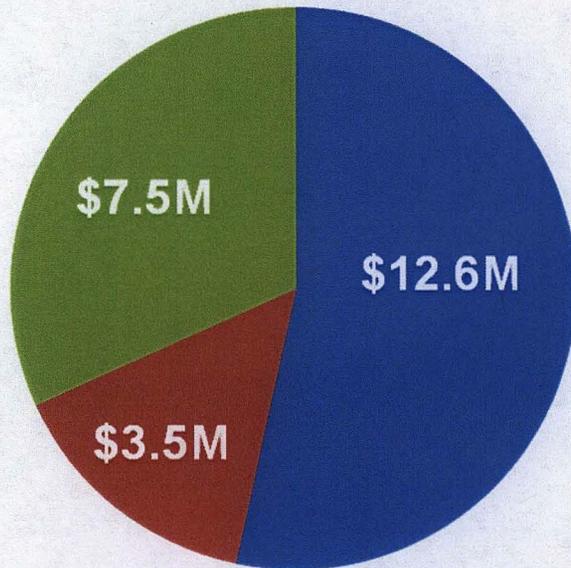
Reduced 2014 & 2015 Request

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		2014	2015
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Water Delivery	15.29	15.66	16.09
Wastewater	25.75	26.74	28.46
Total SAWS	\$50.33	\$52.91	\$55.71
Increase \$		\$2.58	\$2.80
Increase %		5.1%	5.3%
EAA Fee	2.67	2.57	2.97
TCEQ Fee	0.22	0.22	0.22
Total with Fees	\$53.22	\$55.70	\$58.90

Assumes water usage = 7,788 gallons & wastewater usage = 6,178 gallons, ICL, Standard rates

Plans for 2014 Rate Adjustment - \$23.6 M

Primarily Supports Water Supply & Sewer System



■ Water Supply

- Integration Pipeline Phase 1
- Regional Carrizo

■ Wastewater

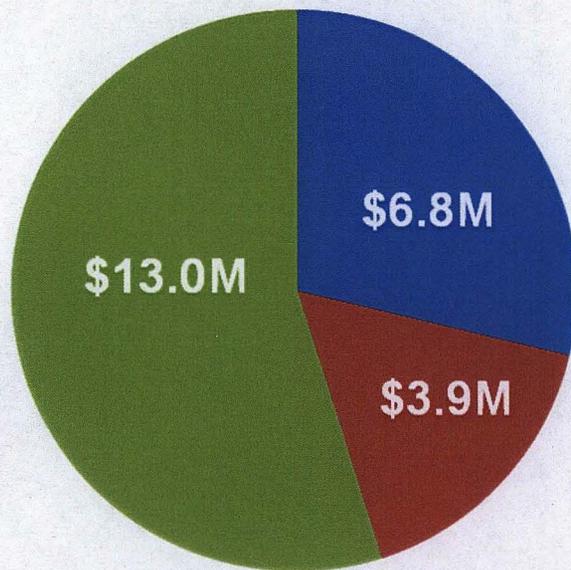
- Consent Decree compliance

■ Water Delivery

- Main replacements and production upgrades

Plans for 2015 Rate Adjustment - \$23.7 M

Primarily Supports Water Supply & Sewer System



■ Water Supply

- Edwards purchases, Recycled Water improvements, Expanded Carrizo and Regional Carrizo

■ Wastewater

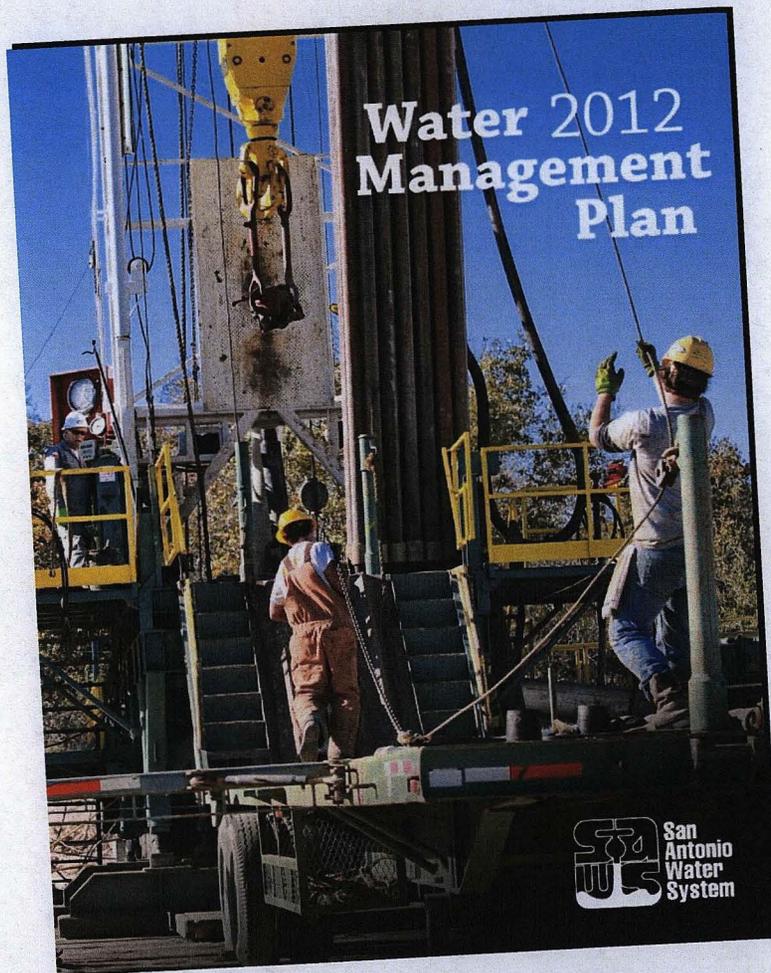
- Consent Decree compliance

■ Water Delivery

- Main replacements and production upgrades

Water Supply

Water Management Plan



- Water Supplies through 2040 for continued economic growth
- Reduced Edwards Aquifer reliance
- Increasing Conservation Efforts
- Resolves water supply crisis for former BexarMet customers
- Flexibility in water management
- Helps avert Stages 3 & 4 restrictions
- Secures future water at today's costs

Water Management Strategies

Water for a Growing Economy and 20,000 New People Every Year

Supply Source	Qty (ac-ft/yr)	Time
Regional Carrizo (<i>Gonzales County</i>)	Up to 17,200*	Online late 2013
Additional Edwards Rights	10,900	2013-2017
	12,200	2016
Brackish Groundwater Desalination Plant	12,200	2021
	6,100	2026
	7,000	2017
Expanded Local Carrizo (<i>Bexar County</i>)	7,000	2022
	7,000	2026
Regional Water Supply Project (RFCSP)	Up to 50,000	2018
Demand Reduction (Reduced GPCD from 143 to 135)	16,500	By 2020

*Full allotment beginning in 2015, assuming excess water availability by Schertz-Seguin

Groundwater Desalination

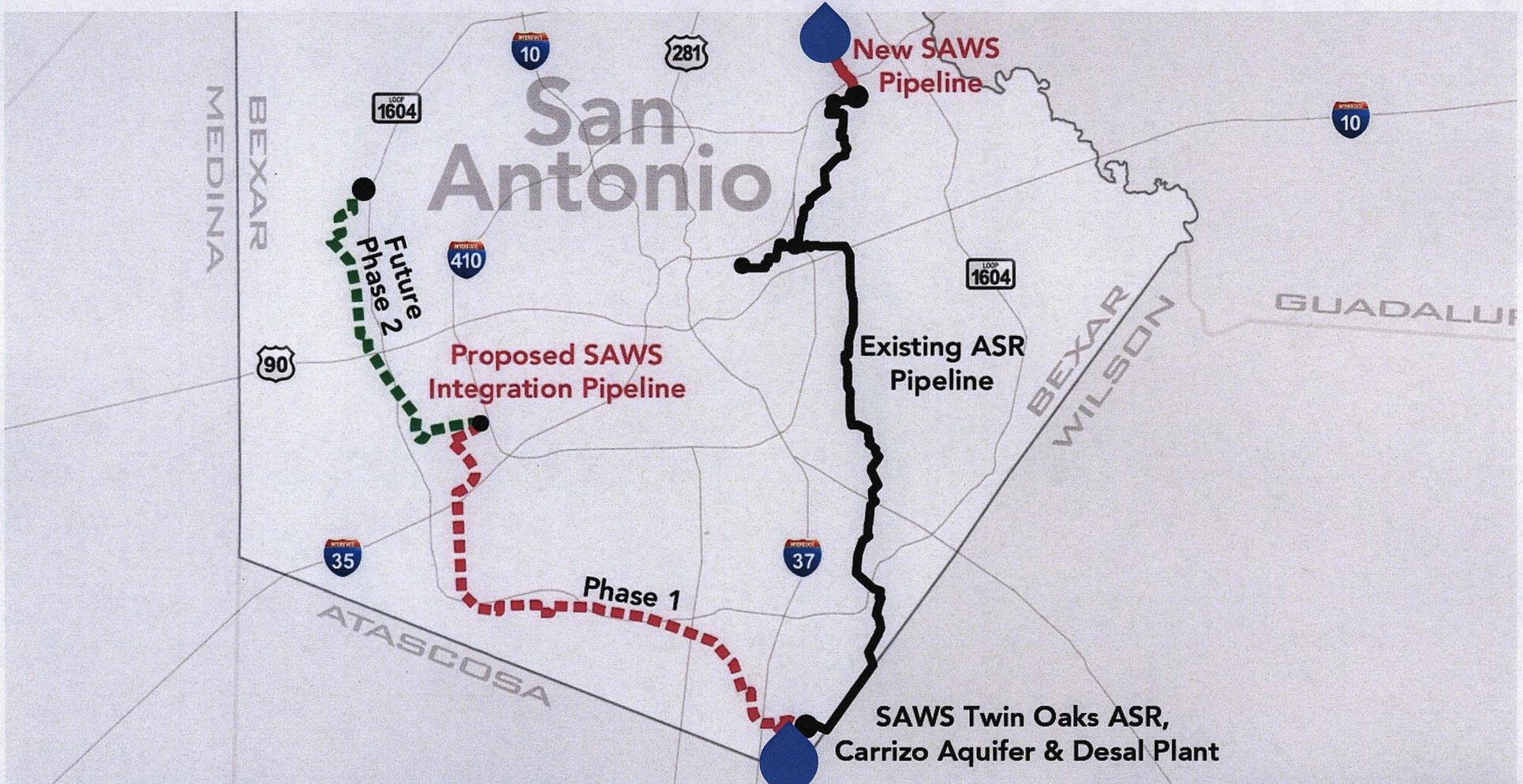
Largest Inland Plant in the Nation

- Un-tapped 'Ocean' under our feet
 - Carrizo-Wilcox Aquifer considered *“one of the best potential sources for brackish water in Texas”* – TWDB
- Three-Phase Program
 - First phase on-line in 2016
 - Project completion scheduled to deliver over 30,500 ac-ft/yr by 2026
- Integration Pipeline key to bringing project on-line



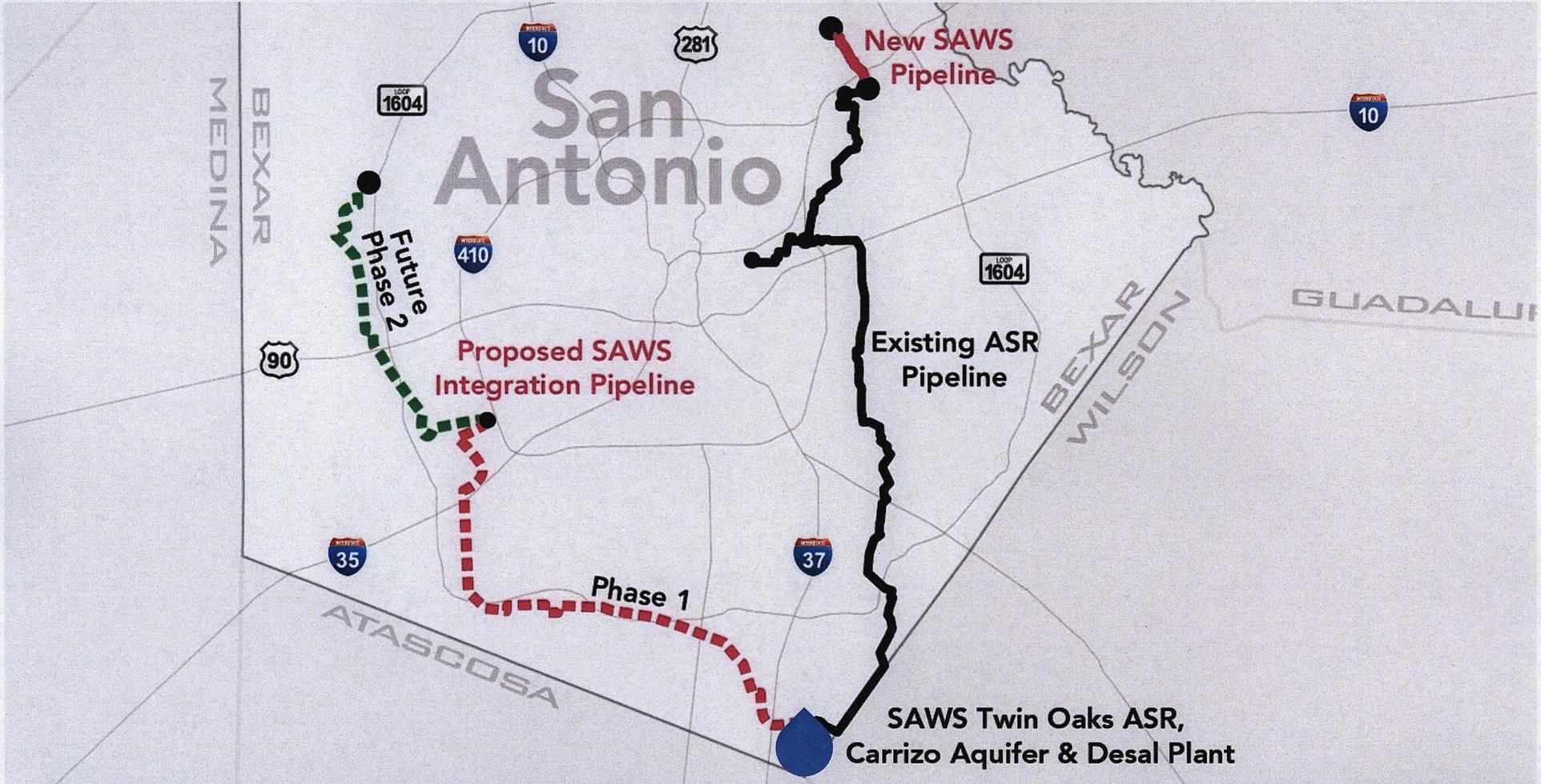
Integration Pipeline

Key to Desalination Project, ASR and Local Carrizo



Integration Pipeline

Providing Maximum Flexibility in Drought Conditions



Two-Year Rate Request

Ensures Efficiencies & Long Term Commitments are met

- Capped Request for 2015 “Not to Exceed” 5.3%
 - Requires SAWS to implement more efficiencies
 - City Council Oversight/Reporting
- Certainty for long-term projects needed
 - Court-Mandated Sewer Reduction Initiatives
 - Water Management Plan Progress
- 2000 City Council commitment to implement long term water supply vision
- Separates Rate Structure decisions from rate request
 - Dedicated discussion to Rates Advisory Committee process

Rate Design

Objectives of a Rate Design

Standard Industry Practice

- Allow utility to meet its revenue requirements
- Recover the portion of the costs attributable to each category of customers
- Fair pricing – not unduly favoring certain customers/categories over others
- Efficient pricing – providing customers proper price signals

Customer Categories

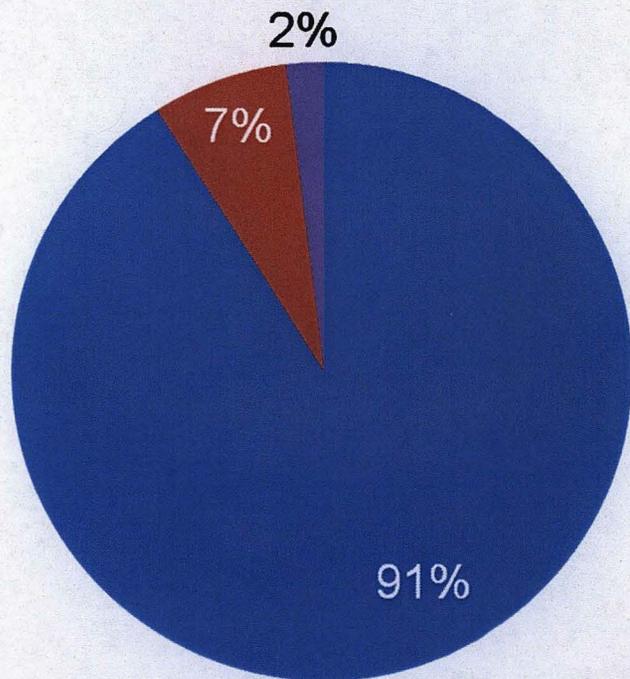
Water and Sewer

Customer Category	Water	Sewer
Residential	X	X
General (Commercial, Industrial & Multifamily)	X	X
Wholesale	X	X
Irrigation	X	

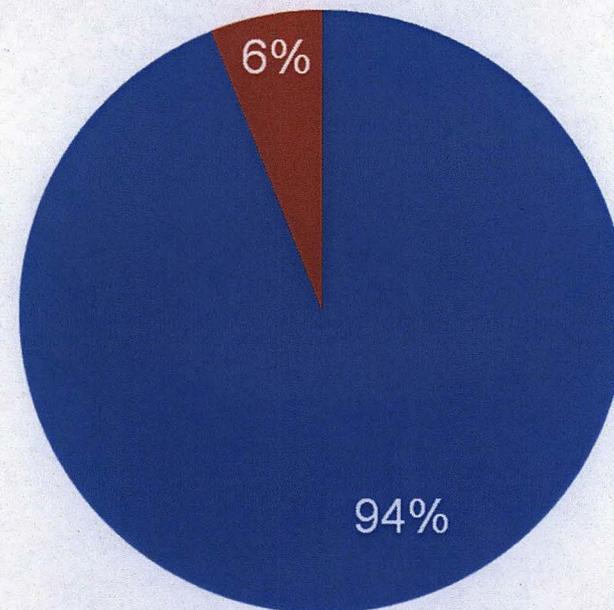
2012 Connections By Customer Category

More than 90% of SAWS Customer Connections are Residential

% Water Connections By Category



% Sewer Connections By Category



■ Residential ■ General ■ Wholesale ■ Irrigation

Residential Water Rate Structure

Increasing Block Structure Designed to Send Price Signals

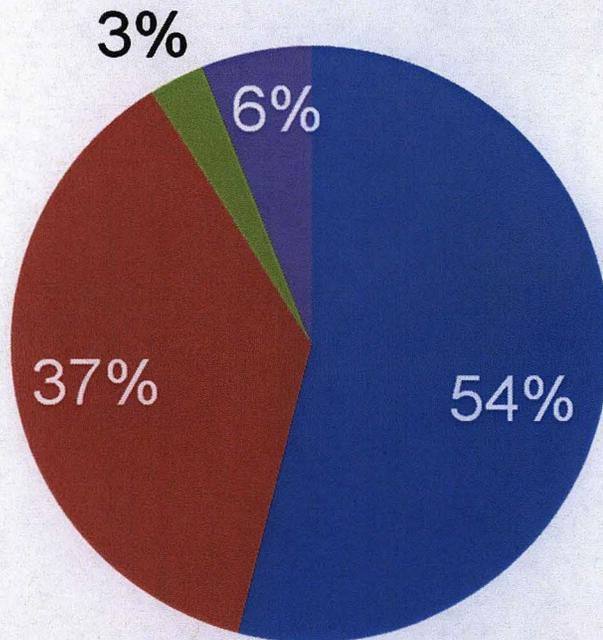
Fixed Water Meter Charge (5/8" meter) \$ 7.31	+	STANDARD	SEASONAL*
		Rate/100 gals.	Rate/100 gals.
		\$0.7837 > 17,205 gals.	\$0.9076 > 17,205 gals.
		\$0.4477 Next 4,488 gals.	\$0.4768 Next 4,488 gals.
		or	
		\$0.3174 Next 6,732 gals.	\$0.3297 Next 6,732 gals.
		\$0.2194 First 5,985 gals.	\$0.2194 First 5,985 gals.

*May - September

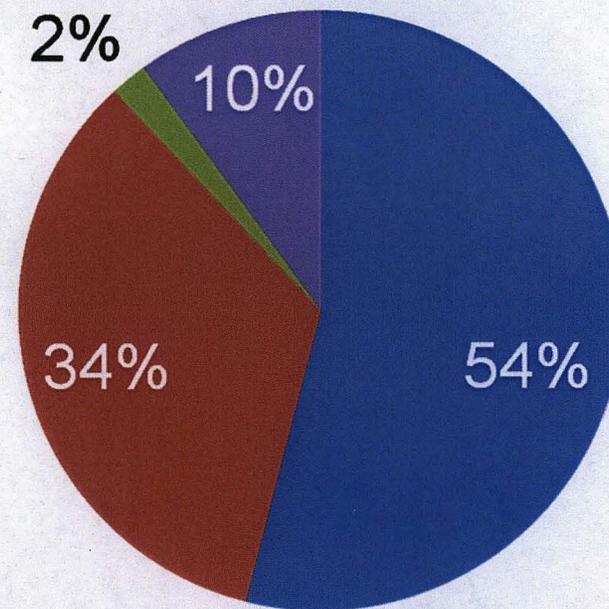
2012 Potable Water Sales Statistics

Each Customer Category Pays Proportionate Share of Costs

% of Annual Sales in Gallons by Category



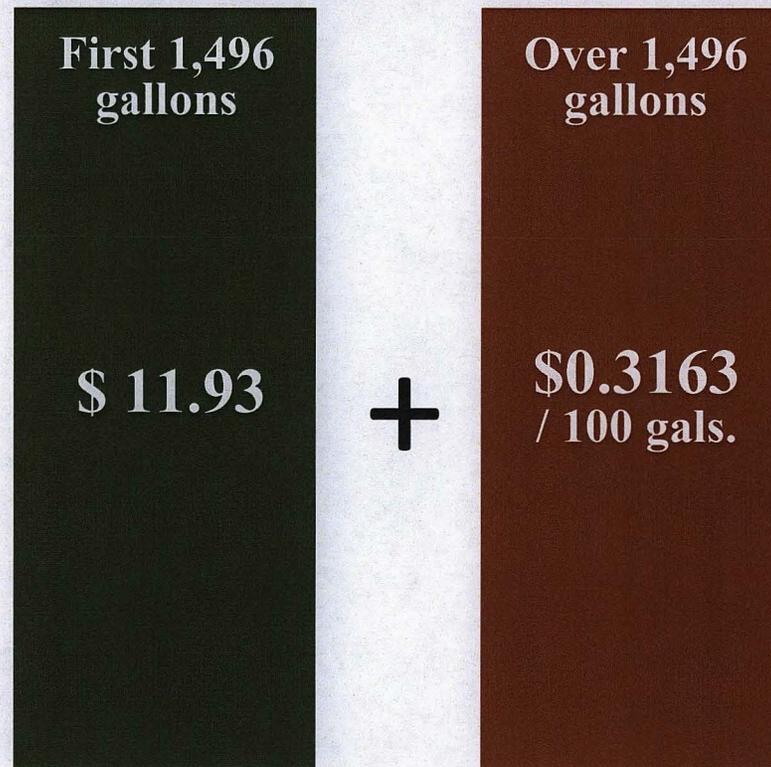
% of Annual Revenue by Category



Residential General Wholesale Irrigation

Residential Sewer Rate Structure

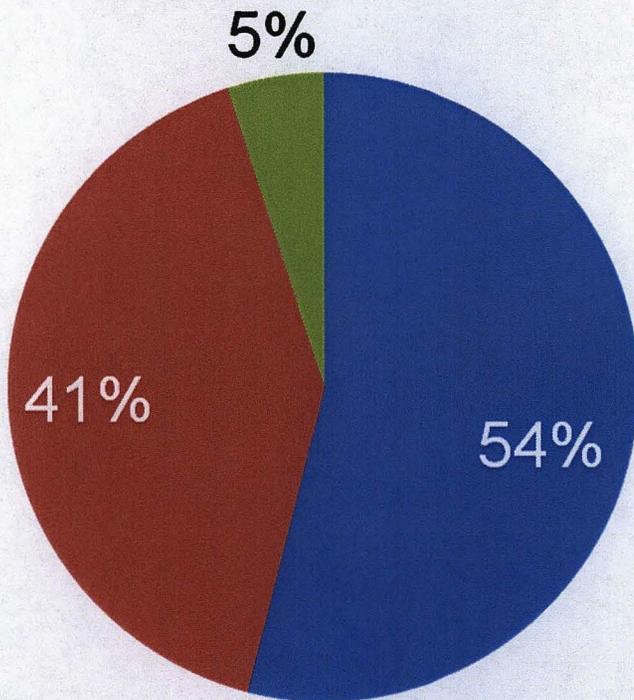
Based on Average Winter Consumption



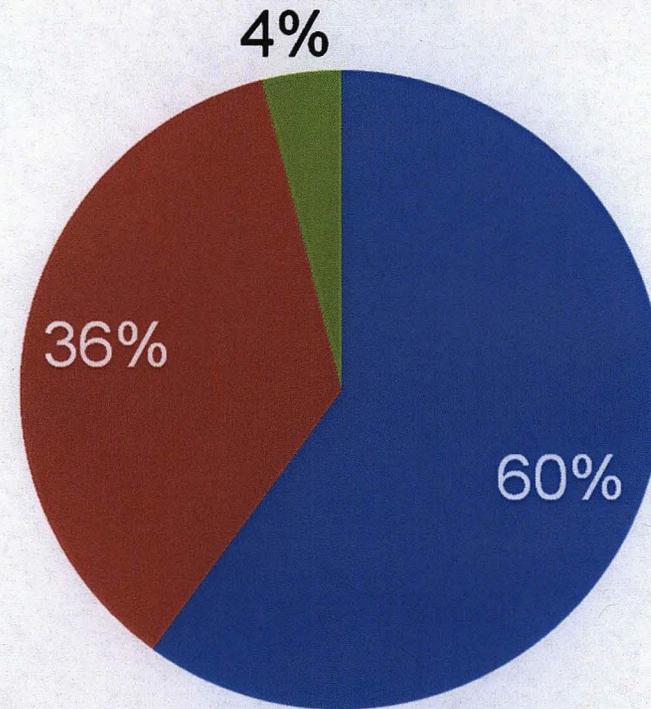
2012 Wastewater Treatment Statistics

Each Customer Category Pays Proportionate Share of Costs

% of Annual Gallons Treated by Category



% of Annual Revenue by Category



Residential

General

Wholesale

Monthly Residential Bill Impact

5.1% Base Rate Adjustment in 2014 and up to 5.3% in 2015

WATER

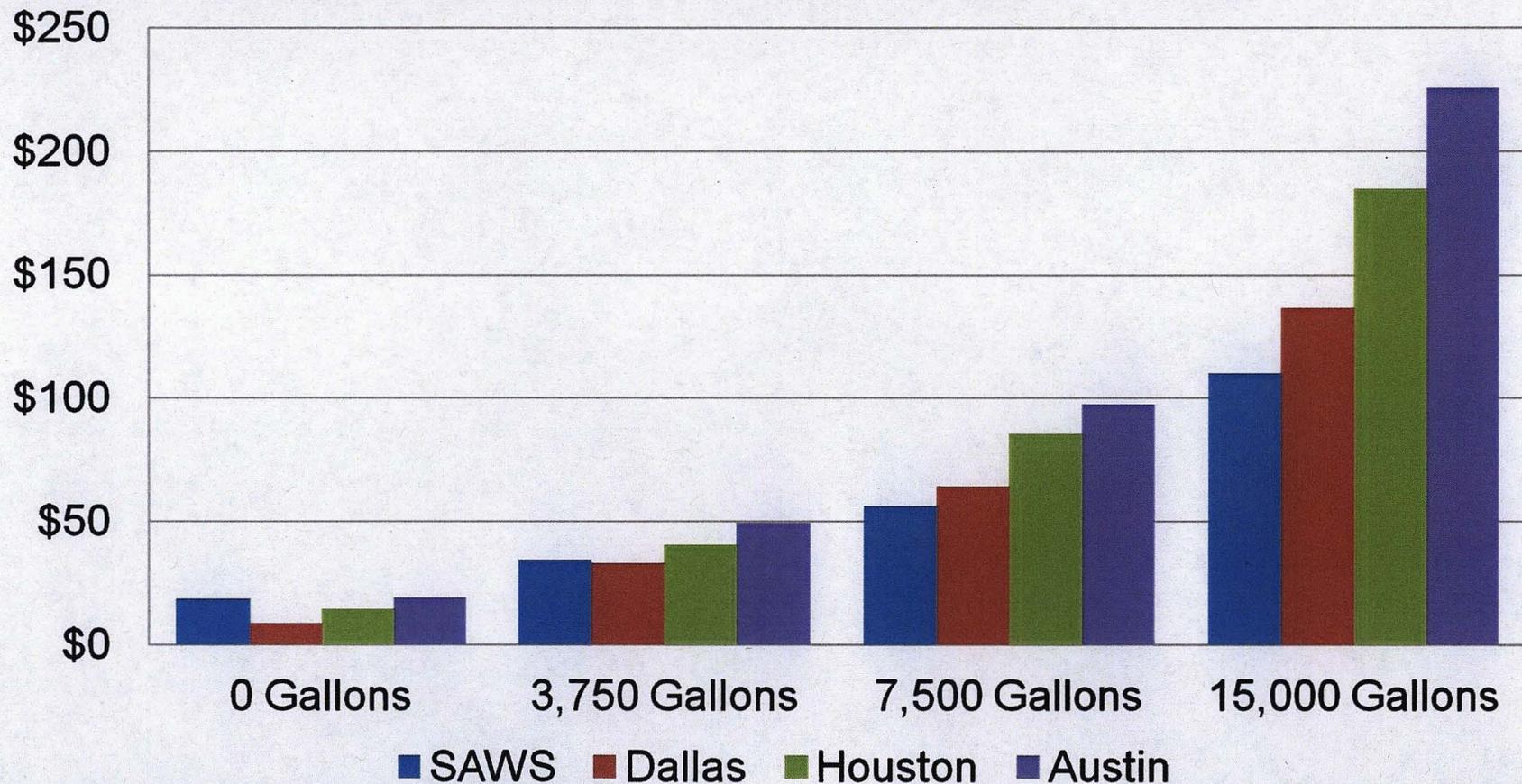
	Usage Level	2014 Impact	2015 Impact
	4,000 Gallons	\$0.83	\$0.62
Avg Usage →	7,788 Gallons	\$1.59	\$1.08
	20,000 Gallons	\$5.96	\$3.77

WASTEWATER

	Usage Level	2014 Impact	2015 Impact
	3,500 Gallons	\$0.67	\$1.18
Avg Usage →	6,178 Gallons	\$0.99	\$1.72
	10,000 Gallons	\$1.43	\$2.49

Black & Veatch – Major Texas Cities

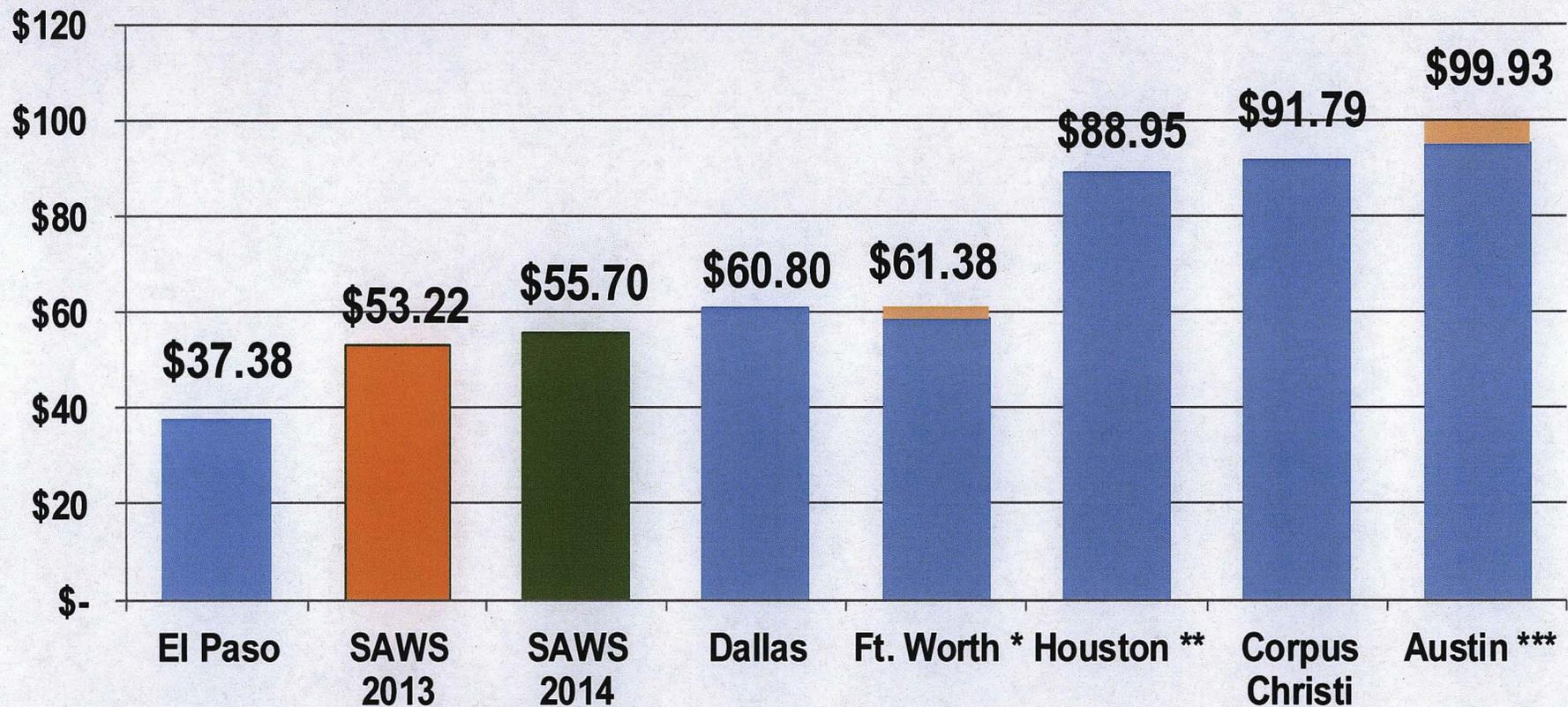
Residential Comparisons as of April 2, 2013



Conclusion

Average 2013 Residential Bills

SAWS Will Remain Among the Lowest in Texas



* Fort Worth monthly charges proposed to increase on January 1, 2014

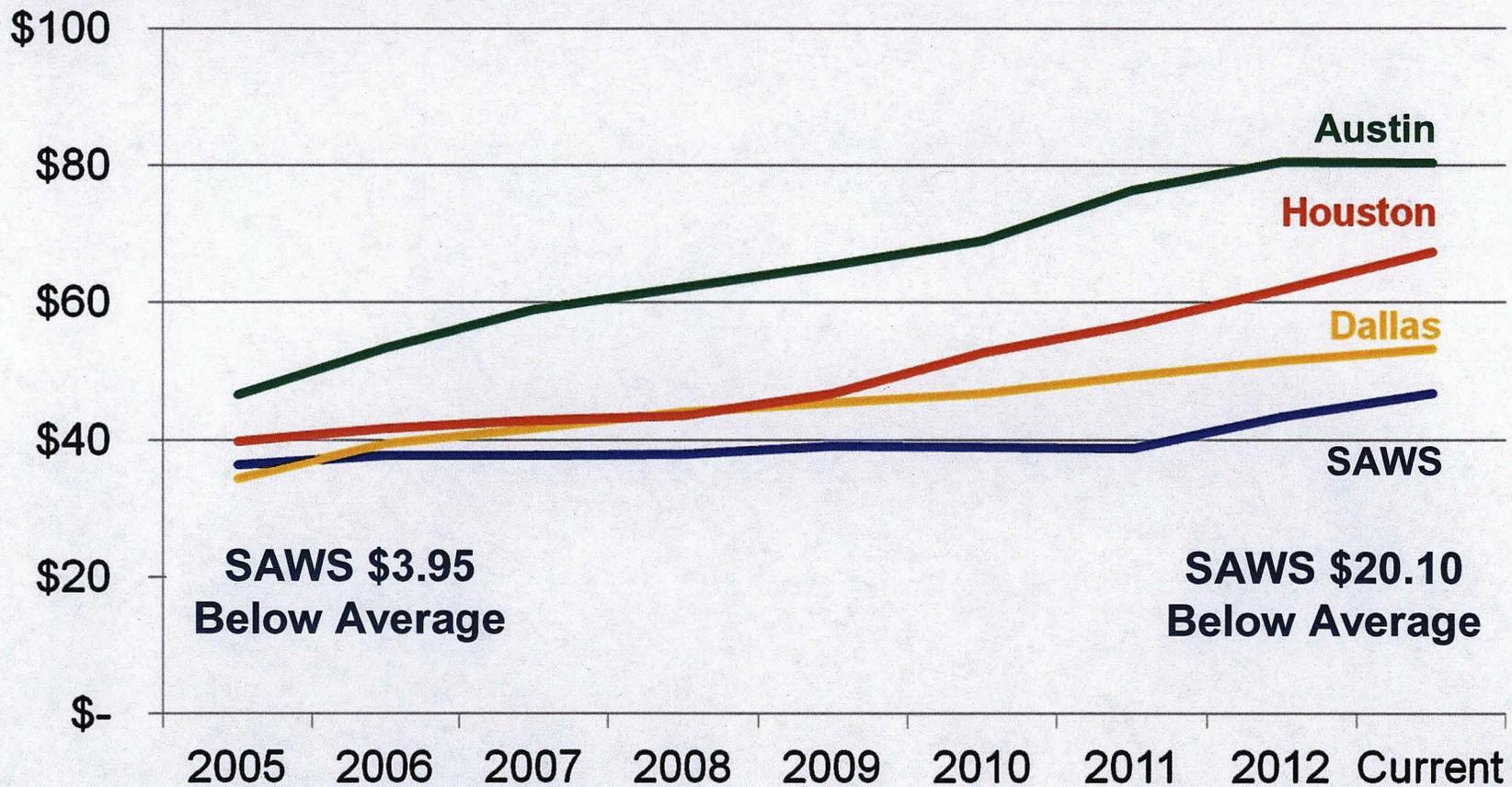
** Houston wastewater charges based solely on water usage

*** Austin monthly charges approved to increase on November 1, 2013

Monthly charges as of October 2013, Based on 7,788 Gal. Water (Standard)/6,178 Gal. Wastewater. Includes EAA and TCEQ Fees.

Lowest Rate Growth of Major Texas Cities

6,000 Gallon Residential Water & Sewer Bill



**SAWS \$3.95
Below Average**

**SAWS \$20.10
Below Average**

Summary

Request 5.1% increase for 2014

Not to exceed 5.3% increase for 2015

- Two-year request for mandated wastewater efforts and needed water supply
- Capping the request requires SAWS to find additional efficiencies
- Budget cuts allowed combined two-year request to be less than original one-year projection
- Continue meeting needs of the community while maintaining low rates

Proposed Rate Adjustments

Robert R. Puente

President/CEO

Doug Evanson

Senior Vice President and CFO

October 17, 2013

San Antonio City Council

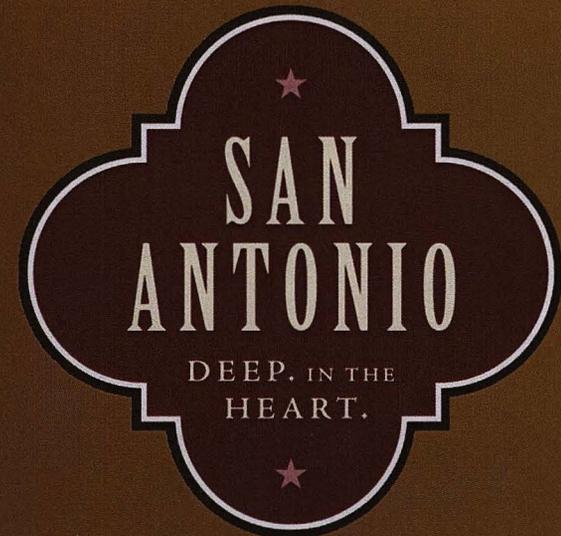


EXHIBIT "D"

SAWS Rate Proposal B-Session Briefing

November 6, 2013

Ben Gorzell, Jr.
Chief Financial Officer



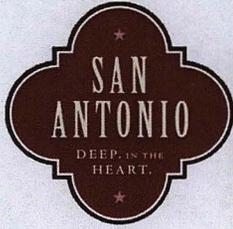
City of San Antonio - Public Utilities



SAWS Flow of Funds

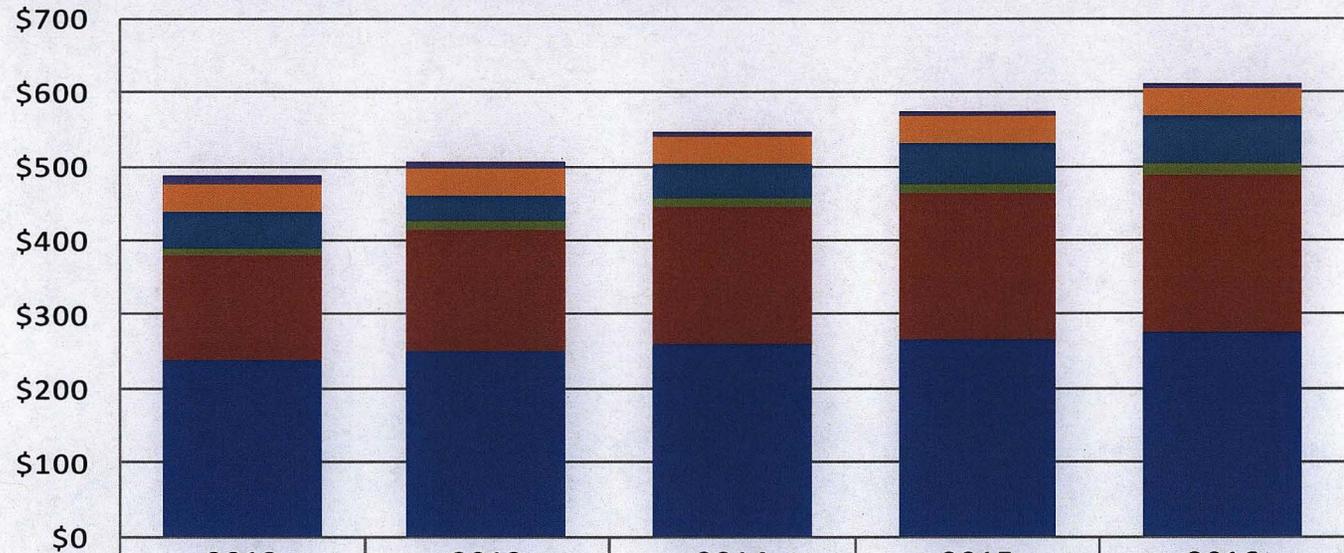
- Bond Ordinance Revenue Requirements – Funds shall be pledged and appropriated to the following uses and in the order of priority shown below:

<u>Priority</u>	<u>Obligations</u>
1 st	Maintenance and Operating Expenses
2 nd	Debt Service and Reserve Fund Requirements
3 rd	City General Fund Transfer
4 th	Equal Transfer to Renewal & Replacement
5 th	Any Surplus Transferred to Renewal & Replacement



SAWS Flow of Funds

Flow of Fund (\$M)



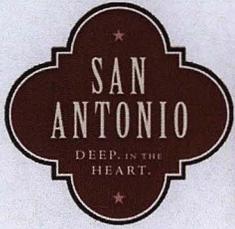
	2012	2013	2014	2015	2016
Capital Outlay	11.4	8.5	7.4	7.5	7.7
R&R - Impact Fee	36.8	36	36	36	36
R&R	50.2	36	46.1	56	65.1
Transfer to COSA	11.2	11.8	12.9	13.6	14.6
Debt Service	141.5	164.2	182.5	194.4	211.1
O&M and Operating Reserve	237.1	249.6	261.3	267.5	276.8
Total	488.2	506.1	546.2	574.9	611.3



Review Process

Public Utilities Staff conducted a comprehensive review that focused on the following areas:

- Economic / Rate Model
 - Cash Flow Analysis
 - Flow of Funds Under Bond Indenture
 - Key Financial Targets
 - Debt Service Coverage
 - Debt/Equity Ratio
 - Days Cash on Hand
 - Reserve Balances
 - Additional Repair & Replacement Funds



Review Process

- Revenue Requirements
- Capital Budget
- Operations & Maintenance Budget
- Financing Plan
- Affordability Programs
- Credit Considerations
- Implementation of Prior Year Recommendations



Review Process – Cont'd

- Review of Sales (consumption) Forecast
 - Public Utilities staff calculated a consumption estimate
 - Sales estimate calculated by SAWS is within the forecasted modeled range
 - Proposed rate increase was applied against the consumption estimate to validate that the revenue generated matched the SAWS revenue requirement



Status of Prior Year Recommendations

- Redirect Position(s) to a Formal Efficiency Function
 - Innovation and Efficiency Team was established
 - Permanently redirected three positions and one other position that will be on loan to the function on a 180-day basis.

- Develop Plan & Begin Efficiency Review – Potential Focus Areas to include:
 - Public Affairs
 - Engineering
 - Customer Services
 - Fleet
 - Efficiencies review conducted by outside consultants



Status of Prior Year Recommendations

- Continue to comprehensively evaluate Pension, Health, & Other Benefits
 - 2014 Changes:
 - Changed In-Network Out of Pocket Maximum for each health plan
 - Changed Prescription Co-pays for all three plans
 - Made updates to comply with the Affordable Care Act
 - Changes to High Cost Imaging and Blue Cross/Blue Shield of Texas In-Network Urgent Care visits



Status of Prior Year Recommendations

- Implement Accountability Procedures for the SSO Program
 - Established a cost center to track costs and activities associated with the SSO Program.
 - Provided quarterly reports for Q1 & Q2 of 2013. Q3 is in progress.
- Resume Briefings/Work sessions with City Council with a focus on significant policy issues.
 - SAWS has had two bi-monthly briefings in addition to the two rate request briefings.
 - Additional briefings will continue in 2014.



Status of Prior Year Recommendations

- Inclusion of a policy discussion with City Council at the beginning of the rate structure review process with the Rates Advisory Committee & provide period updates:
 - SAWS has obtained nominations from Council for the Rate Advisory Committee.
 - In the process of selecting a consultant to perform the rate study and expect the rate study to begin in earnest in early 2014.
 - SAWS will provide periodic updates as they go through the process.



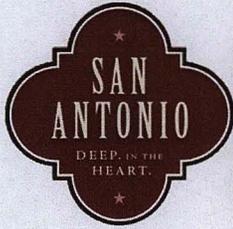
Capital Prioritization

- SAWS Engineering staff use the FMEA model to qualify and quantify risk to the system: **Failure Modes and Effects Analysis**
 - Used to identify possible failures of a product or service and then determine the frequency, impact, and ability to mitigate the impact of the failure
 - The individual risk factors are assigned a numerical risk score on a scale of 1 to 10
 - Risk Exposure = Impact x Probability x Mitigation
- Each project is assigned a failure mode, impact, and root cause, and then the risk factors are quantified:
 - Failure Mode – the condition the project will address
 - Root Causes – essential to establish the best option
 - Failure Impact – consequences and severity of failure

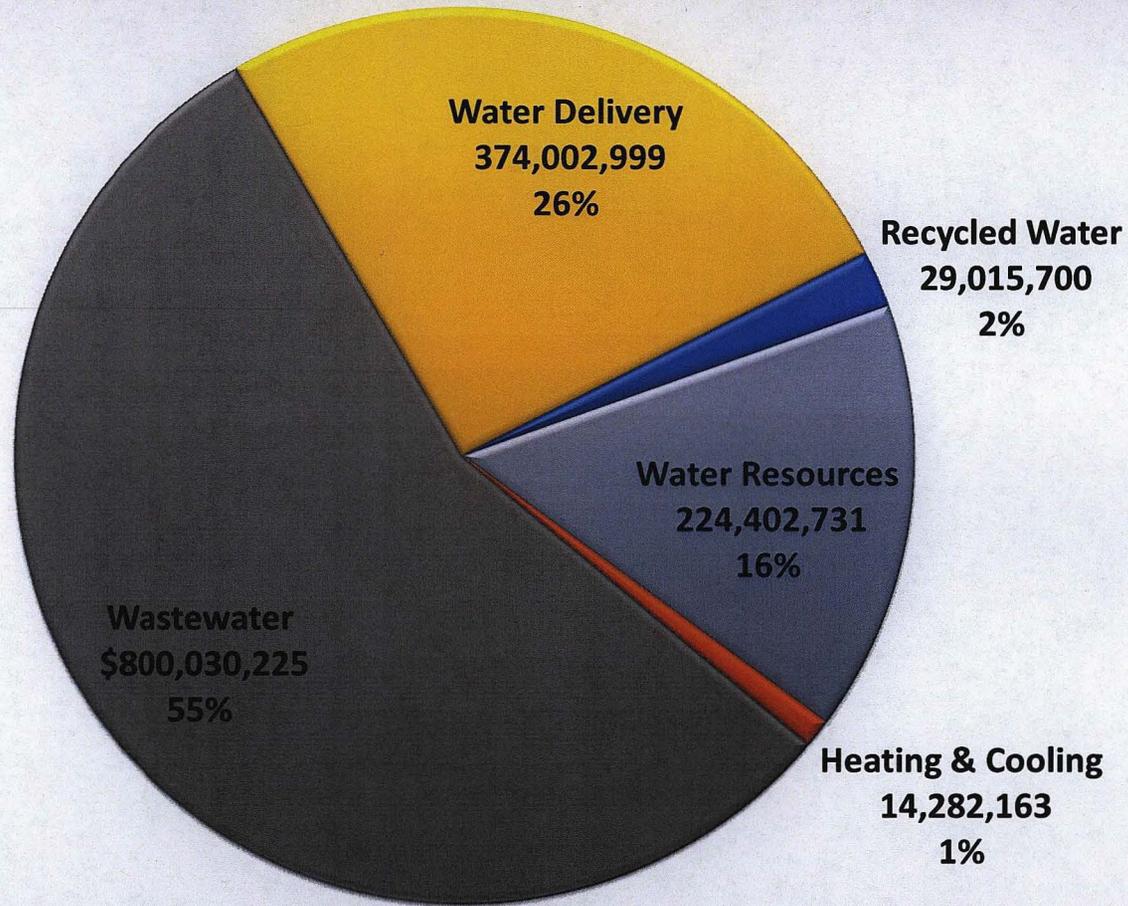


Capital Budget

- Prioritization of Capital Projects
- Met with SAWS Management and Staff from each Business Area
- 5-Year CIP forecast was provided by SAWS
 - Over 60 Projects - \$1.44 Billion
 - \$800 M over next 5-years in Wastewater
 - \$449 M in Main Replacements
 - \$253 M over next 5-years in Water Resources (includes Recycled Water)
 - \$144 M for the Integration Pipeline
 - \$374 M over next 5-years in Water Delivery
 - \$135 M in Production
 - \$108 M in Governmental
- Public Utilities Staff focused on the 2014 proposed capital spend - \$391.2 Million of the total \$1.44 Billion



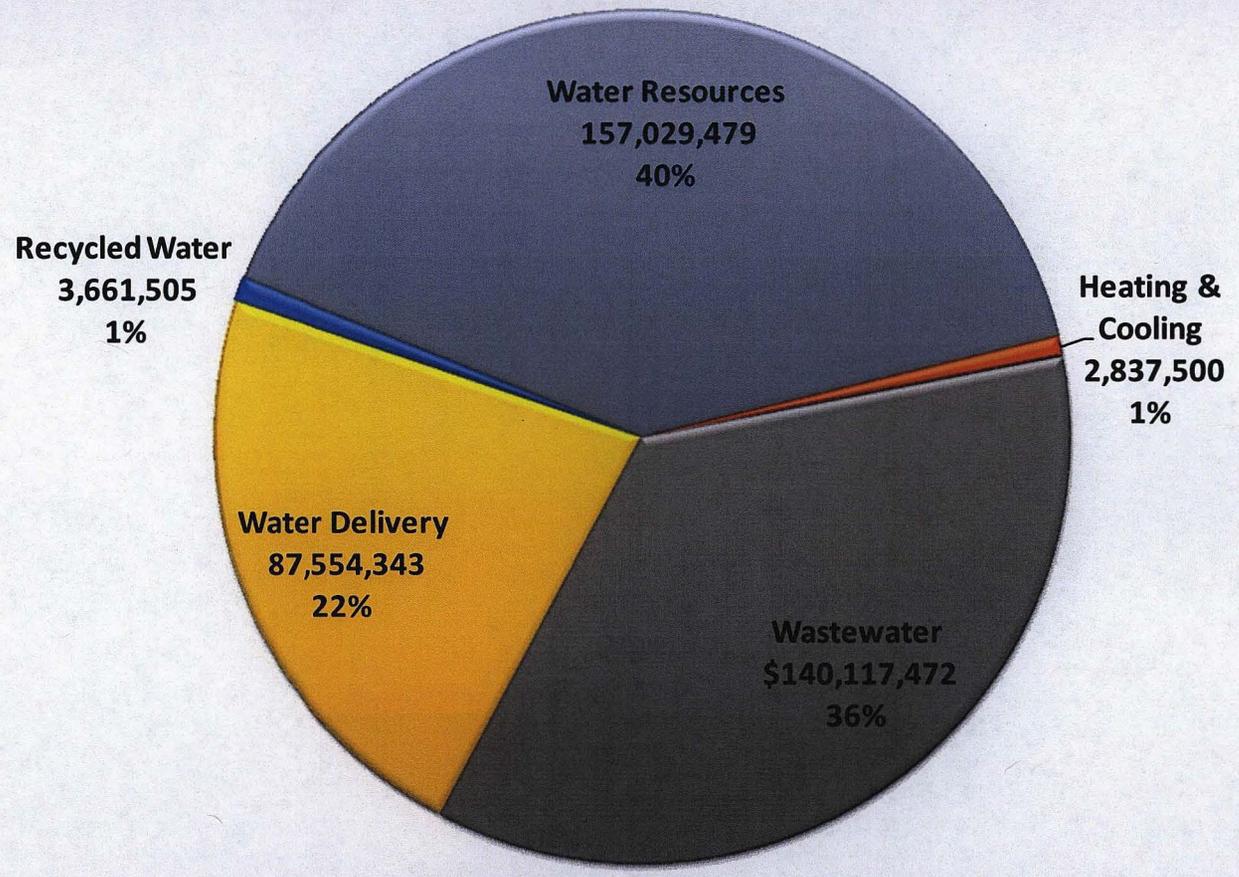
Capital Budget FY 2014 - 2018



Total Capital Budget = \$1.44 billion



FY 2014 CIP



Total Capital Budget = \$391.2 million



O&M Budget

	2012 Actual	2013 Projected	2014 Budget
O&M Prior To Capitalization	\$ 268,490,334	\$ 276,523,966	\$ 292,742,376
Less Capitalization	\$ (33,413,937)	\$ (32,775,409)	\$ (32,429,266)
Intercenter Transfer*	\$ (1,159,517)	\$ (1,496,905)	\$ -
O&M After Capitalization	\$ 233,916,880	\$ 242,251,652	\$ 260,313,110
Salaries and Fringe Benefits	\$ 124,778,803	\$ 132,908,374	\$ 126,805,657
Contractual Services	\$ 100,165,015	\$ 109,121,137	\$ 135,437,040
Materials and Supplies	\$ 23,966,026	\$ 22,789,944	\$ 19,425,894
Other Charges	\$ 19,580,490	\$ 11,704,511	\$ 11,073,785
TOTAL	\$ 268,490,334	\$ 276,523,966	\$ 292,742,376
*Costs of SAWS labor performed on behalf of, and charged to DSP			



O&M Budget

- Highlights of FY 2014 Budgets Include:
 - Increase in OPEB Trust Funding (From \$4.0 M to \$6.0 M)
 - Merit pay adjustments averaging 2.9% (\$2.0 M)
 - 41 positions eliminated which yields a reduction of \$2.7 M in salaries
 - Expected decrease in Pension costs (-\$937 K)
 - Increase in overall healthcare (\$580 K)
 - Additional expenditures to the SSO program (\$8.8 M)
 - Water Supply Acquisitions (\$8.7 M)
 - Increase in Utilities (\$1.6 M)



Economic / Rate Model

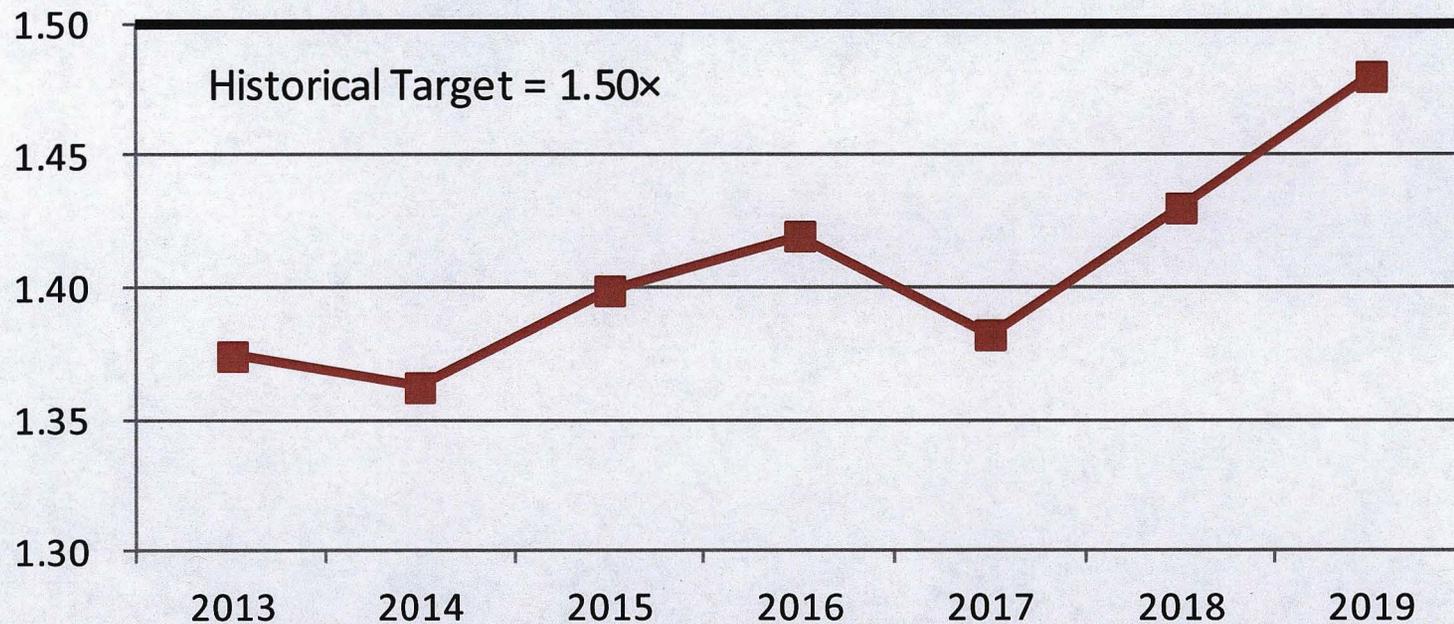
- Reviewed financial position of the System and adequacy of cash flows under bond indenture
- Dynamic models with many variables
- Multiple scenarios developed
- Updates to models and continuous monitoring of financial position are important as operating environment constantly changes and evolve
- Prudent to maintain flexibility



Debt Service Coverage

Financial Ratios (Sources & Uses)

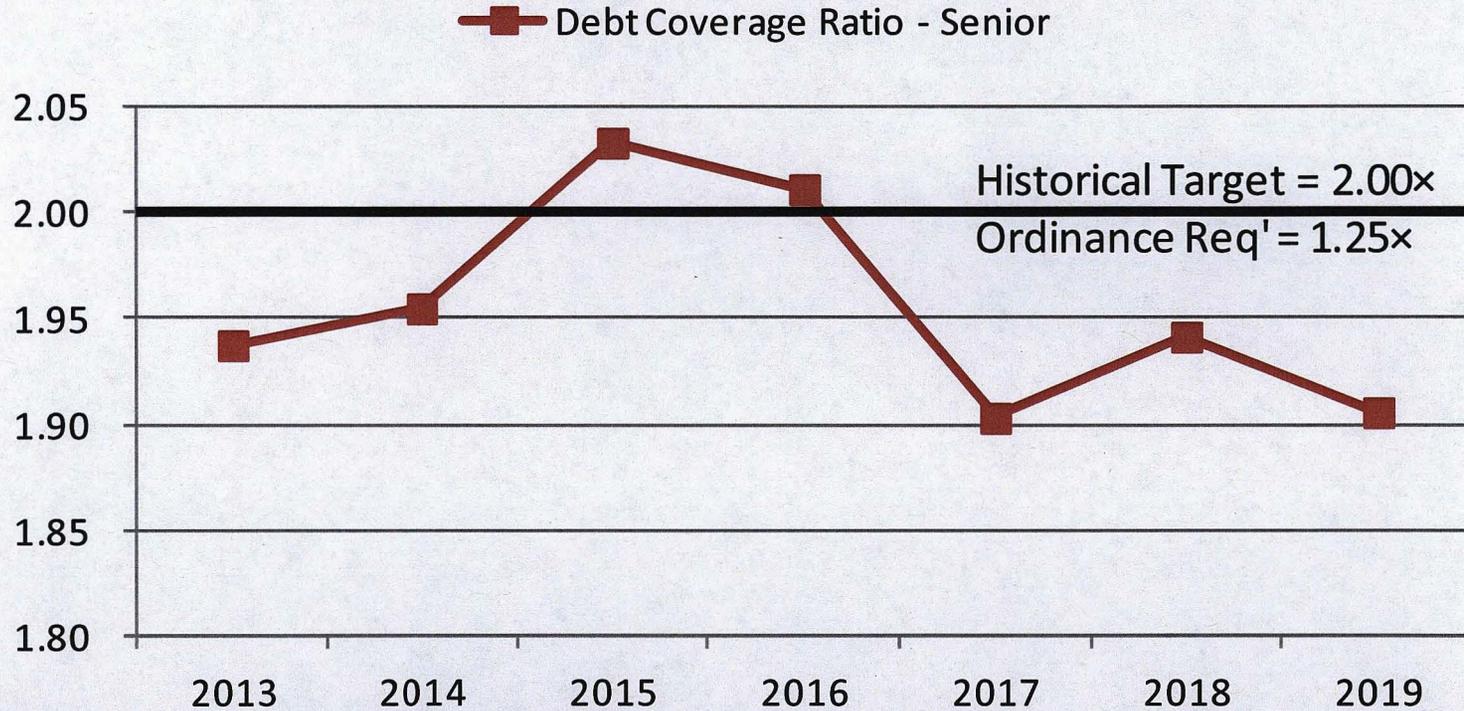
■ Debt Coverage Ratio - All Bonded Debt & TECP

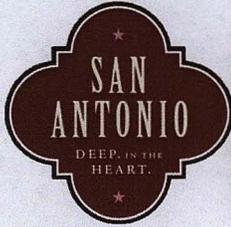




Senior Lien Debt Service Coverage

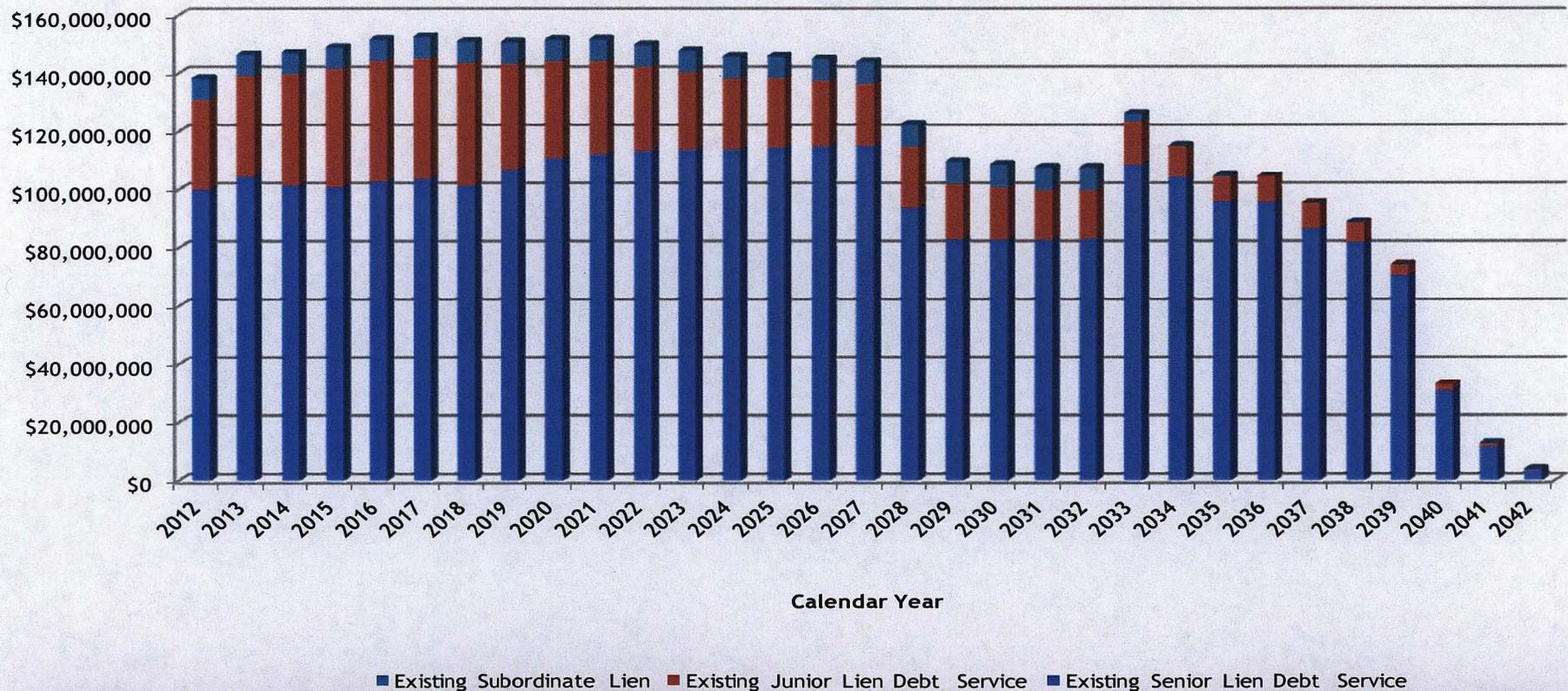
Financial Ratios (Sources & Uses)

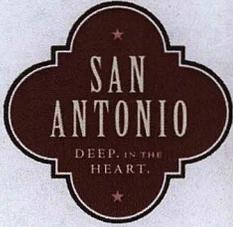




Existing Debt Service

Total Existing Senior Lien, Junior Lien, and Subordinate Lien Debt Service

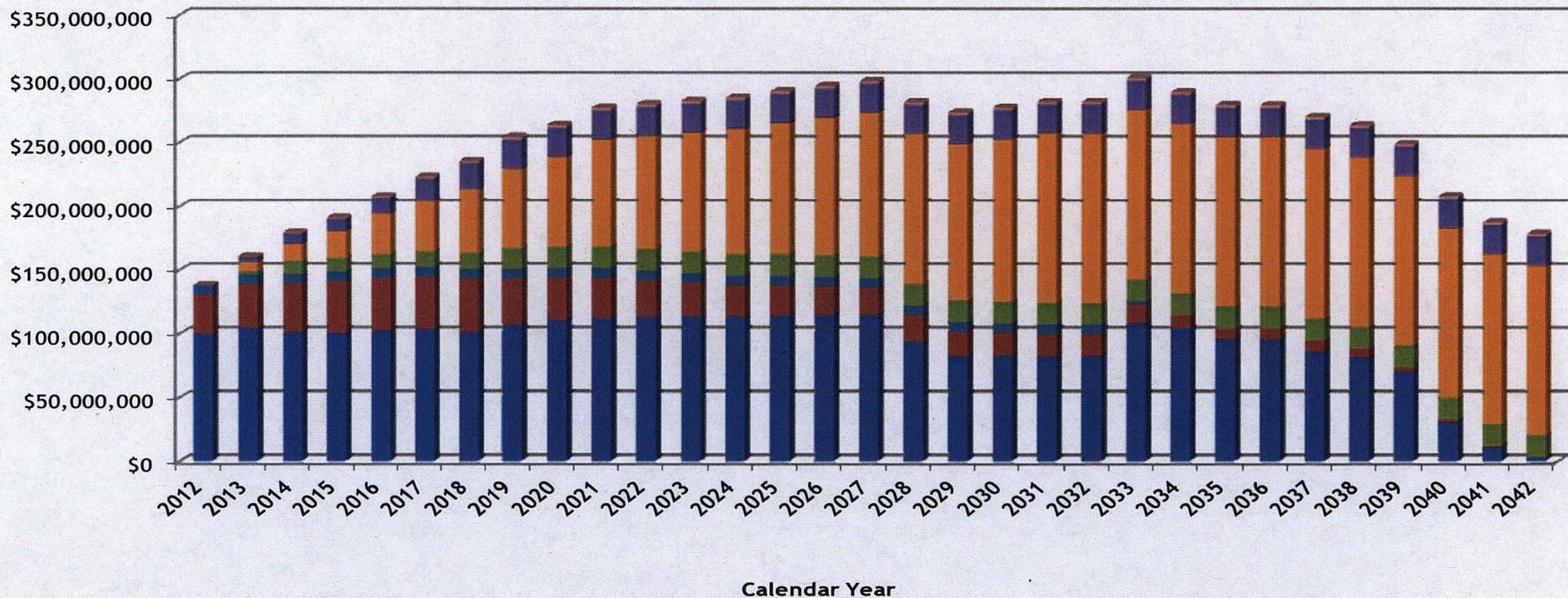




Existing & Proposed Debt Service

SAWS Existing & Proposed Senior Lien, Junior Lien, and Subordinate Lien Debt Service

Assumes Debt Issues through 2031

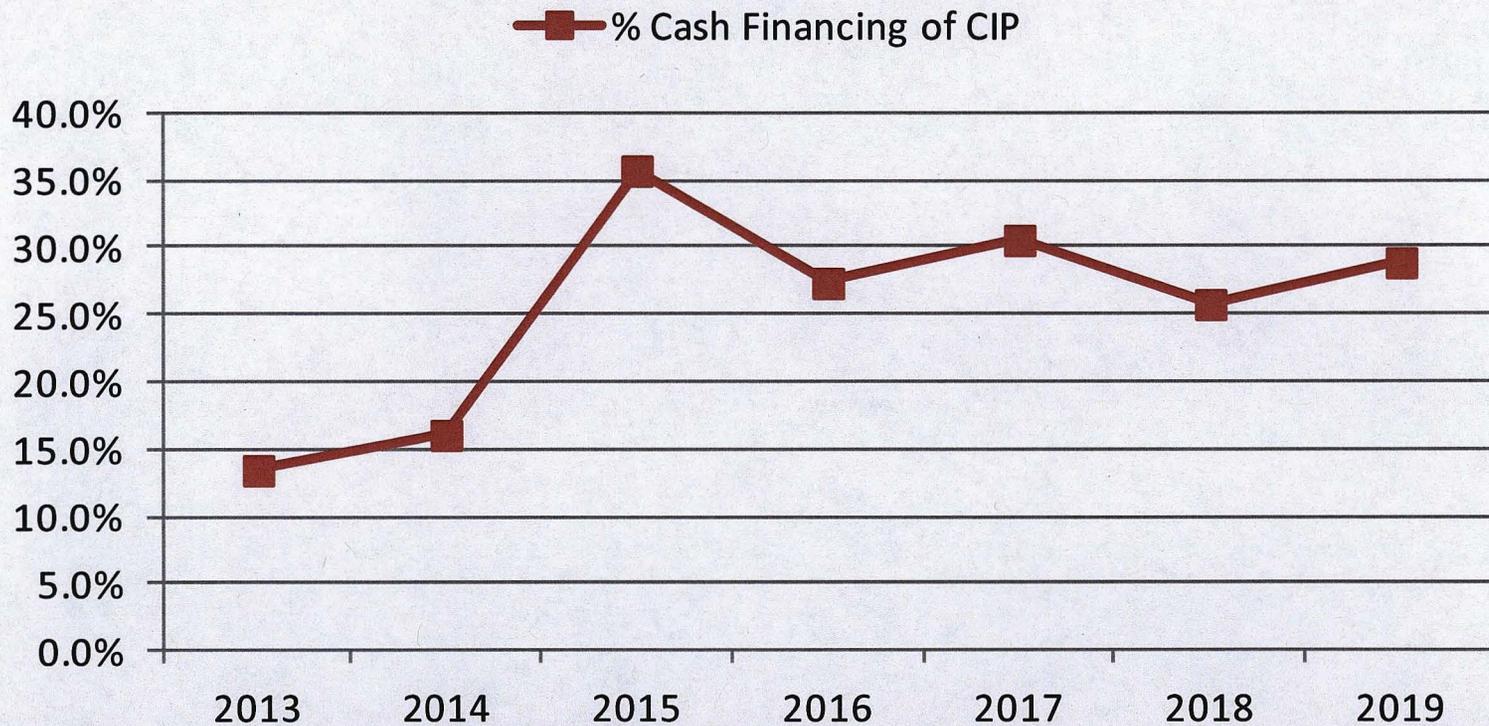


- Existing Senior Lien Debt Service
- Existing Subordinate Lien
- Existing Junior Lien Debt Service
- Proposed CW&S Debt Service
- Proposed Water Supply Debt Service
- Proposed Water Delivery Debt Service
- Proposed Wastewater Debt Service
- Total Notes Payable CIP Debt Service



Percentage Cash Financing of CIP

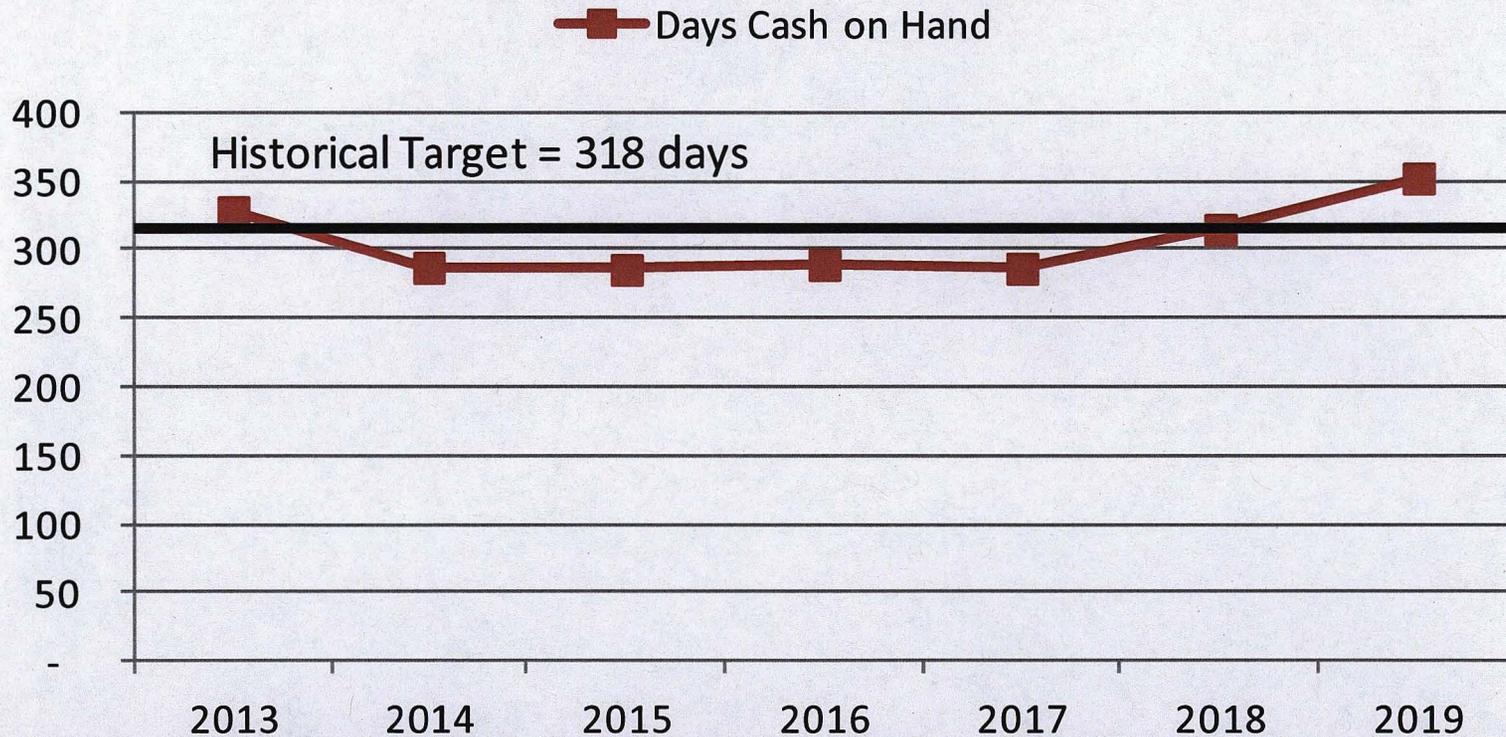
% Cash Financing of CIP





Days Cash on Hand

Days Cash on Hand





CIP Financing Plan

- Issue approximately \$333 million of “new money” in 2014
 - TECP - \$25.9 million
 - Fixed Rate Bond - \$208.6 million
 - Variable Rate Subordinate Lien - \$98.5 million

- Rates structured to cover debt service on the issuances

	<u>FY2014</u>
Total CIP	<u>391,200,299</u>
Cash Funding	
Impact Fees	13,774,525
R&R Fund	49,008,875
Sub-total	<u>62,783,400</u>
Debt Funding	
Bond Proceed Capacity from previous year(s)	8,700,000
TECP (NEW)	25,877,067
Revenue Bond Proceeds - Fixed Rate	208,584,104
Subordinate Lien - Variable Rate	98,522,010
Less: Debt Reserve Fund - Sr	<u>(13,266,282)</u>
Sub-total	<u>328,416,899</u>



Rate Plan

Year	Water Supply	Water Delivery	Wastewater	% Bill Increase without EAA/TCEQ Fees *
2014	13.1%	2.5%	3.8%	5.1%
2015	6.2%	2.7%	6.4%	5.3%
2016	4.2%	5.2%	9.4%	7.1%
2017	7.1%	3.7%	0.0%	2.4%
2018	1.9%	5.6%	7.7%	5.9%

* Water Gallons per month 7,788
 Wastewater Gallons per month 6,178



Affordability Program Update

- Discounts increased to help mitigate the impact of the rate change
- Increase in average monthly ADP credit
 - 2013 = \$8.78
 - 2014 = \$9.23 or 5.10% increase
- ADP Budget
 - 2013 = \$2.2 M
 - 2014 = \$2.53 M or 15.0% increase
- SAWS is estimating a 10.2% increase in participants from 19,118 to 21,073
- Other Affordability Programs continue to be available, such as Project AGUA and Plumbers-To-People



Fiscal Impact to City

- Estimated net impact to the City (City payment less increases utility expenses) if rate is effective January 1, 2014 is \$324K:
 - \$478 K increase in revenues
 - \$154 K increase in expenses
- Estimated annual impact for 12 months equate to increase in net revenue to the City of \$433K:
 - \$638 K increase in revenues
 - \$205 K increase in expenses



Recommendation

- Approval of the proposed 5.1% system average increase in SAWS Water and Wastewater rates
- Effective January 1, 2014
- Additionally, City Staff recommends that SAWS:
 - Where applicable, continue to implement efficiencies identified in the recently completed efficiency study conducted by PA Consulting Group
 - Commits to work with the City to study its pension & benefits plans and associated costs



Recommendation (con't)

- Additionally, City Staff recommends that SAWS:
 - Continue to provide quarterly written reports relating to the SSO program
 - Conduct a policy discussion with Council at the beginning of the upcoming rate structure review process
 - Continue 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
- Next Steps: City Council Consideration scheduled for Thursday, November 21, 2013

EXHIBIT "E"

ATTACHMENT I

AMENDMENTS TO CHAPTER 34, ARTICLE II OF THE SAN ANTONIO CITY CODE

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article II, Water Service and Rates, Section 34-121, Establishment of Rate Schedules is hereby amended by deleting the language that is stricken and adding the language that is bracketed [added] as set forth herein.

Article II. Water Service and Rates

Section 34-121. Establishment of Rates and Schedules

The schedule of water service rates and charges contained in Schedule A relating to residential water customers, the schedule of water service rates and charges contained in Schedule B relating to general water customers, the schedule of water service rates and charges in Schedule C relating to wholesale water customers, and the schedule of water service rates and charges in Schedule D for irrigation water rates, as amended, attached hereto, shall be effective for all consumption on or about ~~January 1, 2012~~ [January 1, 2014] and shall be the lawful rates for water service to be charged by the System.

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article II, Water Service and Rates, Section 34-122, Rate Schedules is hereby amended by deleting the language that is stricken and adding the language that is underlined (added) as set forth herein.

Section 34-122. Rate Schedules

Rate Schedules A, B, C and D relating to residential, general and wholesale, and irrigation customers are hereby amended and shall hereinafter read as attached hereto and incorporated herein.

AMENDMENTS TO CHAPTER 34, ARTICLE III OF THE SAN ANTONIO CITY CODE

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article III, Sewer Service and Rates, Section 34-226, Establishment of Rates and Schedules, is hereby amended by deleting the language that is stricken and adding the language that is bracketed [added] as set forth herein.

Article III, Sewer Service and Rates

Rate Schedules A, B, and C relating to wastewater residential, general, and wholesale customers are hereby amended and shall hereinafter read as attached hereto and incorporated herein.

Section 34.226. Establishment of Rates and Schedules, Rates Schedules and Affordability Discount Analysis

The schedule of sewer service rates and charges contained in Schedule A for residential sewer service customers, the schedule of sewer service rates and charges contained in Schedule B for general sewer service customers, and the sewer service rates and charges contained in Schedule C for wholesale sewer service customers, as amended attached hereto, shall be effective for all consumption on or about ~~March 1, 2013~~ [January 1, 2014], and shall be the lawful rates for sewer service to be charged by the System.

Rate Schedules A, B and C relating to sewer service for residential, general and wholesale customers are hereby amended and shall hereinafter read as attached hereto and incorporated herein.

**AMENDMENTS TO CHAPTER 34, ARTICLE VIII OF THE SAN ANTONIO CITY
CODE**

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article VIII, Recycled Water Service and Rates is hereby amended by deleting the language that is stricken and adding the language that is bracketed [added] as set forth herein.

Article VIII, Recycled Water Service and Rates

Section 34-1301. Establishment of Rates.

The rates and charges for recycled water service which will be applied to all recycled water consumption beginning on or about ~~January 1, 2012~~ [January 1, 2014] are set out in Schedule F to this Chapter and shall be the lawful rates for recycled water service to be charged by the System.

**AMENDMENTS TO CHAPTER 34, ARTICLE IX OF THE SAN ANTONIO CITY
CODE**

The City Code of the City of San Antonio Chapter 34, Water and Sewers, Article IX, Water Supply Fee is hereby amended by deleting the language that is stricken and adding the language that is bracketed [added] as set forth herein.

Article IX, Water Supply Fee

Section 34-1345. Water Supply Fee Schedule

The Water Supply Fee which will be applied to all consumption beginning on or about ~~March 1, 2013~~ [January 1, 2014] is set out in Schedule E to this Chapter. Such water supply fee schedule shall remain in effect as set out in Schedule E until the System's Board of Trustees and Council of the City of San Antonio determine that an additional adjustment is necessary to most effectively meet the water supply development needs of system customers.

**ATTACHMENT I
SCHEDULE A**

**RESIDENTIAL CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Service Availability Charge (minimum bill) for all residential water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons of water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$7.31
3/4"	10.26
1"	16.14
1-1/2"	30.83
2"	48.44
3"	89.58
4"	148.33
6"	295.23
8"	471.50
10"	677.14
12"	1,264.71

MONTHLY VOLUME CHARGE

<u>Usage Blocks Gallons</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
First 5,985	\$0.0971	\$0.0971
Next 6,732	0.1406	0.1529
Next 4,488	0.1982	0.2273
Over 17,205	0.3471	0.4710

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

The Service Availability Charge (minimum bill) for all residential water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$9.52
3/4"	13.34
1"	20.97
1-1/2"	40.08
2"	62.99
3"	116.47
4"	192.84
6"	383.80
8"	612.96
10"	880.29
12"	1,644.14

MONTHLY VOLUME CHARGE

<u>Usage Blocks Gallons</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
First 5,985	\$0.1264	\$0.1264
Next 6,732	0.1828	0.1988
Next 4,488	0.2578	0.2956
Over 17,205	0.4513	0.6121

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

SEWER

Sewer service charges for all metered residential connections are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the rate schedules below.

INSIDE CITY LIMITS (ICL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$11.93
Over 1,496 gallons - \$0.3163 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$33.22 per month.

OUTSIDE CITY LIMITS (OCL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$14.33
Over 1,496 gallons - \$0.3795 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$39.87 per month.

**ATTACHMENT I
SCHEDULE B**

**GENERAL CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Service Availability Charge (minimum bill) for all general water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$10.16	Base*	\$0.1176
3/4"	14.53	>100-125% of Base	0.1406
1"	23.24	>125-175% of Base	0.1971
1-1/2"	45.03	>175% of Base	0.2887
2"	71.18		
3"	132.20		
4"	219.38		
6"	437.32		
8"	698.83		
10"	1,003.94		
12"	1,875.69		

*The Base Use is defined as 100% of the Annual Average Consumption

The Service Availability Charge (minimum bill) for all general water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$13.21	Base*	\$0.1529
3/4"	18.88	>100-125% of Base	0.1827
1"	30.20	>125-175% of Base	0.2562
1-1/2"	58.54	>175% of Base	0.3752
2"	92.54		
3"	171.87		
4"	285.19		
6"	568.51		
8"	908.49		
10"	1,305.13		
12"	2,438.39		

*The Base Use is defined as 100% of the Annual Average Consumption

SEWER

Sewer service charges are computed from the water usage schedules below for all metered connections.

INSIDE CITY LIMITS (ICL)	OUTSIDE CITY LIMITS (OCL)
Monthly Service Availability Charge (includes first 1,496 gallons) - <u>\$11.93</u>	Monthly Service Availability Charge (includes first 1,496 gallons) - <u>\$14.33</u>
Over 1,496 gallons - <u>\$0.3163</u> per 100 gallons.	Over 1,496 gallons - <u>\$0.3795</u> per 100 gallons.

**ATTACHMENT I
SCHEDULE C**

**WHOLESALE CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Service Availability Charge (minimum bill) for all wholesale water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$295.23	Base*	\$0.0816
8"	471.50	>100-125% of Base	0.1225
10"	677.14	>125-175% of Base	0.1769
12"	1,264.71	>175% of Base	0.2502

*The Base Use is defined as 100% of the Annual Average Consumption

The Service Availability Charge (minimum bill) for all wholesale water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$383.80	Base*	\$0.1060
8"	612.96	>100-125% of Base	0.1593
10"	880.29	>125-175% of Base	0.2300
12"	1,644.14	>175% of Base	0.3252

*The Base Use is defined as 100% of the Annual Average Consumption

† Wholesale water service will not be provided through a meter smaller than 6" in order to comply with fire-flow requirements and the "Criteria for Water Supply and Distribution in the City of San Antonio and its Extraterritorial Jurisdiction."

SEWER

INSIDE CITY LIMITS (ICL)

\$0.2850 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.14 per 100 cubic feet)

OUTSIDE CITY LIMITS (OCL)

\$140.06 Monthly Service Availability Charge plus \$0.3422 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.56 per 100 cubic feet)

**ATTACHMENT I
SCHEDULE D**

**IRRIGATION CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Service Availability Charge (minimum bill) for all irrigation water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks,</u> <u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$10.16	0 Gallons	\$0.0000	\$0.0000
3/4"	14.53	Next 6,732	0.1653	0.1653
1"	23.24	Next 10,473	0.1982	0.2301
1-1/2"	45.03	Over 17,205	0.3471	0.4764
2"	71.18			
3"	132.20			
4"	219.38			
6"	437.32			
8"	698.83			
10"	1,003.94			
12"	1,875.69			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

The Service Availability Charge (minimum bill) for all irrigation water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks,</u> <u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$13.21	0 Gallons	\$0.0000	\$0.0000
3/4"	18.88	Next 6,732	0.2148	0.2148
1"	30.20	Next 10,473	0.2577	0.2992
1-1/2"	58.54	Over 17,205	0.4513	0.6193
2"	92.54			
3"	171.87			
4"	285.19			
6"	568.51			
8"	908.49			
10"	1,305.13			
12"	2,438.39			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

**ATTACHMENT I
SCHEDULE E**

**WATER SUPPLY FEE SCHEDULE
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

The Water Supply Fee assessed on all potable water service for water usages in every instance of service for each month or fraction thereof shall be as follows:

<u>Rate Class</u>	<u>Usage Blocks, Gallons</u>	<u>Fee to be Assessed (per 100 gallons)</u>
<u>Residential</u>	<u>First 5,985</u>	\$0.1223
	<u>Next 6,732</u>	\$0.1768
	<u>Next 4,488</u>	\$0.2495
	<u>Over 17,205</u>	\$0.4366
<u>General</u>	<u>Base*</u>	\$0.1880
	<u>>100-125% of Base</u>	\$0.1880
	<u>>125-175% of Base</u>	\$0.1880
	<u>>175% of Base</u>	\$0.1880
<u>Wholesale</u>	<u>Base*</u>	\$0.1880
	<u>>100-125% of Base</u>	\$0.1880
	<u>>125-175% of Base</u>	\$0.1880
	<u>>175% of Base</u>	\$0.1880
<u>Irrigation</u>	<u>0 Gallons</u>	\$0.0000
	<u>Next 6,732</u>	\$0.1880
	<u>Next 10,473</u>	\$0.2495
	<u>Over 17,205</u>	\$0.4735

*The Base Use is defined as 100% of the Annual Average Consumption

**ATTACHMENT I
SCHEDULE F**

**RECYCLED WATER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM
San Antonio, Texas**

Effective for Consumption on or about January 1, 2014

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each mo

EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	<u>Service Availability Charge</u>
5/8"	\$9.26
3/4"	12.05
1"	15.69
1-1/2"	24.95
2"	36.48
3"	97.03
4"	144.22
6"	275.12
8"	414.70
10"	568.64
12"	701.61

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
Transferred Amount	\$0.0244	\$0.0244
All in excess of transferred amount	0.0914	0.0971

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

NON EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	<u>Service Availability Charge</u>
5/8"	\$9.26
3/4"	12.05
1"	15.69
1-1/2"	24.95
2"	36.48
3"	97.03
4"	144.22
6"	275.12
8"	414.70
10"	568.64
12"	701.61

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
First 748,000	\$0.0978	\$0.1051
Over 748,000	0.0999	0.1061

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

2014 & 2015 Rate Adjustment Requests

Robert R. Puente
President/CEO

November 21, 2013

San Antonio City Council



2014-15 Rate Adjustment Request

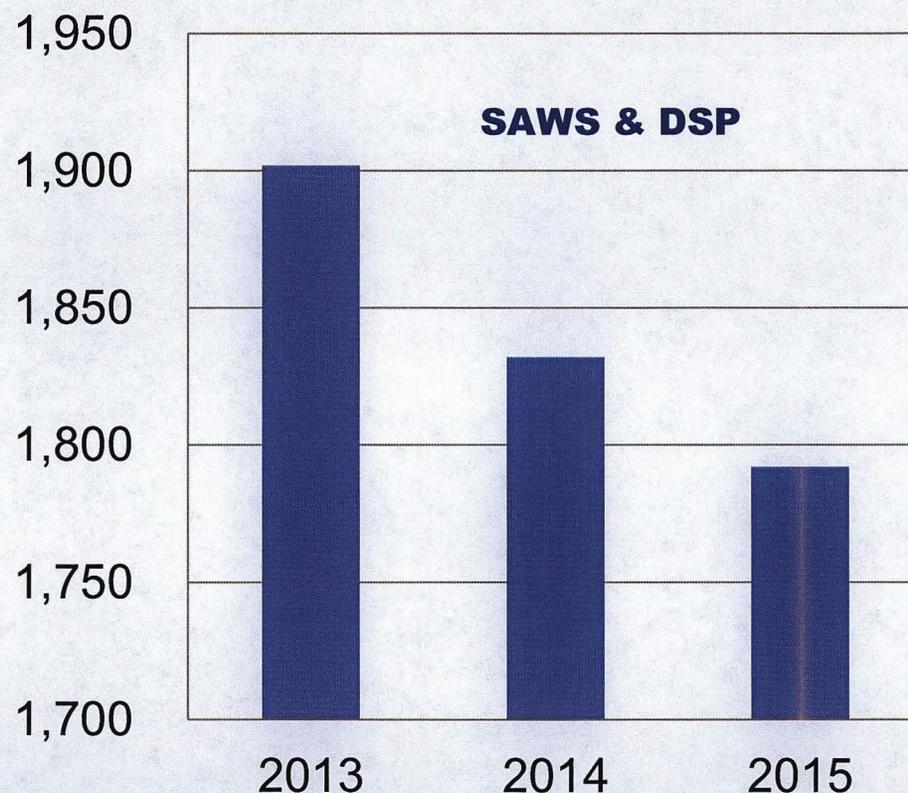
Reduced 2014 Request by 62%, 2015 by at Least 41%

Fiscal Year	February Projection	Current Request
2014	13.5%	5.1%
2015	9.0%	5.3% or less

- Over \$10 Million in 2014 Budget Reductions
 - Reduced headcount
 - Fleet savings – 28% spending reduction over last two years
 - Continued cost sharing and benefit adjustments
- Additional aggressive cost reductions required for 2015

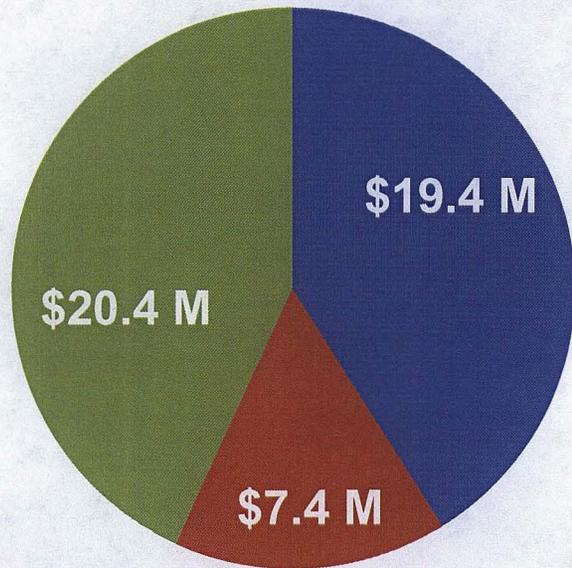
SAWS Headcount Reductions

Over 100 Positions eliminated by 2015



Two Year Rate Adjustment Deliverables

84% Supports Water Supply & Sewer System



Two-year Revenue Requirement

■ **Wastewater**

- EPA Consent Decree Compliance
- \$300 M investment in wastewater system
- Continued reduction in sewer spills

■ **Water Supply**

- 30,000 AF of non-Edwards supplies on-line by 2016
- Represents 12% of total water produced in 2012

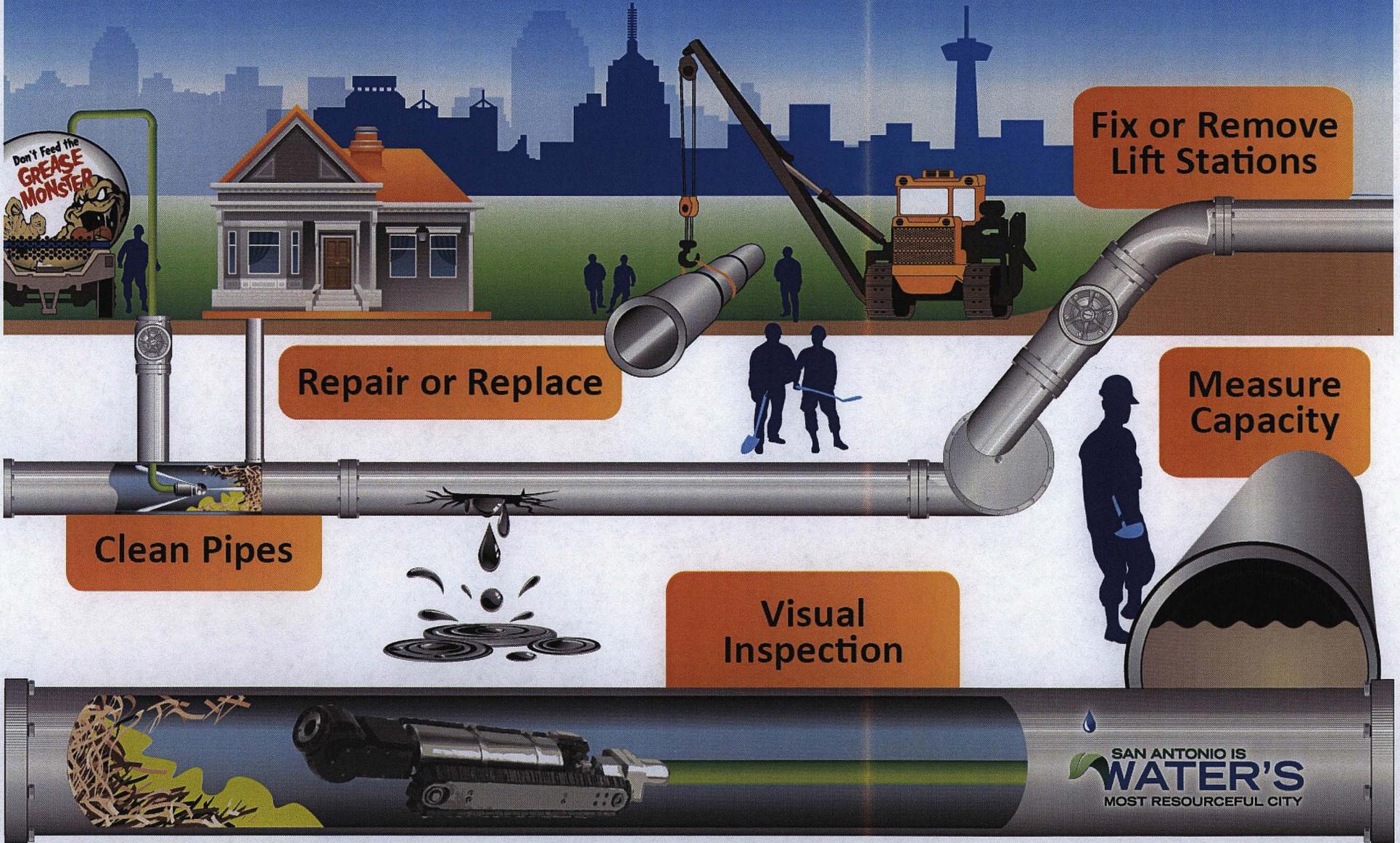
■ **Water Delivery**

- \$150 M investment in water delivery system
- Reduction of non-revenue water



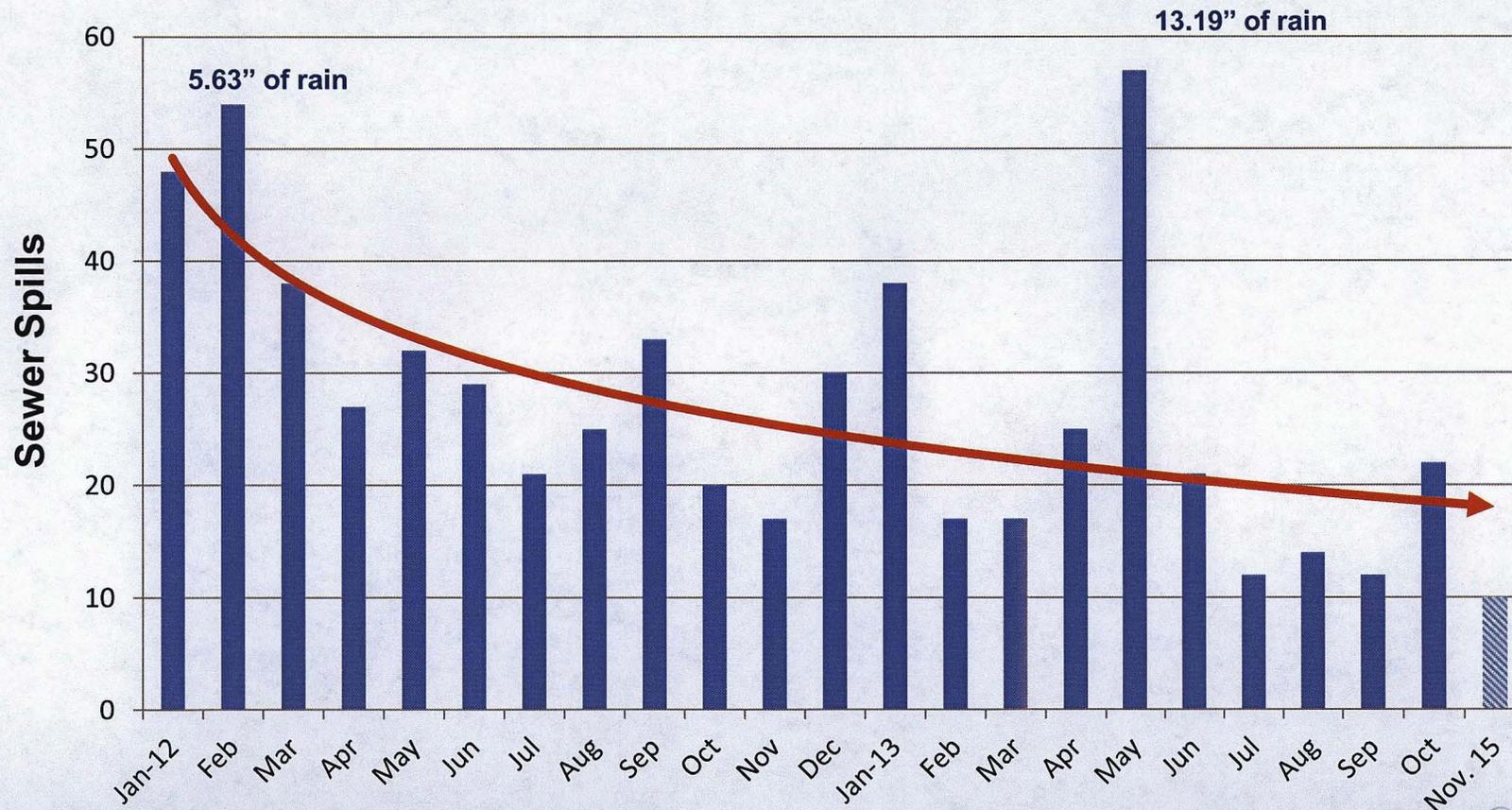
Investing in Our Sewer System

10 – 12 Year Consent Decree with EPA



Sewer Spills Reduced 2012-2013

Sewer Investments are Working



New Water Supplies for a Growing Population

Two Largest Non-Edwards Supplies



Two-Year Rate Request

Ensures Efficiencies & Long Term Commitments are met

- Continued City Council Oversight/Reporting
- Capped 2015 Request requires additional efficiencies
- Separate Rate Structure discussion allows for a transparent process and avoids public confusion
- Certainty for long-term projects needed
 - Water Management Plan Progress
 - Court-Mandated Sewer Spill Reduction Initiatives

Western Watershed Sewer Relief Line

- Replace 8 miles of sewer main 2012-2018 (Required by EPA)
- Flowing 55 million gallons of sewage daily in 90" pipe
- Total construction cost estimated at \$85 million
 - 2014 cost is \$6.5 million
 - 2015 cost is \$40 million



Broadway Corridor – Josephine to S. Alamo

- Replace 4 miles of sewer main 2013 – 2018 (Required by EPA)
- Flowing 16 million gallons of sewage daily in 18”- 39” pipe
- Total construction cost estimated at \$25 million
 - 2014 cost is \$9.6 million
 - 2015 cost is \$4.5 million



Pass-through Fees

2014 Rate – Average Residential Customer

	2013	2014
TCEQ Fee – Water ¹	\$0.17	\$0.18
TCEQ Fee – Wastewater ¹	0.05	0.06
EAA Fees ²	<u>2.67</u>	<u>2.57</u>
Total Pass-through fees	\$2.89	\$2.81

¹ Fee per customer connection

² Based on 7,788 gallons water usage for SAWS average residential customer – The fee for a DSP customer with the same water usage is \$2.12 in 2013 and is projected to increase to \$2.15 in 2014

Affordability Programs

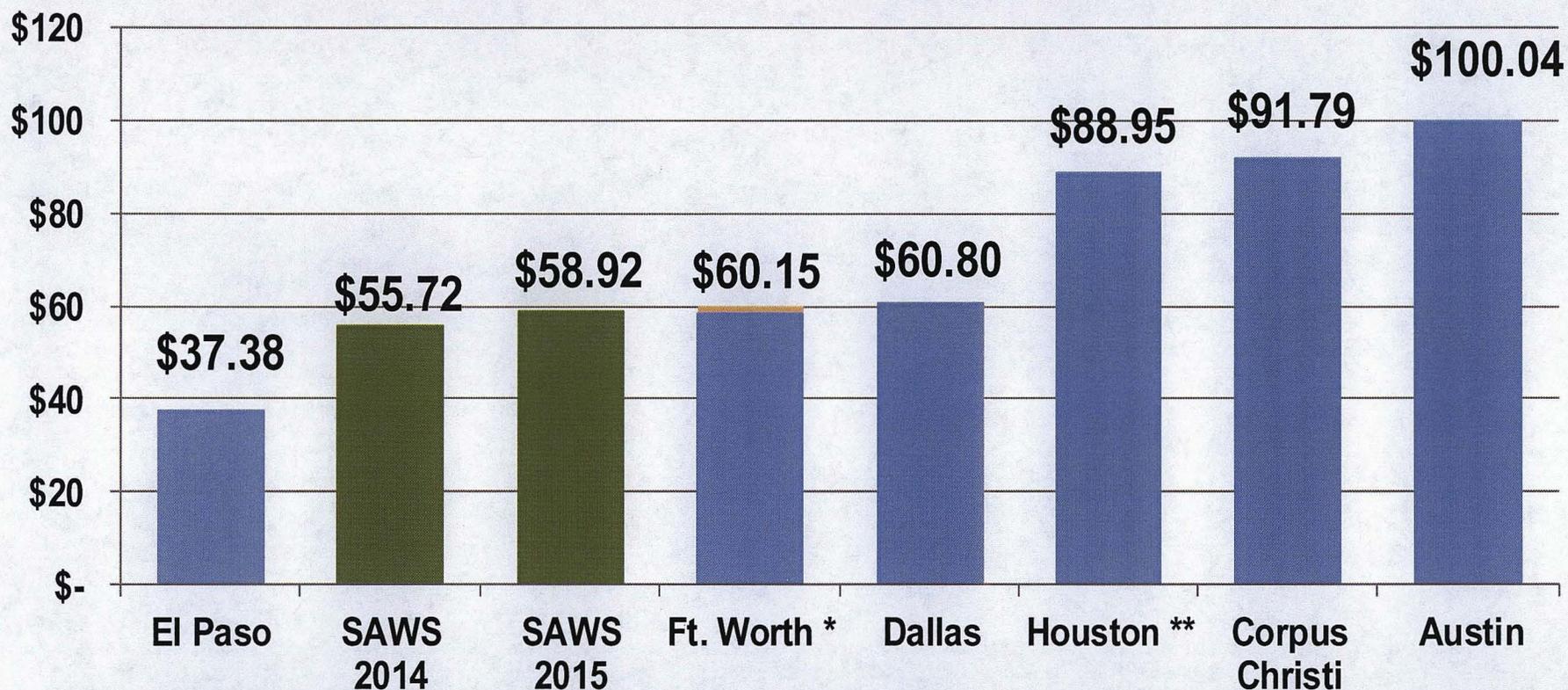
Over 110,000 enrolled in 16 programs

- Affordability Discount Program (ADP) provides 10% - 24% monthly bill discount
 - Budget increased by 15% to \$2.5 M
 - 19,469 currently enrolled
 - 3,800 new participants for 2013
 - New outreach partnerships paying off
- Key focus of rate structure review



Average Residential Bills

SAWS Will Remain Among the Lowest in Texas



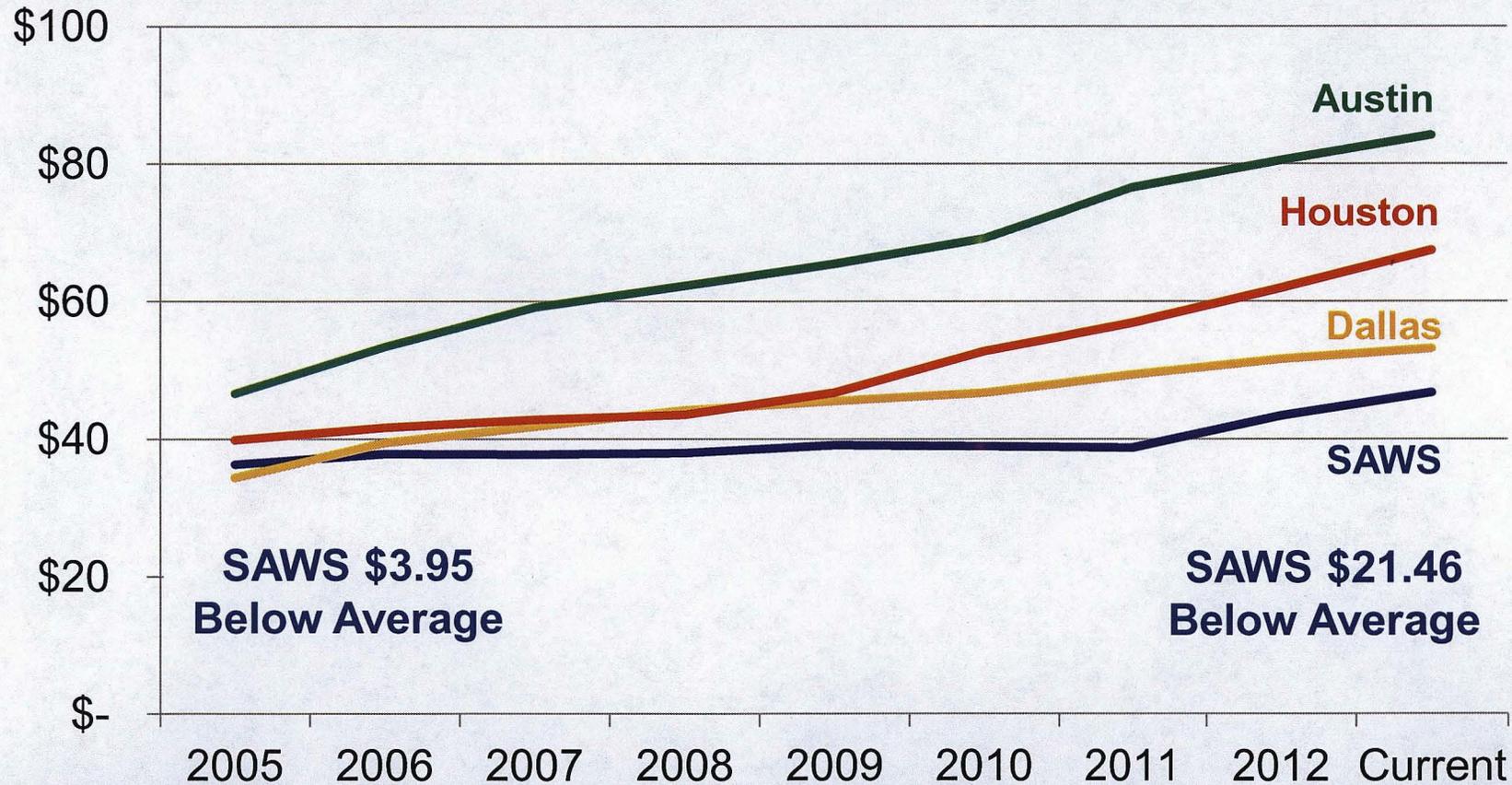
*** Fort Worth monthly charges approved to increase on January 1, 2014**

**** Houston wastewater charges based solely on water usage**

• Monthly charges as of November 2013, Based on 7,788 Gal. Water (Standard)/6,178 Gal. Wastewater. Includes EAA and TCEQ Fees.

Lowest Rate Growth of Major Texas Cities

6,000 Gallon Residential Water & Sewer Bill



SAWS \$3.95
Below Average

SAWS \$21.46
Below Average

Next Steps

Moving San Antonio's water agenda forward

- Vigorous outreach on affordability programs
- Focus on sewer spill reduction
- New water supplies to growing population
- Continuous innovation and efficiencies
- Regular discussions with City Council and Staff
 - Rate Structure
 - 2015 Budget
 - Affordability
 - Regional Water Project (RFCSP)

2014 & 2015 Rate Adjustment Requests

Robert R. Puente
President/CEO

November 21, 2013

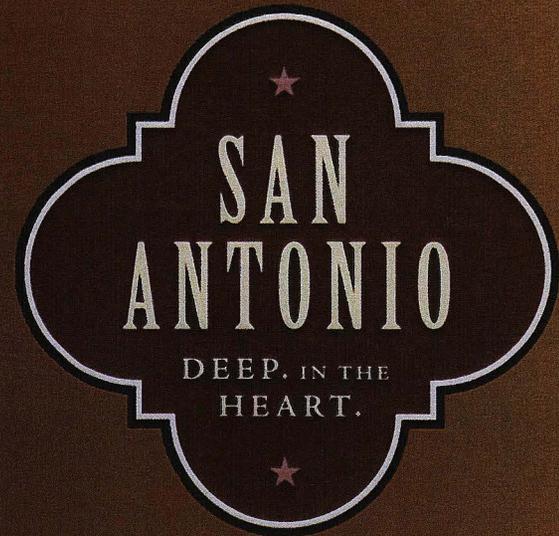
San Antonio City Council



SAWS Rate Proposal City Council Consideration

November 21, 2013

Ben Gorzell, Jr.
Chief Financial Officer



City of San Antonio - Public Utilities



Review Process

Prior Council meetings relating to SAWS Rate Review:

- October 2nd – Revenue Requirements Presentation by SAWS
- October 17th – Rate Design Presentation by SAWS
- November 6th – Public Utilities Supervisor Recommendation and Wrap-Up Session



Request for Council Consideration

- On Monday, November 18, SAWS Board of Trustees approved a resolution to request City Council consideration of a two-year rate increase.
- Based upon this resolution, SAWS is requesting City Council consideration of a two year rate increase to be effective January 1st of each respective year :
 - 5.1% system average rate increase for 2014, as well as a 2.5% increase in recycled water;
 - Not to exceed system average rate increase of 5.3% for 2015, as well as a not-to-exceed adjustment in recycled water rates of 2.7% to be effective in 2015.



Review Process

Public Utilities Staff conducted a comprehensive review that focused on the following areas:

- Economic / Rate Model
 - Cash Flow Analysis
 - Flow of Funds Under Bond Indenture
 - Key Financial Targets
 - Debt Service Coverage
 - Debt/Equity Ratio
 - Days Cash on Hand
 - Reserve Balances
 - Additional Repair & Replacement Funds



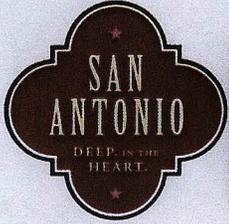
Review Process

- Revenue Requirements
- Capital Budget
- Operations & Maintenance Budget
- Financing Plan
- Affordability Programs
- Credit Considerations
- Sales Forecast
- Implementation of Prior Year Recommendations



Fiscal Impact to City

- Estimated net impact to the City (City payment less increases utility expenses) if rate is effective January 1, 2014 is \$324K:
 - \$478 K increase in revenues
 - \$154 K increase in expenses
- Estimated annual impact for 12 months equates to increase in net revenue to the City of \$433K:
 - \$638 K increase in revenues
 - \$205 K increase in expenses



Status of Prior Year Recommendations

- Redirect Position(s) to a Formal Efficiency Function
 - Innovation and Efficiency Team was established
 - Permanently redirected three positions and one other position that will be on loan to the function on a 180-day basis.

- Develop Plan & Begin Efficiency Review – Potential Focus Areas to include:
 - Public Affairs
 - Engineering
 - Customer Services
 - Fleet
 - Efficiency review conducted by outside consultants



Status of Prior Year Recommendations

- Continue to comprehensively evaluate Pension, Health, & Other Benefits
 - 2014 Changes:
 - Changed In-Network Out of Pocket Maximum for each health plan
 - Changed Prescription Co-pays for all three plans
 - Made updates to comply with the Affordable Care Act
 - Changes to High Cost Imaging and Blue Cross/Blue Shield of Texas In-Network Urgent Care visits



Status of Prior Year Recommendations

- Implement Accountability Procedures for the SSO Program
 - Established a cost center to track costs and activities associated with the SSO Program.
 - Provided quarterly reports for Q1 & Q2 of 2013. Q3 is in progress.
- Resume Briefings/Work sessions with City Council with a focus on significant policy issues.
 - SAWS has had two bi-monthly briefings in addition to the two rate request briefings.
 - Additional briefings will continue in 2014.



Status of Prior Year Recommendations

- Inclusion of a policy discussion with City Council at the beginning of the rate structure review process with the Rates Advisory Committee & provide period updates:
 - SAWS has obtained nominations from Council for the Rate Advisory Committee.
 - In the process of selecting a consultant to perform the rate study and expect the rate study to begin in earnest in early 2014.
 - SAWS will provide periodic updates as they go through the process.



Current Recommendations

Approval of the proposed 5.1% system-wide increase in SAWS' Water Delivery, Water Supply, and Wastewater Service Rates and a 2.5% increase in Recycled Water Rates to be effective January 1, 2014.



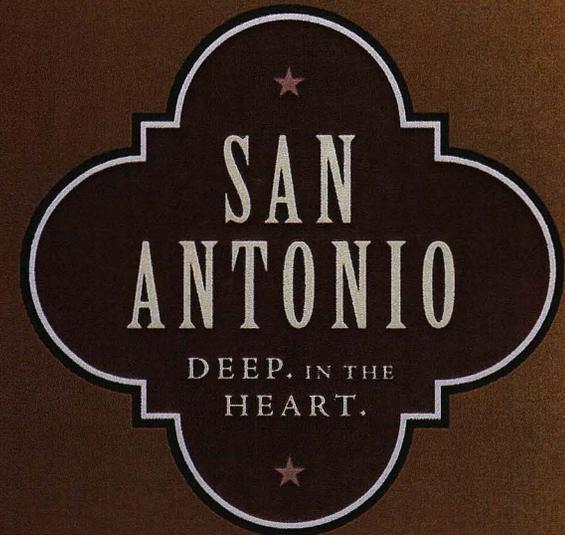
Current Recommendations (con't)

- Additionally, City Staff recommends that SAWS:
 - Continue to work collaboratively with the City to study its pension and benefits plans and associated cost;
 - Continue to provide quarterly written progress reports relating to its SSO;
 - Continue 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;
 - Where applicable, continue to implement efficiencies identified in the recently completed efficiency study by PA Consulting Group

SAWS Rate Proposal City Council Consideration

November 21, 2013

Ben Gorzell, Jr.
Chief Financial Officer



City of San Antonio - Public Utilities