

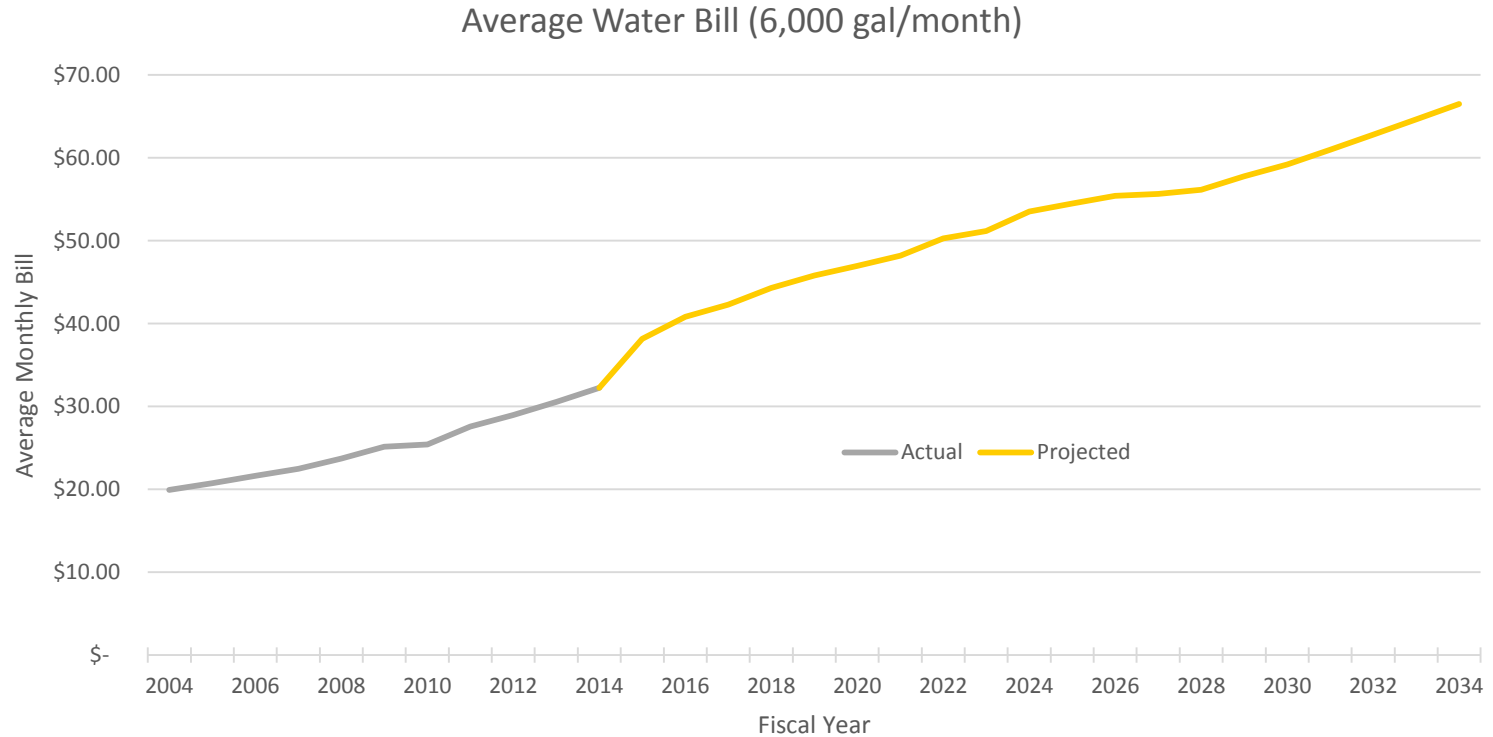
# Water Rate – Adjustments



Council Presentation  
April 21, 2015



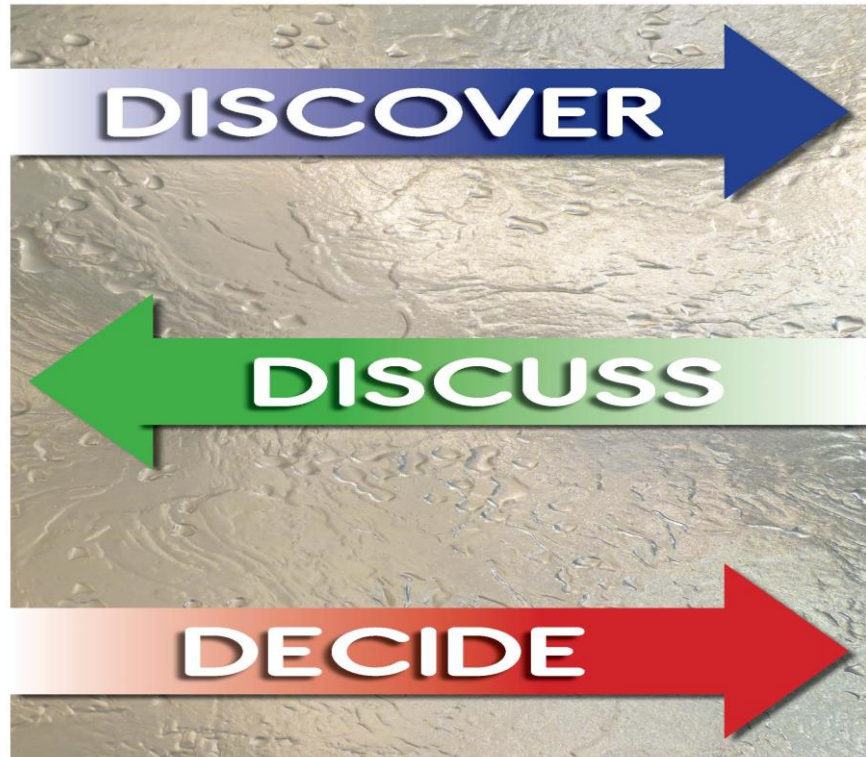
# Current Rate Projection





# Discover, Discuss, Decide

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**DISCOVER**

**DISCUSS**

**DECIDE**

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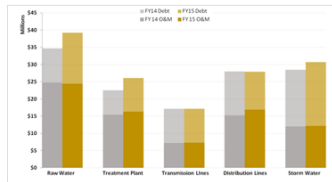
# Rate Review Schedule

Date	Topic
March 10, 2015	Projected Rate Water System Components Utility Bill Breakdown Costs – Operation and Maintenance (O&M)
March 24, 2015	Costs - Current and Future Debt
March 31, 2015	Consumption Trends Customer Trends Inclined Block Rate
April 21, 2015	Adjustments Rate Calculations
April 28, 2015	Rate Calculations
May 12, 2014	Additional Week of Discovery
May 19, 2015	Alternatives Evaluated
May 26, 2015	Additional Alternatives Evaluated 1
June 9, 2015	Additional Alternatives Evaluated 2
June 16, 2015	First Reading Proposed Rate
June 23, 2015	Adoption of New Rate

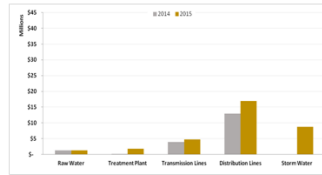


# Calculation for Unit Cost

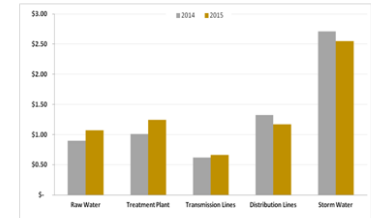
Cost



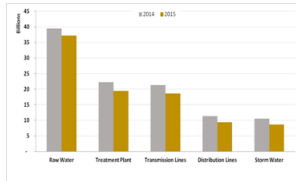
Adjustments



Unit Cost

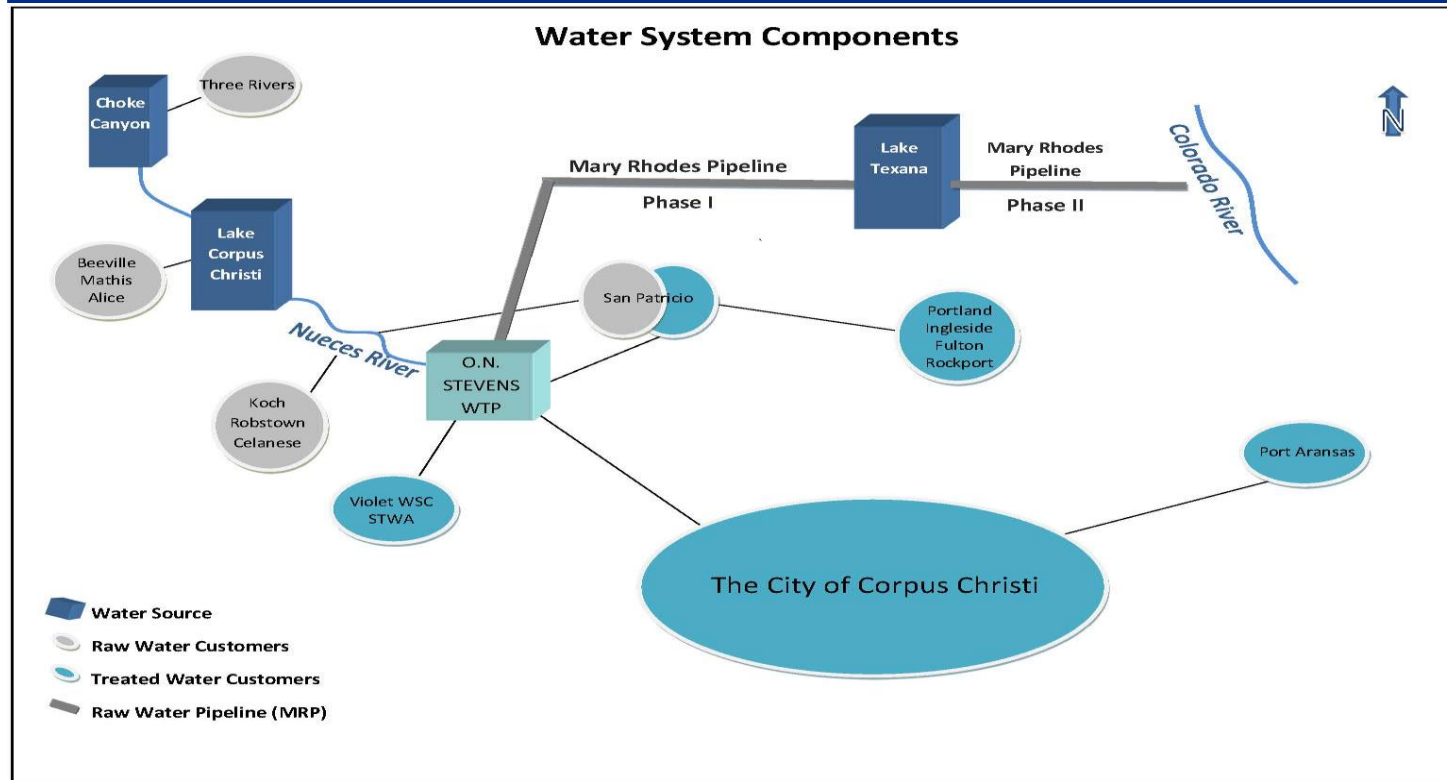


Volume



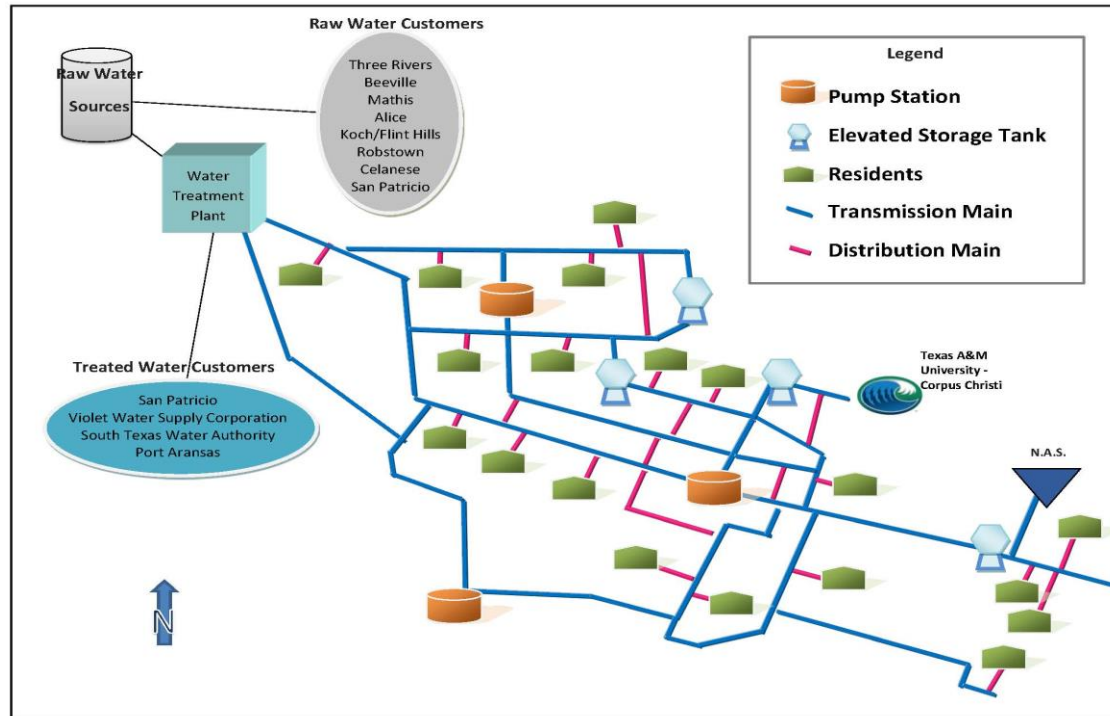


# Raw Water System





# Water System Components





# Utility Bill Breakdown

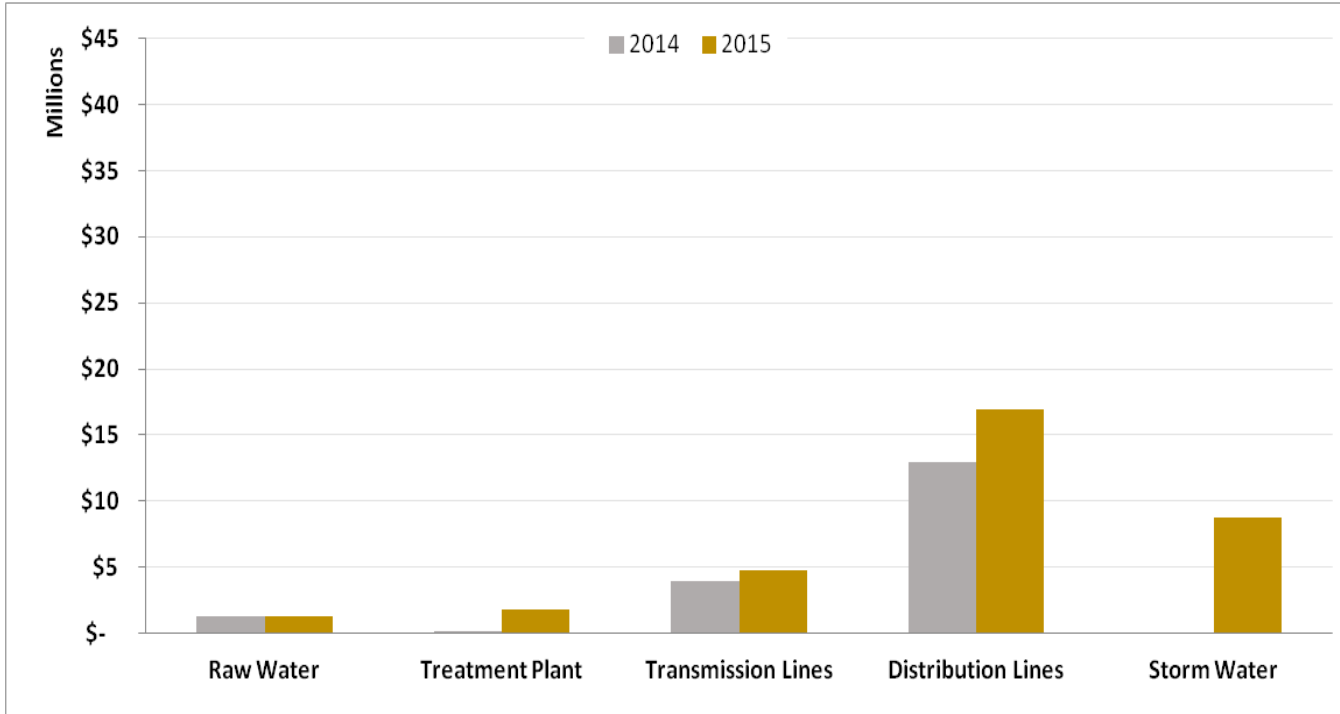
	Raw Water	Treatment	Transmission	Distribution	Stormwater
<b>Inside City Limits</b>					
Residential and Commercial	•	•	•	•	•
<b>Outside City Limits</b>					
Residential and Commercial	•	•	•	•	
Industrial customers	•	•	•		
Port Aransas & Violet Water Supply Corporation	•	•	•		
San Patricio Municipal Water District	•				
South Texas Water Authority	•	•			
<b>Raw Water Customers</b>	•				





# Adjustments

(Cost - Adjustments)  
Volume = Unit Cost





# Choke Canyon Reserve

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- Note had an escalating debt service schedule with low payments in the first several years.
- In 1987, “Reserved for Choke Canyon” account was established to levelize the payments.
- In the initial years of the note, payments of \$3,245,000, which were greater than the actual debt service payment were made, with the excess going into the reserve fund.
- Now that actual debt service payments are higher, the annuity is used to maintain the level payments.
- Credit for the reserve draw-downs is only applied to the raw water cost adjustment for ratepayers (Treated water customers).
- The balance in the reserve account should be depleted by 2044 – when the last debt service payment is made.



# True-ups

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- Any over-recovery will be carried over as a credit
- Any under-recovery will be carried over as debit
- For 2015,
  - Raw Water
    - *Over-recovery carried over as credit = \$1,349,858*
  - Treatment
    - *Over-recovery carried over as credit = \$1,634,052*



# Water Losses

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- Water Losses

- System losses (Volume Adjustment)

Water Loss Table	% Loss
Diversion & Pre-Sed	0.50%
Treatment	3.36%
Network	0.68%
Distribution	4.72%
Total	9.26%

- City Use

- 161 Million Gallons/Year
    - Applied to Distribution System



# Minimum (ICL)

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- Residential
  - Based on Meter Size includes first 2,000 Gallons
  - *Normally, 5/8" or 3/4" Meter- \$9.33 or \$4.67/1000 Gallons*
  - *Cost to Deliver = \$6.67/1000 Gallons*
- Commercial
  - Based on Meter Size includes first 2,000 Gallons
  - *Normally, 5/8" or 3/4" Meter- \$13.47 or \$6.74/1000 Gallons*
  - *Cost to Deliver = \$6.67/1000 Gallons*
- Large Volume
  - Based on Meter Size plus first 10,000,000 Gallons
  - *Normally, 8" or larger Meter - \$673.69 +\$17,510.00 or \$1.85/1000 Gallons*
  - *Cost to Deliver = \$4.62/1000 Gallons*



# Non-Operating Revenue

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- Non-volume based revenue
  - Property Rentals
  - Taps
  - Services provided to Wastewater and Storm Water Funds
    - Administrative Services



# Other

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- Funds from Storm Water Fund Balance
  - FY 15 = \$8,600,000



# Debt Coverage

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- Test
  - May or may not require additional Revenue
- Existing Scenarios
  - Treated as O&M
  - 1.50
  - 1.15





# Water Supply Development Reserve

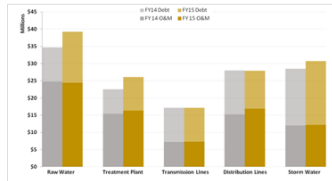
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- Established by City Ordinance in fiscal year 2010-2011
- To establish and maintain a future water resources reserve fund
- Ultimate target balance of \$30,000,000
- Annual contribution of approximately \$2,000,000 per fiscal year.
- \$0.05/1000 gallons charged as part of the raw water cost adjustment
- Paid by all customers and the composite cost paid by certain contract customers.

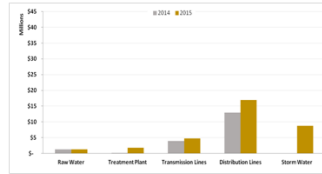


# Calculation for Unit Cost

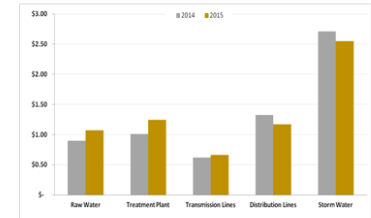
Cost



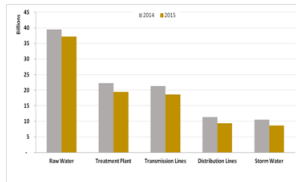
Adjustments



Unit Cost



Volume





# Raw Water Inputs

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- Costs
  - Operation & Maintenance = \$24,376,860
  - Debt Service = \$16,513,289
- Adjustments
  - Rentals = \$275,000
  - Minimums = \$13,803
  - True-up = \$1,349,858
  - Choke Canyon Reserve Fund = \$1,274,163
  - Debt Coverage = \$0.00
- Volume
  - 37.2 Billion Gallons
- Water Supply Development Fee
  - \$0.05/1000 Gallons



# Unit Cost for Rate Payer

$$\frac{\text{(Cost - Adjustments)}}{\text{Volume}} = \text{Unit Cost}$$

$$\left( \begin{array}{r} \text{Cost} \\ \$40,890,149 \end{array} - \begin{array}{r} \text{Adjustments} \\ \$2,912,824 \end{array} \right) = \text{Unit Cost}$$

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$$\frac{\text{Volume}}{37,192,000} = \$1.02 + .05 = 1.07$$



Questions?