

# Public Hearing

## 2021 Proposed Budget

Doug Evanson

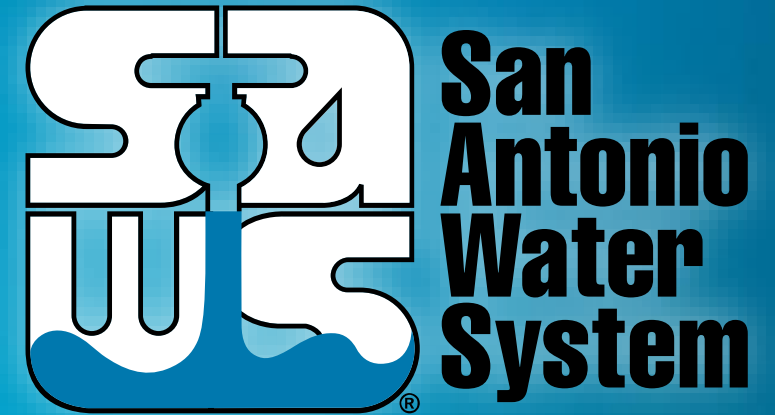
Senior Vice President/Chief Financial Officer

Cecilia Velasquez

Director of Financial Services/Controller

Board Meeting

November 3, 2020



MAKING SAN ANTONIO  
**WATERFUL**



# Comparative Income Statements – 2018 to 2021

## 2021 Change in Net Position Projected to Be Lower With Full Year of Vista Ridge Related Expenses

SAN ANTONIO WATER SYSTEM					
Revenues, Expenses and Changes in Net Position		Budget	Projection	Actual	Actual
(\$ in thousands)		2021	2020	2019	2018
1	Operating Revenues	\$ 800,758	\$ 784,624	\$ 733,179	\$ 691,046
2	O&M Before Depreciation	392,589	365,935	338,084	324,593
3	Depreciation Expense	198,931	182,546	157,225	155,549
4	Total Operating Expenses	591,520	548,481	495,309	480,142
5	Operating Income	209,238	236,143	237,870	210,904
6	Non-Operating Revenues	8,523	19,175	32,583	22,488
7	Interest & Other Debt Related Expenses	113,660	96,986	101,777	92,210
8	Interest on Contract Payable	45,859	33,127	-	-
9	Transfer to the City's General Fund	30,931	30,645	21,917	18,287
10	(Gain)/Loss on Sale of Capital Assets & Other	100	(148)	(787)	(823)
11	Increase in Net Position Before Capital Contributions	27,211	94,708	147,546	123,718
12	Capital Recovery Fees & Grants	100,075	110,225	103,899	86,229
13	Plant Contributions	80,000	83,923	73,375	59,761
14	Total Capital Contributions	180,075	194,148	177,274	145,990
15	Change in Net Position	\$ 207,286	\$ 288,856	\$ 324,820	\$ 269,708

2021 Proposed Budget

# Comparative Balance Sheets – 2018 to 2021

## Continued Investment in Capital Assets

SAN ANTONIO WATER SYSTEM		Budget		Projection		Actual	
Condensed Statement of Net Position		12/31/2021		12/31/2020		12/31/2019	
(\$ in millions)							
Assets							
1	Cash & Investments - Unrestricted	\$	525.2	\$	535.2	\$	473.9
2	Cash & Investments - Restricted		634.4		684.3		530.9
3	Accounts Receivable & Other Current Assets		107.2		97.2		83.8
4	Capital Assets, Net		7,214.0		6,832.9		5,649.4
5	Total Assets		8,480.8		8,149.6		6,688.1
6	Deferred Outflows of Resources		104.2		107.2		140.1
7	Total Assets and Deferred Outflows		8,585.0		8,256.8		6,828.2
Liabilities							
8	Current Liabilities, payable from unrestricted funds		105.2		105.2		75.5
9	Current Liabilities, payable from restricted funds		169.1		175.1		167.1
10	Noncurrent benefit-related and asset retirement liabilities		121.6		123.1		200.8
11	Long Term Contract Payable		886.6		902.2		
12	Long Term Debt, Net		3,335.1		3,179.1		2,941.5
13	Total Liabilities		4,617.6		4,484.7		3,384.9
14	Deferred Inflows of Resources		40.7		52.7		12.8
15	Total Liabilities and Deferred Inflows		4,658.3		4,537.4		3,397.7
Net Position							
16	Net Investment in Capital Assets		3,189.5		2,950.7		2,758.4
17	Restricted		360.0		349.7		312.2
18	Unrestricted		377.1		418.9		359.9
19	Total Net Position	\$	3,926.6	\$	3,719.4	\$	3,430.5

## 2021 Proposed Budget



# Purchased Water Costs

Project	2018 Actual	2019 Actual	2020 Budget	2020 Reforecast *	2021 Budget
Vista Ridge	\$ -	\$ -	\$ 68,804,159	\$ 66,598,268	\$ 92,846,160
Oliver Ranch	1,841,153	2,203,270	1,373,636	1,635,281	1,377,661
BSR Water Company	337,500	345,500	337,500	337,500	-
Western Canyon Proj w GBRA	7,526,011	7,098,826	7,862,560	7,249,525	7,663,873
Regional Carrizo Program	7,275,823	7,180,155	7,397,516	7,397,516	7,413,022
Texas Water Supply Company (WECO)	6,742,673	15,541,552	11,330,954	6,972,031	11,526,583
Edwards Aquifer	4,442,667	3,768,474	3,406,482	3,406,482	3,450,578
Surface Water Permits	9,076	9,588	9,474	9,474	9,758
Canyon Regional (CRWA)	6,865,754	6,681,267	7,406,472	7,375,416	7,614,222
BMA - Medina Lake	2,896,230	2,936,178	3,016,074	3,016,074	3,016,074
<b>Total</b>	<b>\$ 37,936,886</b>	<b>\$ 45,764,810</b>	<b>\$ 110,944,827</b>	<b>\$ 103,997,566</b>	<b>\$ 134,917,932</b>

\* Reforecast as of 7/31/2020

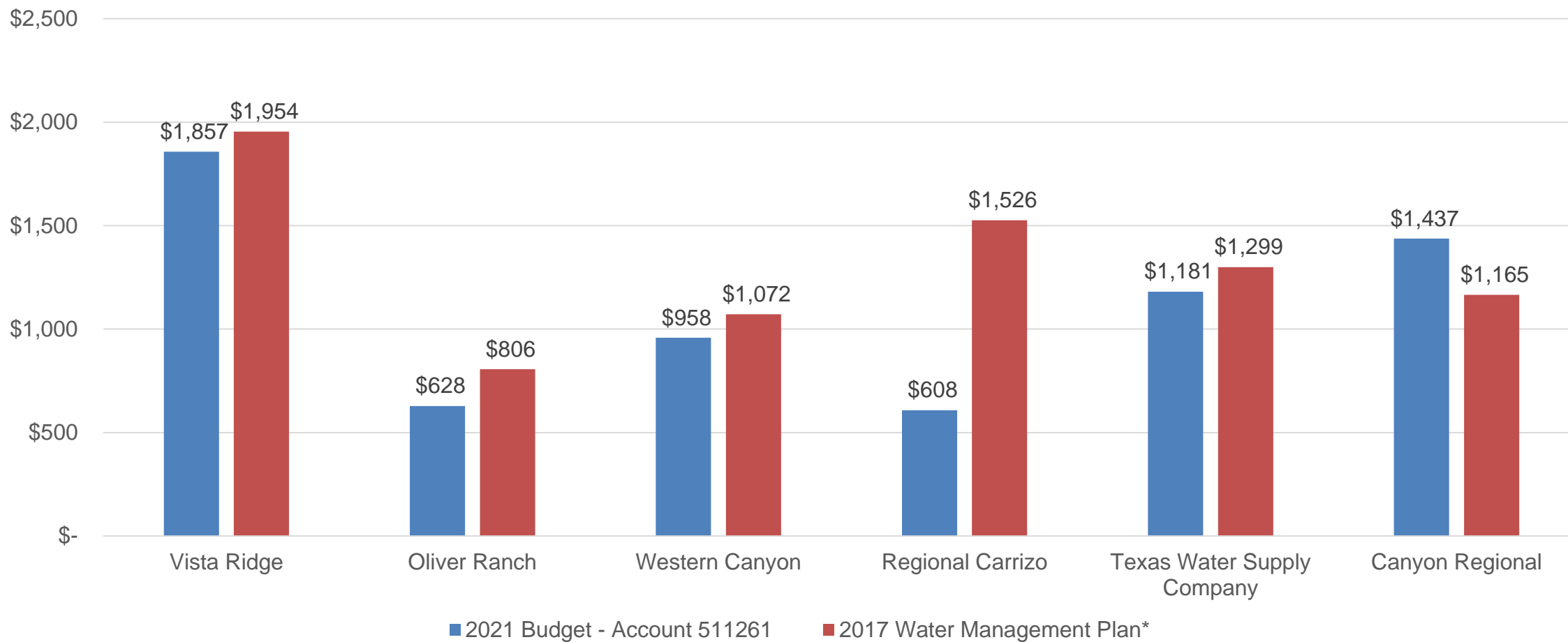
2021 Proposed Budget

# Purchased Water Received

Project	2015	2016	2017	2018	2019	2020 Est.	2021 B
Vista Ridge	-	-	-	-	-	26,300	50,000
Oliver Ranch	2,094	2,103	2,569	2,982	3,242	2,600	2,194
BSR Water Company	-	-	-	-	-	-	-
Western Canyon Proj w GBRA	9,038	8,980	8,649	8,467	8,038	8,000	8,000
Regional Carrizo Program	13,307	10,014	13,188	10,780	11,404	11,400	12,188
Texas Water Supply Company (WECO)	8,125	13,964	9,540	5,767	13,310	4,700	9,762
Edwards Aquifer	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Surface Water Permits	-	-	-	-	-	-	-
Canyon Regional (CRWA)	3,893	1,461	2,468	3,712	2,793	6,350	5,300
BMA - Medina Lake	513	-	-	-	-	-	-
<b>Total</b>	<b>36,970</b>	<b>36,522</b>	<b>36,414</b>	<b>31,708</b>	<b>38,787</b>	<b>59,350</b>	<b>87,444</b>
<i>Annual Rainfall</i>	<i>44.2</i>	<i>43.9</i>	<i>27.3</i>	<i>41.2</i>	<i>22.0</i>	<i>23.0</i>	<i>32.9</i>

2021 Proposed Budget

# Purchased Water – Costs Per Acre Foot



\*Without Integration

2021 Proposed Budget

# Proposed Board Actions

- Approval of 2021 Annual Budget
- Authorize the expenditure of funds for 2021 Owner Controlled Construction Changes in an amount not to exceed \$22,218,767





# Variables Impacting 2021 Proposed Budget

- COVID-19
  - Water sales by customer class
  - Bad debt expense
    - Customer disconnects
  - Interest rates
  - Operating expense impacts
- Vista Ridge Water Supply
  - Full year's water delivery
  - Prepaid water impacts
- Capital Improvement Program

2021 Proposed Budget



# Key Assumptions in 2021 Proposed Sources of Funds

- Average connection growth of ~1.5 % for both water and sewer
- Projected sales levels of 65.1 B gallons for water & 50.6 B gallons for sewer
  - Commercial & industrial water usage is projected to remain ~10% less than prior year forecasts
- Weighted average short-term investment rate of 0.65%
- Impact fee collections remain consistent with current year levels
- Resume customer disconnects & late fees
  - Generates ~ \$5.5 M in late fee and “turn-on” revenue
  - Provision for uncollectable accounts of 1.5% of billed revenues

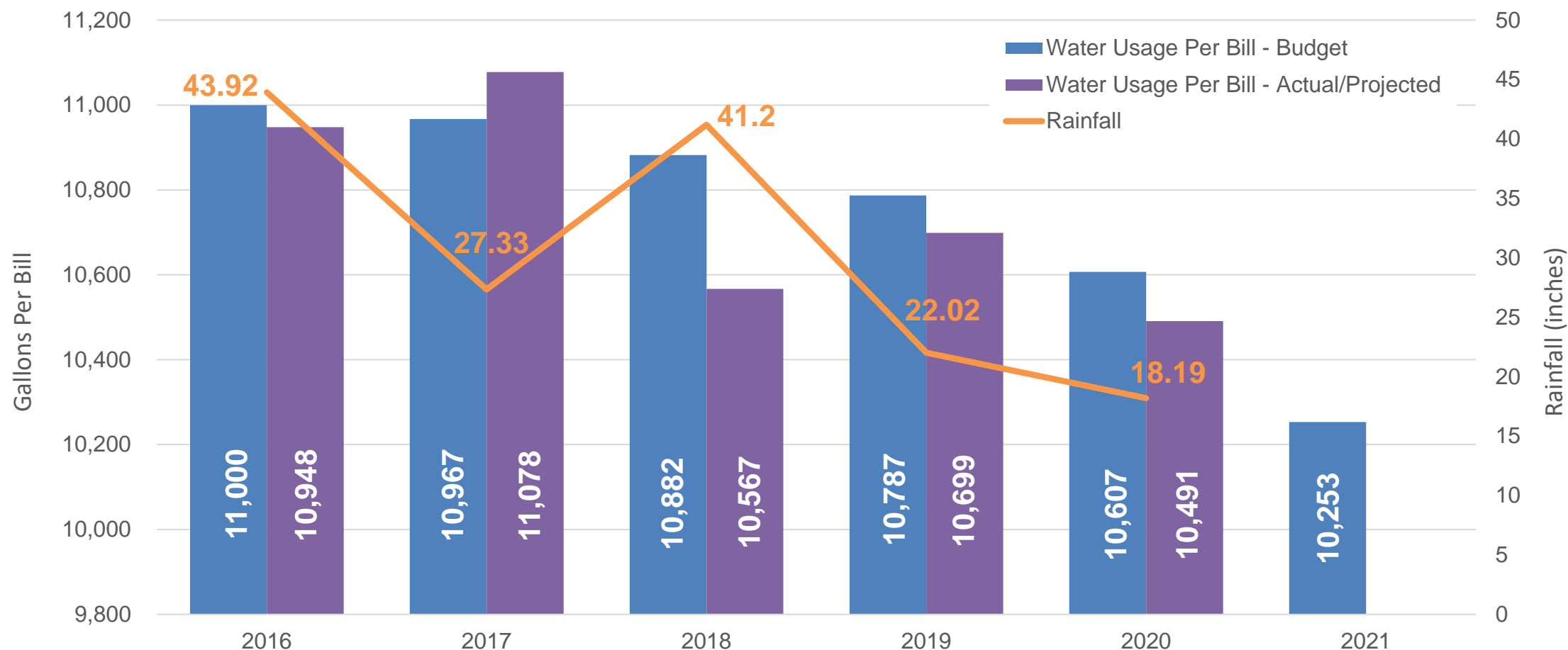
# 2021 Proposed Budget (in millions)

SOURCES OF FUNDS	2018 Actual	2019 Actual	2020 Budget	2020 Forecast	2021 Proposed Budget
Operating Revenues	\$691.1	\$733.2	\$807.1	\$780.4	\$800.8
Non-operating Revenues	21.4	28.8	22.0	17.0	8.5
Contributions in Aid of Construction & Draw on Equity	7.8	10.6	-	0.6	-
Capital Recovery Fees (Impact Fees)	79.8	94.6	100.1	105.7	100.1
<b>Total Sources of Funds</b>	<b>\$800.0</b>	<b>\$867.2</b>	<b>\$929.2</b>	<b>\$903.7</b>	<b>\$909.4</b>

2021 Proposed Budget

# Monthly Average Metered Water Usage – Budget Vs. Actual/Projections

## Usage is Single Most Important Variable in SAWWS Revenue Forecast



\*2020 Rainfall through September 30, 2020

2021 Proposed Budget



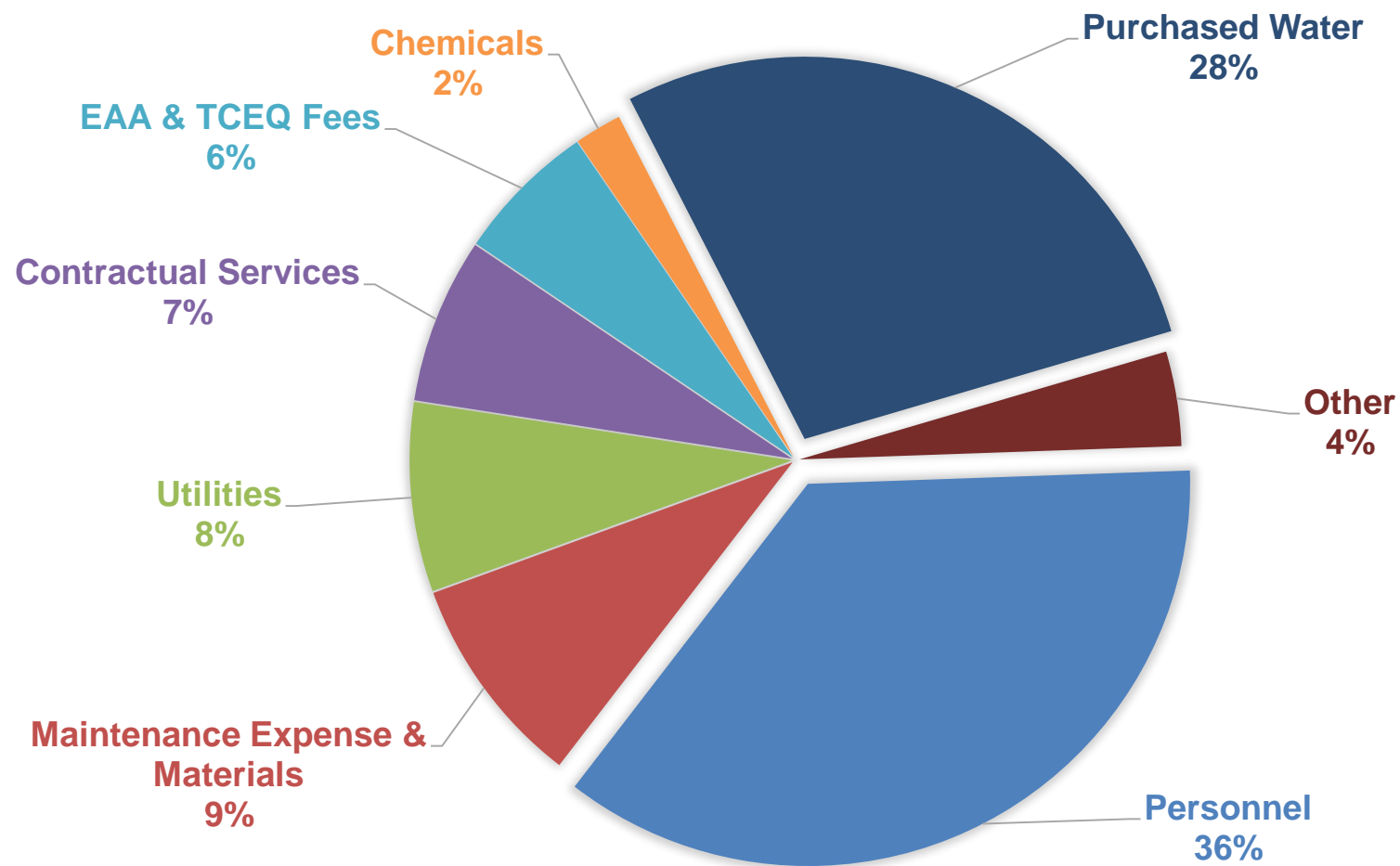
# 2021 Proposed Uses of Funds (\$ in millions)

USES OF FUNDS	2018 Actual	2019 Actual	2020 Budget	2020 Forecast	2021 Proposed Budget
Operations and Maintenance	\$330.2	\$339.9	\$436.0	\$416.1	\$454.0
Debt Service & Expenses	205.2	207.1	235.9	210.0	223.4
Transfer to COSA	18.3	21.9	31.7	30.5	30.9
Available for R&R – Restricted Funds	91.0	110.0	108.1	120.6	102.8
Available for R&R – Unrestricted Funds	155.4	188.3	117.5	126.5	98.3
<b>Total Uses of Funds</b>	<b>\$800.1</b>	<b>\$867.2</b>	<b>\$929.2</b>	<b>\$903.7</b>	<b>\$909.4</b>

2021 Proposed Budget

# 2021 Proposed O&M Expense, before Capitalization

\$486M, an Increase of 4.0% from 2020 Budget Driven Entirely by Full Year of Vista Ridge



# 2021 Proposed Capital Improvement Program

By Core Business



TOTAL  
**\$541.3M**

\$21.7M Design  
\$490.7M Construction  
\$28.9M Overhead

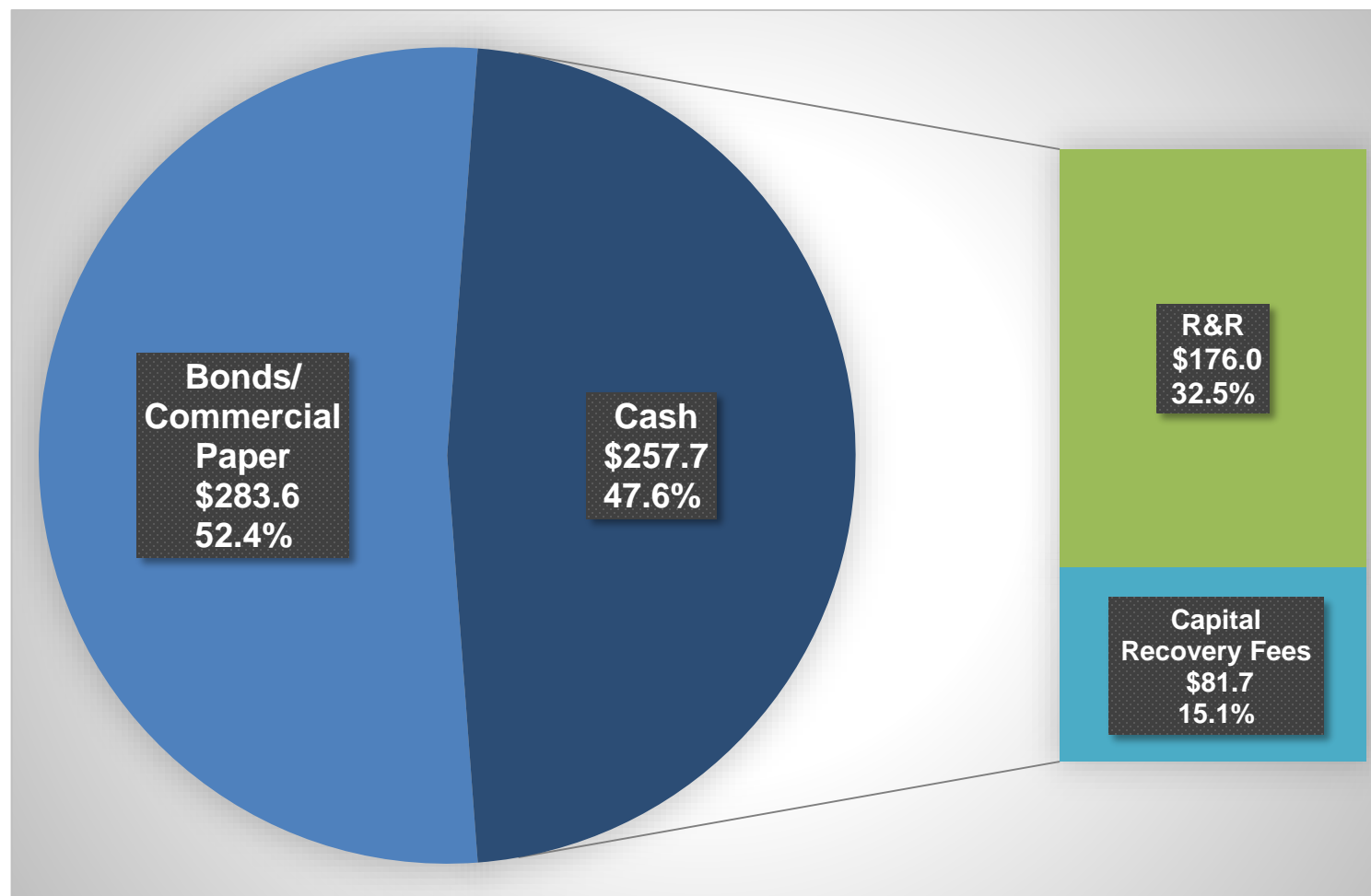
70% Replacement  
30% Growth

2021 Proposed Budget



# 2021 Proposed Capital Improvement Program - \$541.3M

By Funding Source (in millions)



# Owner Controlled Construction Changes

Provides funding for potential contract changes

CIP Year	OCCC Budget	Approved Increase	Total OCCC	Amount Used	Amount Returned to R&R Fund
2016	\$5,852,127	-	\$5,852,127	\$3,353,176	\$2,498,951
2017	\$13,065,620	-	\$13,065,620	\$7,428,932	\$5,636,688
2018	\$9,809,478	-	\$9,809,478	\$8,255,930	\$1,553,548
2019	\$12,778,964	\$5,549,155	\$18,328,119	\$16,105,416	\$2,222,703
2020 YTD	\$9,865,336	\$6,000,000	\$15,865,336	\$10,052,098	N/A
2021 Budget	\$22,218,767				

Unused amounts are returned to R&R fund at end of year

2021 Proposed Budget



# 5 Year Capital Improvement Plan (\$ in millions)

Continued Investment in SSO Remediation Efforts While Also Increasing Spend on Aging Infrastructure



Core Business	2021	2022	2023	2024	2025	Total 2021-2025
Water Delivery	\$182.4	\$212.2	\$208.7	\$228.5	\$240.6	\$1,072.4
Wastewater	\$326.0	\$224.0	\$283.9	\$254.0	\$158.1	\$1,246.0
Water Supply	\$32.8	\$137.7	\$26.7	\$33.2	\$27.7	\$258.1
Chilled Water	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.5
<b>Total</b>	<b>\$541.3</b>	<b>\$574.0</b>	<b>\$519.4</b>	<b>\$515.8</b>	<b>\$426.5</b>	<b>\$2,577.0</b>

2021 Proposed Budget



# Pass-through Fees

- TCEQ/EAA Fees
  - City Council has authorized SAWS to recover fees paid to Edwards Aquifer Authority (EAA) and the Texas Commission on Environmental Quality (TCEQ) through pass-through charges
- No Council or Board action is required
- Changes are effective for bills generated after January 1<sup>st</sup>

# Pass-through Fees

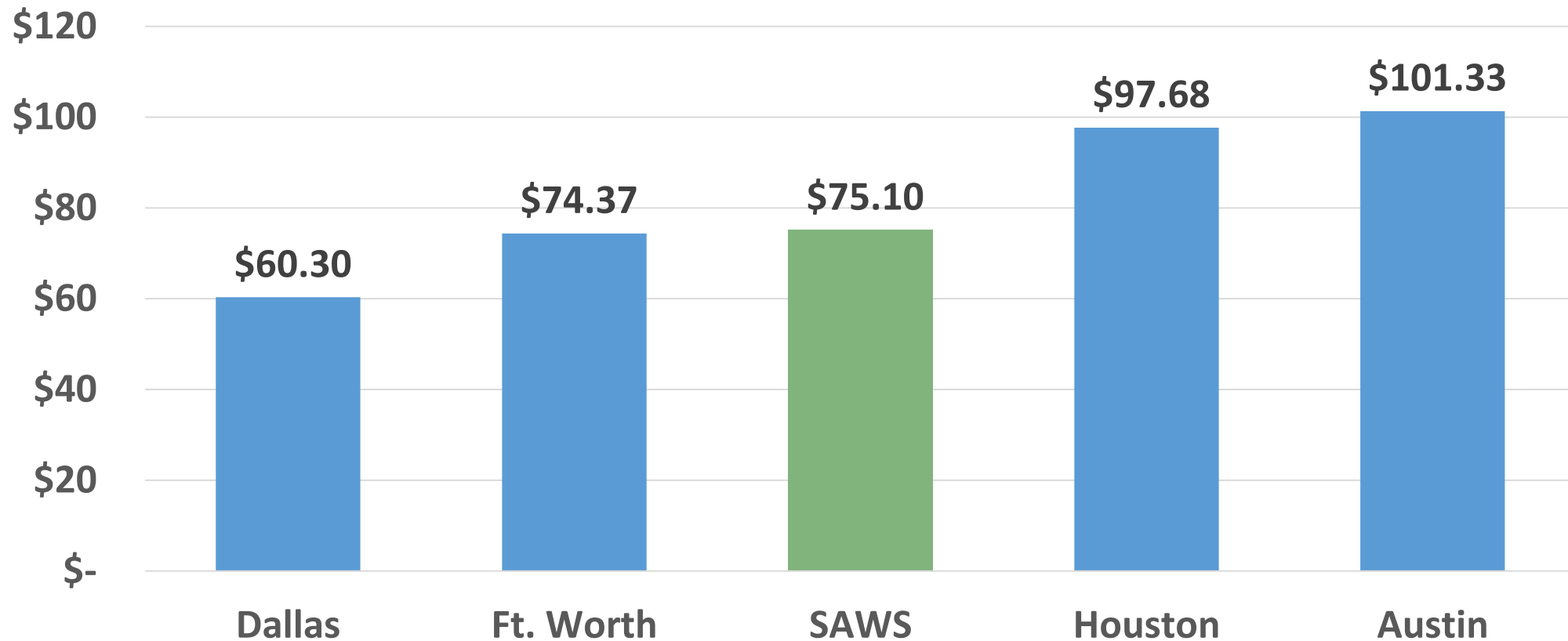
<b>Average Residential Customer (assumes 7,092 gallons)</b>	<b>2020</b>
TCEQ – Water <sup>1</sup>	\$0.21
TCEQ – Wastewater <sup>1</sup>	0.06
EAA Fees <sup>2</sup>	2.45
<b>Total Pass-through fees</b>	<b>\$2.72</b>

<sup>1</sup> Fee per customer connection

<sup>2</sup> 2020 fee based on \$0.03452 per 100 gallons

# Average Water & Sewer Residential Bills

## Major Texas Cities



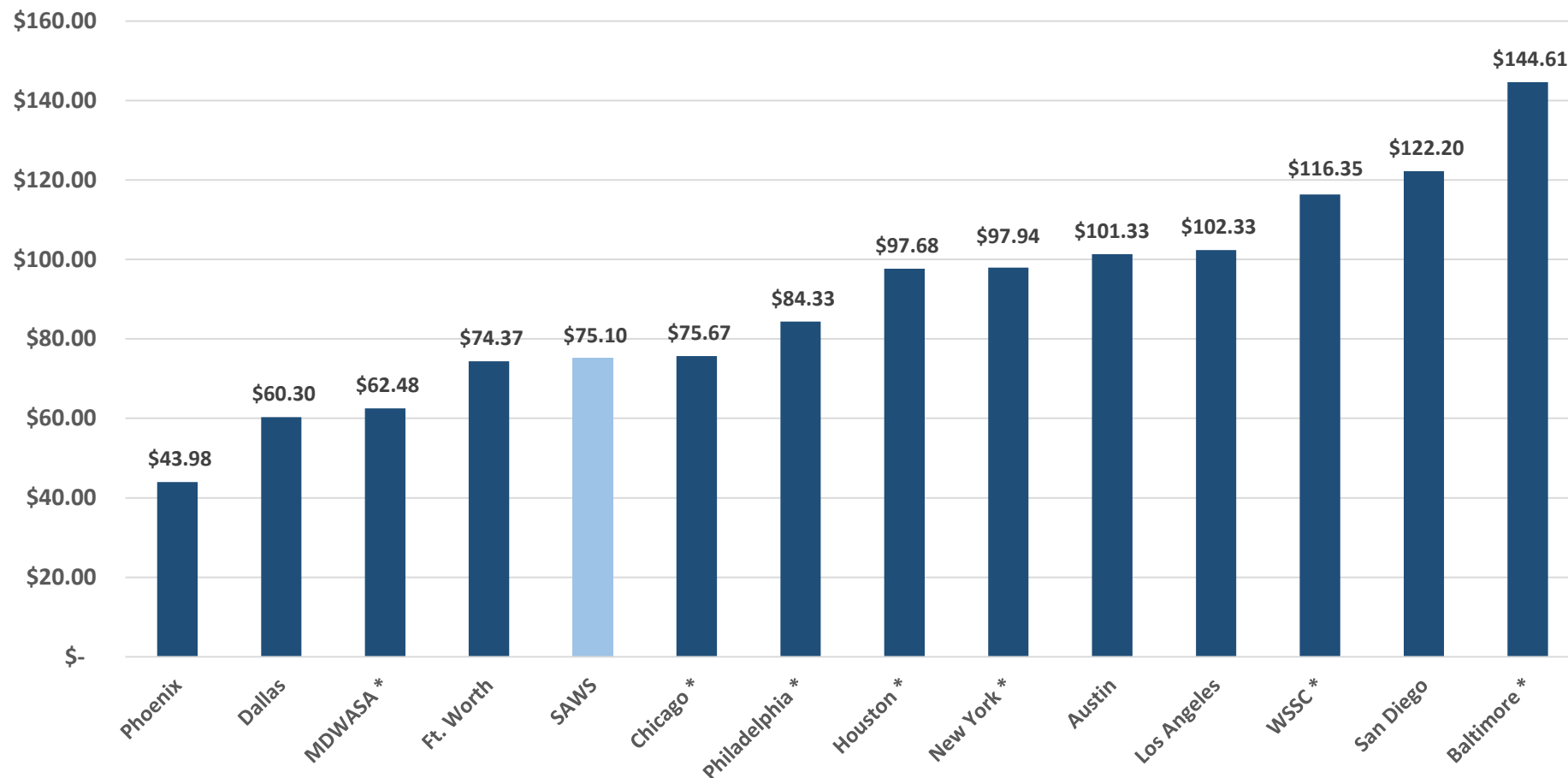
\* Houston wastewater charges based solely on water usage.

Monthly charges as of September 2020, based on 7,092 Gal. Water / 5,668 Gal. Wastewater, including EAA and TCEQ fees.



# Average Residential Monthly Bill

Assumes Monthly Usage of 7,092 Gallons of Water and 5,668 of Sewer



\* Actual water consumption used to assess residential sewer charges





# Uplift Customer “Touch Points”

## Affordability Discount

Reduces a customer's water bill  
\$9.80-\$28.35 per month

## Senior Citizen Billing

Waive late payment penalties for  
customers 60 years and older

## Plumbers to People

Helps residential customers repair  
leaking plumbing fixtures in their home

## WaterSmart

An on-line tool that helps  
customers watch their water use

## Courtesy Hold

Prevents water service from being  
shut off while the Uplift application  
is being processed

## Meter Trip Fee/Service Fee Reductions

Lowers the amount SAWS charges for  
sending a technician to disconnect water  
service due to non-payment

## Leak Adjustments

Removes charges for “lost  
water” if the customer has a  
leak repaired by a licensed  
plumber

## Reduced Deposit

Lowers the security deposit  
amount for new customers  
who qualify

## Agency Referrals

Connects customers to local agencies  
that can provide additional assistance

## Project Agua

Payment assistance to customers up  
to \$115-2x per year

## Disability Billing/Veterans

Provides a payment extension to  
residential customers who receive  
disability income

## Laterals to People

Helps residential customers repair  
the sewer lateral from outside the  
home to the property line



## Payment Arrangements

Allows the customer to work out  
a payment plan for past-due  
account balances

## Domestic Violence Waiver

Allows victims to open a new service  
account without paying a security  
deposit



# Uplift Program Funding

On Pace to Fund ~ \$7.8 M in Uplift Program Costs During 2020 – Increase of More Than 400% Since 2011

Year	Affordability Discount Program	Project Agua	Plumbers to People	Laterals to People	Total Uplift Program Costs
2011	1,334,425	26,154	170,135	3,100	1,533,814
2012	1,908,759	100,000	173,499	7,845	2,190,103
2013	1,994,139	100,000	170,233	26,824	2,291,196
2014	1,911,187	100,000	196,980	71,997	2,280,164
2015	2,006,220	198,848	259,336	100,495	2,564,899
2016	2,752,477	199,665	302,906	73,868	3,328,916
2017	3,530,423	199,915	248,058	92,901	4,071,297
2018	4,911,348	430,087	389,840	100,084	5,831,359
2019	5,919,098	475,167	306,595	109,537	6,810,397
2020 (thru Aug)	4,527,719	265,582	323,424	57,797	5,174,522

2021 Proposed Budget

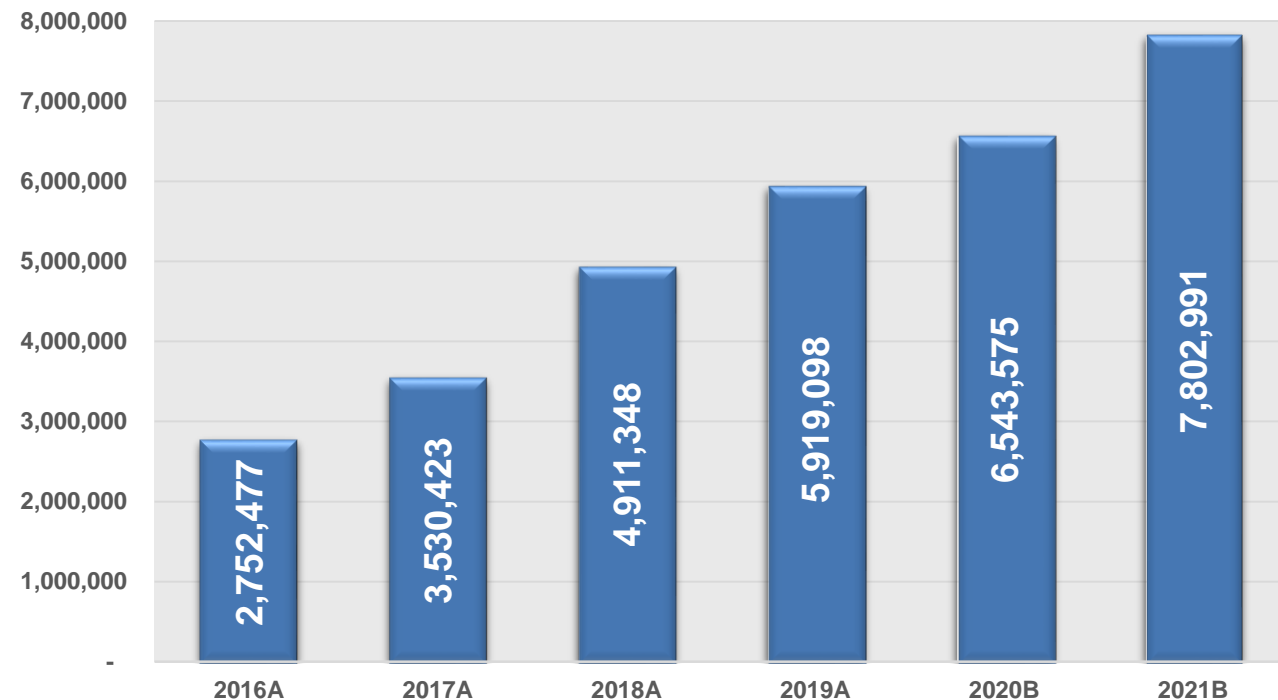
# Uplift – Affordability Discount Program

Enrollment in Program Has Grown 59.7% During Last 4 Years – Budget Increased ~ 120%



Year	ADP Customers
2016	20,717
2017	25,171
2018	29,216
2019	32,083
Aug 2020	33,092

Actual/Budget Program Assistance



2021 Proposed Budget

# Affordability Discount Program

## Maintaining Discount Levels for 2021



Poverty Level	2017	2018	2019	2020	2021	Annual Income*	Avg. Bill % of Income**
50%	\$ 21.40	\$ 24.00	\$ 25.75	\$ 28.35	\$ 28.35	\$ 13,100	4.3%
75%	\$ 14.30	\$ 14.79	\$ 17.95	\$ 19.40	\$ 19.40	\$ 19,650	3.4%
100%	\$ 8.80	\$ 9.07	\$ 11.55	\$ 12.50	\$ 12.50	\$ 26,200	2.9%
125%	\$ 6.99	\$ 7.15	\$ 9.05	\$ 9.80	\$ 9.80	\$ 32,750	2.4%

\*U.S. Department of Health & Human Services, 2020 Poverty Guidelines, for a family of 4, \$26,200

\*\*Average bill of \$75.10 based on 7,092 gallons of water and 5,688 gallons of sewer with fees

2021 Proposed Budget



# Questions

# Board Item #23

## Staff Recommends Approval

- Approval of 2021 Annual Budget
- Approval of 2021 Owner Controlled Construction Changes in the amount of \$22,218,767

# Public Hearing

## 2021 Proposed Budget

Doug Evanson

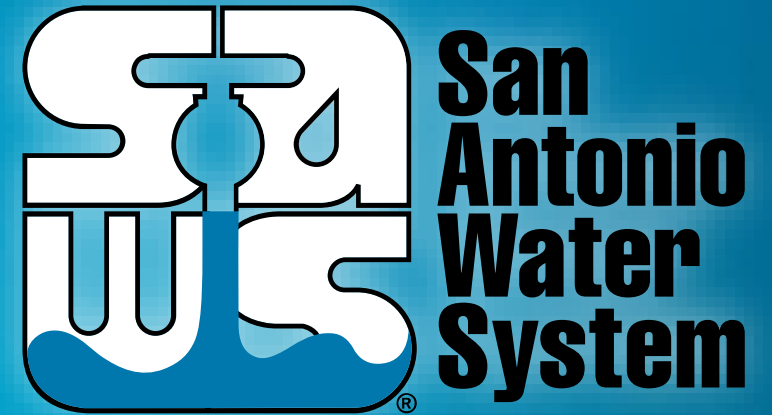
Senior Vice President/Chief Financial Officer

Cecilia Velasquez

Director of Financial Services/Controller

Board Meeting

November 3, 2020



MAKING SAN ANTONIO  
**WATERFUL**





## 2021 – First Full Year of Vista Ridge & Agua Vista Operations

Vista Ridge & Agua Vista Budgets \$ in Millions				
Facility	Expenditure	2020	2021	Difference
Vista Ridge Pipeline	Water Payment	\$ 61.03	\$ 80.30	\$ 19.27
	O&M Payment	7.77	12.55	4.78
	Staffing Cost	0.49	0.45	(0.04)
	Utilities Cost	7.95	10.18	2.23
	Other Costs	0.49	0.46	(0.03)
	<b>Subtotal</b>	<b>\$ 77.74</b>	<b>\$ 103.94</b>	<b>\$ 26.21</b>
Agua Vista Station	Staffing Cost	\$ 0.77	\$ 0.91	\$ 0.14
	Utilities Cost	1.07	1.10	0.03
	Chemical Cost	1.47	2.05	0.58
	Other Costs	0.80	0.79	(0.01)
	<b>Subtotal</b>	<b>\$ 4.11</b>	<b>\$ 4.86</b>	<b>\$ 0.75</b>
<b>Totals</b>		<b>\$ 81.86</b>	<b>\$ 108.80</b>	<b>\$ 26.96</b>

2021 Proposed Budget