

MINUTES
RATE ADVISORY COMMITTEE
SAWS Headquarters, 2800 U.S. Hwy 281 North, San Antonio, TX 78212
Customer Center Building (Tower II), Conference Room #145
Second Meeting, October 16, 2019
6:00 p.m.

RAC Members Present:

Frances Gonzalez – Committee Chair
Alex Birnel (District 1)
Velma Willoughby-Kemp (District 2)
Steven Wurgler (District 3)
Daniel Meza (District 5)
Ramiro Cabrera (District 6)
James Smyle (District 7)
Patricia Wallace (District 8)
Joseph Yakubik (District 9)

Raine Tanner (District 10)
Vance Weynand
Tamara Benavides
Andy Diaz
Mike Chapline
Patrick Garcia
Victoria Keeler
Stephen Lara
Steve Richmond

RAC Members Absent:

Stephanie Reyes
Genevieve Trinidad (District 4)

Raftelis Consultants:

Rick Giardina
Angie Flores
Manny Teodoro, PhD (EJ Metrics)
Kelli Epp (KLE Communications)

SAWS Staff Present:

Robert Puente, President/CEO
Jaime Castillo, Chief of Staff
Doug Evanson, Sr. Vice President/CFO
Mike Frisbie, Sr. Vice President/COO
Mary Bailey, VP, Customer Experience
Donovan Burton, VP, Water Resources
Gavino Ramos, VP, Communications
Benjamin Kidd, Sr. Financial Modeler
Ben Benzaquen, Sr. Financial Analyst
Keith Martin, Corporate Counsel
Cecilia Velasquez, Controller
Phyllis Garcia, Treasurer
Greg Wukasch, Manager, Communications
Lou Lendman, Budget Manager

Patricia Arriola, Financial Analyst
Rob Walker, Financial Analyst
Vanessa Andrade, Financial Analyst
Celina Garza-Alvarez, Outreach Coordinator
Byron Gipson, Intergov. Coordinator
Cecilia Picazo, Intergov. Coordinator
Rebecca Gonzalez, Afford. Specialist
Peggy Conerly, Afford. Specialist
Milagros Gomez, Admin. Assistant

Chair Gonzalez opened the meeting and recognized members who were not present at the last meeting. Jim Smyle, representing District 7, introduced himself. Alex Bernal, representing District 1, introduced himself.

CITIZENS TO BE HEARD

Meredith McGuire – Dr. McGuire said she was looking forward to the discussion and presentation on affordability, especially for a city with such poverty. Affordability issues are bringing down the whole local economy. She stated that we must include affordability assistance for small businesses whose customers come from low income households. She added that the public good was not the foremost consideration in past rate studies. Dr. McGuire wants the committee to think about underlying principles about what kind of community we want San Antonio to become and what kind of relationship we want people to have with their public utilities. She said that if the RAC rushes too quickly into prioritizing objectives, the committee will miss important facts about what went wrong in the past and how things could be made better. She said that conservation rates shifted cost, but created no incentive to reduce usage and that the heaviest users actually got a cost reduction due to the elimination of the seasonal rates. She said that SAWS was considering a 5th tier, but later added two more tiers at the bottom end called the lifeline rate, but this was not a lifeline rate for low income customers. She said that you must disaggregate the general class into its separate components because it is not fair.

Bill Hill – Mr. Hill said he has served as the city manager of Shavano Park since 2013. He is requesting that the RAC allow the emergency interconnection rate to be adjusted downward during emergency interconnection situations actually occur. Shavano Park never had to use an emergency interconnection but has come close. SAWS uses the highest residential rates as the basis for setting the emergency interconnection rate. Hill said this resembles price gauging because this water would only be used in emergencies. Past requests to change the rates were denied. He was told to make the request to the RAC in a future rate study.

Reinette King – (Provided written testimony) Ms. King represents the Vista Ridge Resolution Coalition. She urged the committee to push for an evidence-based process and to not make decisions without fully understanding the complete cost and how many users are impacted by the project. She said that SAWS bought more water than we need with Vista Ridge and that Edwards is our cheapest water. She urged the committee to use the principle that growth pays for growth. She said that water should not be used as an instrument to spur economic development or a tool to subsidize growth.

Terry Burns – Mr. Burns is a retired physician and chair of SA Sierra Club. He attended previous RAC meetings in 2015. He said that the current rate structure needs an overhaul and he looks forward to detailed answers to questions raised by Mr. Smyle. He said we believe the general class should be abandoned – it combines too many different kinds of users in one group. Equity was not mentioned in the previous process – instead economic development was. Customers were forced to pay for Vista Ridge. We will have more water than we know what to do with. Economic development should have no role, equity should have a role. He urged the

committee to consider Manny Teodoro's opinion and recommendations. He said we could do more for conservation with more effective rates and different rules.

CALL TO ORDER

Chair Gonzalez asked the members who were not present at the last meeting to give one word that describes their perspective of their role on the committee.

Gonzalez reviewed the mission statement and ground rules.

Gonzalez asked for any requested changes to the Meeting 1 minutes.

- Patrick Garcia – page 8 – There are two elements of the user charges. Please define who the user is. ANSWER: The user is the customer. The two elements are fixed rate and the volume charge.
- Frances Gonzalez – page 5 – Add the date of the October SAWS Board of Trustees meeting meeting. On page 6, correct the spelling of Mr. Yakubik's name.

Benavides made a motion to approve. Yakubik seconded the motion. The minutes were approved.

Chair Gonzalez reviewed the meeting objectives:

- Elect a Vice-Chair
- Engage in dialogue regarding affordability and assistance programs
- Receive staff feedback on the impact of the 2015 Rate Study recommendations. If the committee does not get to this item today, it will be moved to the next meeting.
- Address questions from staff responses to RAC follow-up items

ELECTION OF COMMITTEE VICE CHAIRPERSON

Two members expressed interest in the Vice Chair position.

Patrick Garcia spoke about why he wants to be the Vice Chairperson. He encouraged RAC members to speak up and said they do not need to be a Vice Chair to have their voice heard.

Joseph Yakubik spoke about why he wanted to be Vice Chair and discussed his goals with this committee, namely to get accurate, good data so that the committee can make good choices and then communicate those choices to the community.

Chair asked the members to complete their ballots with the results to be announced later in the meeting.

DISCUSSION ON AFFORDABILITY

Mary Bailey thanked Yakubik for pointing out mistakes in the presentation and noted those changes that were provided to the committee. She introduced Gavino Ramos to discuss SAWS affordability programs.

Ramos discussed the difference between affordability and assistance programs. He introduced the SAWS staff assistance team employees who were in attendance. The number of staff has grown from 2 people initially to many more over the last four years.

Ramos explained the senior billing program and proactive nature of the program to automatically enroll seniors when they qualify. Gonzalez pointed out an error in the bar graph on the senior billing slide (Slide 12). The 2018 number does not seem accurate given its place on the graph. (NOTE: the 2018 data should read 122,901 and will be corrected in the materials.)

There are two financially based assistance programs. Project Agua is intended for customers who have a life changing event. It provides one-time assistance. Affordability Discount Program provides assistance on a monthly basis. Discount amounts varies based on family size and income level relative to the Federal Poverty Level Income amount. Approximately 32,000 families participate. This is the most ever enrolled in the program. Every City Council district has participants. SAWS actively reaches out to the community to encourage program participation – this direction comes from the Board of Trustees and SAWS leadership.

SAWS rebranded the SAWS affordability assistance programs to Uplift in 2018. There is an Uplift Team at SAWS that has touch points within the community – 14 different ways the team reaches people in the community. There is a new SAWS website – Uplift – which customers can use to qualify for Uplift programs online. Program participation growth strategies include a new application process, continued focus on customer experience and increased community outreach. Mr. Ramos opened the floor to questions from the committee.

Wurgler noted that the web address provided on the handout didn't work when he tried to use it. (The correct web address is <https://uplift.saws.org/>)

Birnel noted the surge in participation. He asked if this is because of increased need or increased outreach? Ramos answered that the need has always been there, but SAWS is doing a better job of identifying and finding the families who need it.

Yakubik asked has SAWS redefined the participation goal, and how much participation by eligible customers is SAWS getting under the current budget? How is the money getting spent? Mary Bailey answered that in terms of the budget, the number is based on those households that receive a bill. SAWS is just over 50% of market penetration of families who are eligible.

Smyle asked if SAWS has examined the impacts and results of the discount program. For example, has there been a decline in number of disconnects for people within the assistance programs? Ramos answered that yes, the percentage of disconnects within the assistance program is much smaller than the general population. He then asked what is the projected cost and participation target in light of the projected rise in rates in 2020. There may be more people qualified now. Ramos answered that SAWS worked with the state demographer and the internal SAWS team, but has not revised the number since it was estimated two years ago. He said it may be time to do that again.

Garcia pointed out that there are likely more program-eligible customers residing in low income/public housing complexes. How do you reach those families? Ramos answered that this is something SAWS is actively looking into, but there is a challenge because many of those families pay for water through their rents and do not receive SAWS bills. So, SAWS is looking for other ways to reach those people. Apartment units do not have individual water meters and SAWS would otherwise have to trust that apartment complex owners would pass down savings from any discounts to residents.

Benavides asked for clarification of the participation and budget numbers. The projection was 60,000 eligible families that receive water bills. So over three years, you've increased by 10,000. Your budget went from \$3.2M to \$5.9M and for 2020 it will increase to \$6.5M. How many customers are there of SAWS? The answer is 473,000 residential and 29,000 general class for a total of 502,000 customers.

Keeler asked for clarification on the residential numbers. Does a multi-family apartment complex account count as just one customer? The answer is yes, an apartment complex, which is in the General Class, is usually considered one customer account with one meter.

Wallace asked, of the \$6.5 million in budget that we're using for assistance – what percentage is it of the total budget? The answer is that \$807M is total budget for 2020 for operating revenue. She asked if SAWS does things other than phone calls and direct contact at events. Specifically, she asked if social media or online tools are used? Ramos responded that yes, SAWS does use online outreach tools.

Gonzalez asked which outreach tools cause the most enrollment. Ramos responded that direct mail was the most impactful. She said that when you think about the number of 30,000 discount program participants, when people are having trouble paying water, they typically also have trouble paying CPS Energy bills. How does SAWS work with CPS to address a customer's situation as a whole? Ramos answered that SAWS partners with CPS Energy and other organizations – e.g. food bank – to maximize assistance to an eligible customer. Gonzalez asked if SAWS compares addresses to find out which ones are seeking assistance with CPS and SAWS. Ramos answered that, yes, his team continues to work with CPS Energy to make sure we share data effectively. CPS Energy has the same objective. Councilman Trevino is particularly interested in this issue. Gonzalez asked how SAWS can overcome challenges for the enrollment and application process, knowing that there are many potential participants without access to the internet. Ramos answered that most people have a smart phone, even if they do not have wifi at home. Our team shows customers how they can easily apply using their phone. The SAWS team goes to events with tablet computers as well to facilitate applications.

Benavides asked if the budget includes money for the credit. Bailey responded that, yes, all of the \$5.9M goes to reducing customer bills. She asked if there has ever been a year when you did not use the full discount budget. Ramos said that has not happened in the last 4 years at least. Benavides said if SAWS does enroll 60,000 families, the budget will need to grow, is that correct? Ramos responded by saying yes and that the goal is to grow it every year.

Manny Teodoro joined the conversation to explain that other cities see 16% - 20% participation

levels by eligible customers in their own similar assistance programs. The SAWS participation rate of 50% of potentially eligible customers is the highest he has seen among other cities in his experience. He pointed out, however, that the law of diminishing marginal returns tells us that additional effort to increase participation even further will be extremely difficult. There will always be a core of people who refuse to participate because of trust or pride or other issues.

Chair Gonzalez said San Antonio is very economically segregated. If 60,000 is the number of identified customers in need, we know that potential additional eligible customers are out there.

Garcia commented that Manny Teodoro made reference to different kinds of assumptions in his papers that were available on the SAWS web site for review prior to the meeting. There are a lot of predictions, he said, in the papers for which we do not yet have a good understanding.

Before the next presentation, the Chair announced that the votes were counted and stated that Joe Yakubik was elected Vice Chair by 10 votes to 8 votes.

Rick Giardina then introduced Dr. Manny Teodoro.

Dr. Teodoro presented his information on affordability. Affordability is a goal and it is not the same thing as assistance. Assistance is a program tool to support the goal of affordability.

He reviewed the conventional approach to measuring affordability which estimates the percentage of median household income required to pay water and sewer bills. This benchmark has been incorrectly cited as an Environmental Protection Agency (EPA) standard, but Dr. Teodoro emphasized there is no EPA standard of affordability. He stated that the conventional approach does not measure affordability because:

- It looks at average consumption not basic requirements
- It uses median vs. low income
- Other household essential expenses should be considered
- It is essentially an arbitrary standard without foundation

He believes there are better metrics to define the problem. One metric to consider is the affordability ratio (AR) which looks at basic water and sewer costs as a percentage of disposable income. Dr. Teodoro's presentation specifically uses on the 20th income percentile (AR₂₀). This income level does not qualify for public assistance, but struggles with basic needs after taking into account other essential expenses.

Another metric to consider is Hours at Minimum Wage (HM) which measures the number of hours at minimum wage needed to earn the income necessary to pay for basic water and sewer usage in a month.

He emphasized that metrics do not define affordability, they measure it. Metrics guide decision making. The question is how much should eligible customers pay? What should eligible customers sacrifice to pay? These are values questions – no right or wrong.

He discussed the consideration of essential expenses in the Affordability Ratio – housing, healthcare, taxes, food, home energy – this list can shrink or grow.

Dr. Teodoro indicated that he used the Texas Commission on Environmental Quality (TCEQ) standard assumption of 50 gallons per capita per day of water usage to measure basic water and sewer consumption.

Under current SAWS rates, he estimates that the AR₂₀ metric is 9.7% and the HM metric is 9.2 hours. Under the projected SAWS 2020 rates, the AR₂₀ measure would be 10.4% and the HM metric is 9.9 hours.

Dr. Teodoro emphasized that trying to compare alternative affordability metrics across multiple utilities is not useful because different communities have different circumstances and values, especially with regard to what is considered essential household spending. He suggests that the RAC should instead ask what metrics are consistent with San Antonio's circumstances and values.

He briefly reviewed existing SAWS assistance programs and maximum discount data, which are described in the briefing materials.

Dr. Teodoro also commented on a way to provide discounts to those customers who do not get a SAWS bill but do pay indirectly for water via their rents. Specifically, a water utility could partner with the electric utility that does have individual apartment unit electrical meters, and provide a water bill discount to an affordability discount program-eligible renter via the electricity bill going to the renter.

He stressed that when designing assistance programs, consideration must be given to the administrative burden levied on customers for participation in assistance programs. He noted that SAWS otherwise does an exceptional job in making participation as easy as possible, but it will be increasingly more difficult to get more eligible customers families to participate in the discount program.

Questions and comments for Dr. Teodoro:

Smyle - Our “moving parts” are AR, HM, household size and essential factors. This is a city with very high inequality. How do we consider inequality when we consider the “moving parts”?
ANSWER – Dr. Teodoro stated that overall San Antonio's economy is growing, but is not growing for everyone. SAWS may want to consider benchmark suitable for San Antonio's circumstances and values.

Smyle - Are there any examples or experiences with geographical targeting of discounted affordability rates?

ANSWER – Dr. Teodoro stated that different rates implemented in different, smaller geographic areas within a single water utility service area are typically tied to specific costs of capital and operation within the geographic areas. For example, different rates may be applied to customers who live in areas with significantly different elevations than other parts of the overall service

area and it thus becomes more expensive to provide water services to the area. Dr. Teodoro is not aware of any communities that have used geographic targeting to address affordability issues.

Smyle - Are multi-dimensional poverty indexes used by utilities in their affordability assistance program design?

ANSWER – Dr. Teodoro answered by saying that scholars primarily use these indexes, not utilities.

Birnel - For the non-essential utility costs, do you see utilities considering debt (student debt, medical debt, etc.) as an essential household expense?

ANSWER – Dr. Teodoro stated that he has not seen anyone incorporate student debt. It would be necessary to find a way to split out student debt or medical debt from general debt.

Gonzalez – When you look at essential expenses and financial challenges, how do you look at housing costs?

ANSWER – Dr. Teodoro answered by stating that all the information comes from consumer survey data. Rent, mortgage, insurance are the elements that go into housing.

Gonzalez - Another issue for low income people is fines and fees. Have you seen fines and fees considered as an essential household expense?

ANSWER – Dr. Teodoro stated that he has not seen fines and fees being treated as an essential expense for the purpose of the AR calculation.

Chapline - Are the different metrics described in your presentation industry standards? Have they become widely adopted?

ANSWER – Dr. Teodoro stated no, but hopefully they will be one day. While, these metrics have gotten widespread exposure in the industry, they are not yet industry standards. Many utilities are using approaches that mirror these metrics – not exactly the same, but similar.

Chapline – Where did the 2020 proposed numbers come from?

ANSWER – Bailey responded by saying that those numbers are a calculation of what that bill will look like based on the proposed SAWS rate increase.

Benavides – The proposed rate increase is proposed, but not passed, is that right?

ANSWER – Bailey stated that these rates were pre-approved by City Council, but have not been formally approved by the board. They should go into effect on January 1.

Yakubik – Noted that the calculations differ slightly than what is included in Teodoro’s white paper. The SAWS number does not include the COSA stormwater fee.

Benavides – Asked for further clarification on the rate increase.

ANSWER: Bailey stated that the only proposed rate change is the water supply fee, which will go up 52.4%. On the overall average residential bill (including water delivery, water supply fee and wastewater rates) the added impact will be approximately 9.9%.

Benavides – Is the 52.4% to pay for Vista Ridge? How much water do we have to pay for?

ANSWER: Bailey stated that yes, the increase is dedicated to paying for Vista Ridge water. SAWS will begin paying for Vista Ridge water next year when water delivery commences.

Smyle – Can the RAC process revisit the water supply impact fee? At the Chair’s suggestion, Mr. Smyle agreed to put this question in the “parking lot” to be answered at the next meeting. He will email the full text of his question to RAC@SAWS.org.

Yakubik noted there was an Uplift briefing document that was in the early meeting materials dated 10/9 but was not included in the presentation. He would get clarification on that directly from Gavino Ramos.

Benavides asked if SAWS trustees could be asked to attend the next RAC meeting before their board meeting in November. Bailey replied that the trustees have a standing invitation to attend any RAC meetings.

Bailey reminded people about the 10/26 Rain to Drain SAWS facilities tour. Seven members indicated interest. RAC members are asked to reply to an email to be sent on October 17 confirming attendance. She added that since the RAC did not get to get to the “Impact of 2015 Rate Study Recommendations” agenda item, it will be covered in the next meeting scheduled for October 29, 2019.

Chair Gonzalez adjourned the meeting at 8:04 p.m.

ADDITIONAL PRESENTATION NOTES:

1. Slides 36, 38, and 39 of the revised presentation version shown to the RAC at the meeting reflected calculation corrections (formerly slides 35, 37 and 38 in the revised presentation version made available on the RAC webpage reflected calculation corrections).
2. The “20” subscript from the AR₂₀ column heading on the table on slide 42 of the revised presentation version shown to the RAC at the meeting (formerly slide 41 in the version shown on the RAC webpage) should be removed.