

**THIS IS A DRAFT AND WILL BE REPLACED BY THE FINAL, SIGNED
ORDINANCE OR RESOLUTION ADOPTED BY CITY COUNCIL.**

AN ORDINANCE

APPROVING ADJUSTMENTS TO THE WATER DELIVERY, WATER SUPPLY FEE, AND WASTEWATER RATE STRUCTURES FOR THE SAN ANTONIO WATER SYSTEM'S RESIDENTIAL, GENERAL, IRRIGATION, AND WHOLESALE CLASS CUSTOMERS; ADOPTING SUCH ADJUSTMENTS TO THE WATER DELIVERY, WATER SUPPLY FEE, AND WASTEWATER RATE STRUCTURES; ADOPTING CERTAIN AMENDMENTS TO CHAPTER 34 OF THE CITY CODE OF THE CITY OF SAN ANTONIO AND RATE SCHEDULES; DIRECTING THAT A FULL REPORT OF THE BASIS FOR THE PROPOSED ADJUSTMENTS TO THE STRUCTURE OF THE WATER DELIVERY, WATER SUPPLY FEE, AND WASTEWATER RATES BE SUBMITTED TO THE CITY COUNCIL; AUTHORIZING THE IMPLEMENTATION OF SUCH ADJUSTMENTS TO THE WATER DELIVERY, WATER SUPPLY FEE, AND WASTEWATER RATE STRUCTURE; MAKING THE RATES STRUCTURE ADJUSTMENT EFFECTIVE FOR CONSUMPTION ON OR ABOUT JANUARY 1, 2016; APPROVING ADJUSTMENTS TO ALL WATER DELIVERY, WATER SUPPLY FEE, WASTEWATER, AND RECYCLED WATER RATES TO SUPPORT THE SAN ANTONIO WATER SYSTEM'S 2016 ANNUAL BUDGET; ADOPTING SUCH ADJUSTMENTS TO THE WATER DELIVERY, WATER SUPPLY FEE, WASTEWATER, AND RECYCLED WATER RATES FOR CONSUMPTION ON OR ABOUT JANUARY 1, 2016; ADOPTING CERTAIN RATE-RELATED AMENDMENTS TO CHAPTER 34 OF THE CITY CODE OF THE CITY OF SAN ANTONIO AND RATE SCHEDULES INCORPORATED THEREIN; ADOPTING ADJUSTMENTS TO THE WATER DELIVERY, WATER SUPPLY FEE, WASTEWATER, AND RECYCLED WATER RATES FOR CONSUMPTION ON OR ABOUT JANUARY 1, 2017; DETERMINING THE NECESSITY FOR ADDITIONAL ADJUSTMENTS TO WATER SUPPLY FEE RATES TO SUPPORT THE SAN ANTONIO WATER SYSTEM'S PROJECTED REVENUE REQUIREMENTS FOR 2017, 2018, 2019 AND 2020, RESPECTIVELY; ADOPTING ADJUSTMENTS TO THE WATER SUPPLY FEE RATES FOR CONSUMPTION ON OR ABOUT JANUARY 1, 2017, JANUARY 1, 2018, JANUARY 1, 2019, AND JANUARY 1, 2020; ADOPTING THE WATER RATE CLASS FOR FORMER BEXAR METROPOLITAN WATER DISTRICT SERVICE AREA CUSTOMERS NOTWITHSTANDING THE DISSOLUTION OF THE DISTRICT SPECIAL PROJECT; AUTHORIZING THAT THE RATES IN THE WATER RATE CLASS FOR FORMER BEXAR METROPOLITAN WATER DISTRICT SERVICE AREA CUSTOMERS NOT BE CHANGED FROM THOSE CURRENTLY BEING ASSESSED

BY THE DISTRICT SPECIAL PROJECT UNTIL FULL RATE INTEGRATION WITH SAN ANTONIO WATER SYSTEM RATES OCCURS AS REQUIRED BY LAW; AUTHORIZING THE PUBLIC UTILITIES OFFICE TO WORK WITH THE SAN ANTONIO WATER SYSTEM STAFF TO ENSURE THAT THE CITY IS FULLY BRIEFED AND IN AGREEMENT WITH THE FINAL BUDGETED REVENUE REQUIREMENTS AND RATE ADJUSTMENTS FOR THE 2017, 2018, 2019 AND 2020 BUDGETS, RESPECTIVELY; ADOPTING SUCH ADJUSTMENTS TO VARIOUS SPECIAL SERVICES FEES; ADOPTING CERTAIN SPECIAL SERVICES FEES-RELATED AMENDMENTS TO CHAPTER 34 OF THE CITY CODE OF THE CITY OF SAN ANTONIO AND FEE SCHEDULES TO INCLUDE PROVISIONS FOR CERTAIN OF THE SPECIAL SERVICES FEES TO AUTOMATICALLY INCREASE AT THE ANNUAL RATE OF INFLATION EACH YEAR AFTER 2016; AUTHORIZING THE IMPLEMENTATION OF ADJUSTMENTS TO VARIOUS SPECIAL SERVICES FEES AND AMENDMENTS EFFECTIVE ON OR ABOUT JANUARY 1, 2016.

* * * * *

WHEREAS, pursuant to Ordinance No. 75686 approved by the City Council on April 30, 1992, the City Council approved the creation of the San Antonio Water System (SAWS), a single unified system consisting of the City of San Antonio's existing waterworks, wastewater and water re-use systems, together with all future improvements and additions thereto and replacements; and

WHEREAS, approximately every five years, SAWS conducts a comprehensive cost of service and rate design study with the help of a national rate consultant and a citizen's advisory committee; and

WHEREAS, the Rate Advisory Committee is tasked with reviewing the current structure and deliberating on how to best fund the needs of the city's water utility; and

WHEREAS, in May, the Rate Advisory Committee prepared a report summarizing the results of the cost of service and rate design study and unanimously agreed upon the recommendation to create a rate structure that will ensure fairness among customer categories (residential, commercial, irrigation, etc.), while also allowing SAWS to fully recover its costs; and

WHEREAS, the Rate Advisory Committee has approved the following recommendations:

• **WATER CHARGES:**

1. Develop a Residential Lifeline Supply rate block.
2. Expand the number of Residential volumetric blocks from four to eight.
3. Continue to group the multi-family customers with the General class.
4. Expand the number of Irrigation volumetric blocks from three to four.
5. For the Wholesale class, reduce the existing four block volumetric block structure to two blocks. Eliminate the distinction between inside city limit (ICL) and

outside city limit (OCL) wholesale rates and develop one wholesale water rate structure.

6. Eliminate the seasonal rate structure.
7. Apply consistent block differentials to both water delivery and the water supply rates within each rate class.

• **WASTEWATER CHARGES:**

1. Maintain existing minimum allowance of 1,496 gallons included in the service availability charge for residential and general class customers.
2. Implement a two block volumetric rate for the Residential class.
3. Transition from a uniform fixed availability charge structure (regardless of meter size) to a meter-based tiered availability charge tied to the size of the water meter. Continue charging a uniform fixed availability charge to wholesale wastewater customers.
4. Continue to group the multi-family customers with the General class.
5. For new residential customers with no established winter consumption, consider reducing the unaveraged rate by 1 ccf (748 gallons) each year for the next 3 years in order to bring the unaveraged rate more closely in line with the system-wide Average Winter Consumption.
6. Eliminate the distinction between ICL and OCL wholesale rates and develop one wholesale wastewater rate structure that fully recovers the estimated cost of providing wastewater service to wholesale customers

• **MISCELLANEOUS:**

1. Increase the recycled water rates annually based on weighted average potable rate adjustments.
2. Increase fire line charges based on the cost to provide this service (approximately 9%) as these charges have not been adjusted since 1994.
3. Increase sewer surcharges based on cost to provide this service (approximately 11.7%) as these charges have not been adjusted since 2003.
4. Implement a irrigation non-compliance fee and rate for customers not complying with the City Ordinance requiring an annual inspection of automated irrigation systems for large users or large lot owners.
5. Integrate SAWS and District Special Project (former BexarMet) rates structures no later than January 2017.
6. Make improvements to SAWS affordability programs to increase participation and simplify the qualification process. Consider an expansion of direct emergency assistance provided through Project Agua.
7. Adjust other special service fees; and

WHEREAS, these projected 2016 rate adjustments are needed to:

1. Provide funds to begin operation of the brackish groundwater desalination plant in late 2016;
2. Monitor the construction of the Vista Ridge pipeline and well fields and begin design of the necessary improvements to SAWS water delivery infrastructure in order to be able to integrate the Vista Ridge water beginning in 2019;
3. Adhere to SAWS' commitments under of the Consent Decree with the Environmental Project Agency (EPA) related to sanitary sewer overflows;

4. Construct infrastructure to provide a redundant water source to the city's military installations;
5. Make required infrastructure improvements in connection with the City's bond program and other capital requirements;
6. Improve SAWS financial metrics in order to support and maintain SAWS' strong bond credit ratings; and

WHEREAS, as part of the development of the SAWS multi-year financial plan for 2016 through 2020, SAWS is requesting that City Council approve rate adjustments as outlined in the table below:

	2016	2017	2018	2019	2020
Water Supply Fee	1.8%	3.2%	1.3%	4.5%	9.9%
Wastewater & Water Delivery	5.7%	4.7%	TBD	TBD	TBD
Total	7.5%	7.9%	TBD	TBD	TBD

The rate adjustment percentages are based on the impact to the average residential customer and assumes a monthly consumption of 7,092 gallons of water and 5,668 gallons of wastewater; and

WHEREAS, the 2016 rate adjustments would become effective on January 1, 2016 with all pre-approved rate adjustments for 2017 through 2020 being subject to a review by the Public Utilities Office; and

WHEREAS, if the Public Utilities Office agrees with SAWS' request and the request does not exceed the pre-approved amounts, the rates will go into effect automatically on January 1st of each respective calendar year without further City Council action. While no further City Council action will be required if the rate adjustment in any respective calendar year is within the pre-approved amounts, representatives of SAWS and City staff will brief the City Council in B-Session prior to the implementation of any such rate adjustment.

The projected 2016 rate adjustments are needed to:

1. Provide funds to begin operation of the brackish groundwater desalination plant in late 2016;
2. Monitor the construction of the Vista Ridge pipeline and well fields and begin design of the necessary improvements to SAWS water delivery infrastructure in order to be able to integrate the Vista Ridge water beginning in 2019;
3. Adhere to SAWS' commitments under of the Consent Decree with the Environmental Project Agency (EPA) related to sanitary sewer overflows;
4. Construct infrastructure to provide a redundant water source to the city's military installations;
5. Make required infrastructure improvements in connection with the City's bond program and other capital requirements; and

6. Improve SAWS financial metrics in order to support and maintain SAWS' strong bond credit ratings

Adjustments to other fees and charges for 2016 include:

1. Recycled Water Rates - In order to prevent the differential between potable water rates and recycled water from increasing, SAWS is requesting an increase in recycled water rates of 9.6%.
2. Fireline Charges - Fireline charges for dedicated fire suppression service have not been adjusted since 1994. In order to recover the cost of providing that service, SAWS is requesting an increase in Fireline charges of 8.6%.
3. Sewer Surcharges - Sewer surcharges have not been adjusted since 2003. In order to fully recover the cost of treating highly concentrated sewage, SAWS is requesting an increase in the sewer surcharge of 11.7%.
4. Special Services fees - Detailed schedule will be provided.
5. Laboratory fees - Detailed schedule will be provided; and

WHEREAS, City staff has conducted a comprehensive review of the proposed rate adjustments and proposed rate structure changes outlined above and was involved in the process beginning in 2014 as SAWS conducted a Comprehensive Cost of Service and Rate Design Study and as SAWS was developing its revenue requirements and rate models for the 2016 Budget and 5-Year Plan; and

WHEREAS, based on the analysis performed, staff's professional recommendation is for approval of the Rate Advisory Committee's proposed rate structure and rate adjustments including a 7.5% increase for 2016 and the rate plan for 2017- 2020; and

WHEREAS, SAWS should outreach and provide additional assistance to affordability customers with higher water usage in blocks 4 through 8 and in conjunction with this process, they should also monitor the affordability program in relation to rate increases in the future; and

WHEREAS, SAWS will also work to improve customer service business processes including evaluating technology enhancements to address billing concerns and focus on water loss reduction; and

WHEREAS, pursuant to Article XI, Section 136 of the San Antonio City Charter, the Supervisor of Public Utilities is required to "assemble the facts which are essential to proper determination of cost of service and the fixing of reasonable rates" for the purpose of presenting a report and recommendations to City Council associated with proposed rate adjustments by SAWS; **NOW THEREFORE:**

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

SECTION 1. In the exercise of its governmental regulatory authority, the City Council of the City of San Antonio approves the proposed modifications to the Water and Sewer Rate Structure and Proposed Rate Adjustments.

SECTION 2. Chapters 34 of the San Antonio Code of Ordinances is amended to be consistent with the modification made to the Water and Sewer Rate Structure by adding the underscored words, rates and fees, and deleting those struck through words, rates and fees.

SECTION 3. Within 60 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 4. 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 of the City of San Antonio 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 5. This Ordinance becomes effective immediately upon the receipt of eight affirmative votes, or in the event eight affirmative votes are not received, on the tenth day after passage. The revised rates as approved by this Ordinance shall become effective on January 1, 2016.

PASSED AND APPROVED, this _____ day of _____, 2015.

M A Y O R
Ivy R. Taylor

ATTEST:

APPROVED AS TO FORM:

Leticia M. Vacek, City Clerk

Martha G. Sepeda, Acting City Attorney