



City of San Antonio

Agenda Memorandum

File Number: 15-5745

Agenda Item Number: 4.

Agenda Date: 11/19/2015

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Ben Gorzell, Chief Financial Officer

COUNCIL DISTRICT(S) IMPACTED: City Wide

SUBJECT:

San Antonio Water System (SAWS) Proposed Modifications to the Water and Sewer Rate Structure and Proposed Rate Adjustments

SUMMARY:

An Ordinance approving 1) modifications to the SAWS water and wastewater rate structure; 2) adjustments to the 2016 residential, general, irrigation, wholesale and recycled class rates, including a rate plan for 2017-2020; 3) various fees and charges related to services provided by SAWS; 4) the establishment of the rate class and reaffirmation of the rates for the District Special Project; and 5) amending the City Code to be consistent with those modifications.

BACKGROUND INFORMATION:

The City Council will be asked to consider SAWS Proposed Modifications to the Water and Sewer Rate Structure including changes to the Residential, General, Irrigation, and Wholesale Class Rates and Proposed Rate Adjustments.

The Public Utilities Staff of the Finance Department conducted a comprehensive review of the proposed rate structure changes and the proposed rate adjustments. Staff was involved in the process beginning in 2014 as SAWS conducted a Comprehensive Cost of Service (COS) and Rate Design Study (rate study) and as SAWS was developing its revenue requirements and rate models for the 2016 Budget and 5-Year Plan. For more information about the proposed rate structure and rate adjustments, please reference the attached memo.

ISSUE:

SAWS proposed modifications to the current water and sewer rate structure include changes to residential, general, irrigation and wholesale class rates. SAWS is seeking to make certain adjustments to its rates and charges for 2016 and have a rate plan approved for the period 2017 to 2020.

ALTERNATIVES:

The City Council could elect not to approve this agreement and have SAWS maintain current rate structure.

FISCAL IMPACT:

The City receives 2.7% of gross revenues from SAWS. If the new rates become effective January 1, 2016, additional revenue of approximately \$697,000 will be generated for FY2016. On an annual basis, City payment would increase by approximately \$929,000 beginning in FY2017.

The City's utility expenses would also increase for the remainder of the current fiscal year in the amount of approximately \$109,000. On an annual basis, the City's utility expenses will increase by approximately \$145,000 beginning in FY2017.

The net impact to the City will be \$588,000 in FY2016 and \$784,000 in FY2017.

RECOMMENDATION:

Based upon a comprehensive review of proposed changes to the SAWS rate structure and proposed adjustments to SAWS rates, staff recommends the following for City Council consideration:

- ⇒ Approve recommendations by the SAWS Board of Trustees to the SAWS rate structure;
- ⇒ Approval of a 7.5% system-wide increase for 2016;
- ⇒ Approval of a Rate Plan for 2017 to 2020;
- ⇒ SAWS should continue to conduct outreach and begin providing additional assistance to customers receiving the affordability discount whose water usage is in residential blocks four through eight;
- ⇒ Monitor affordability programs in relation to rate increases implemented in the future;
- ⇒ SAWS should continue to evaluate and focus on reducing water loss within its system;
- ⇒ SAWS should evaluate and implement improvements to its customer service business processes to include potential technology enhancements;
- ⇒ SAWS should continue to provide quarterly written progress reports relating to its Sanitary Sewer Overflow (SSO) program which outlines performance of the program to include operational statistics such as miles of lines cleaned and televised and financial information; and
- ⇒ SAWS should resume 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 to include Vista Ridge and Desalination, SSO Program, customer service improvements, drought management plan, and conservation initiatives.