



City of San Antonio

Agenda Memorandum

File Number: 17-5804

Agenda Item Number: 5.

Agenda Date: 11/9/2017

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Ben Gorzell, Chief Financial Officer, Troy Elliott, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

San Antonio Water System (SAWS) Proposed Rate Adjustments for 2018 and 2019

SUMMARY:

An Ordinance approving 1) adjustments to the 2018 and 2019 residential, general, irrigation, wholesale and recycled class rates; 2) adjustments to various fees and charges related to special services provided by SAWS; and 3) amendments to Chapter 34 of the City Code consistent with those modifications and other necessary City Code amendments and clarifications.

BACKGROUND INFORMATION:

The City Council will be asked to consider SAWS' proposed changes to the residential, general, irrigation, wholesale and recycled class rates for 2018 and 2019 and changes to fees and charges for special services provided by SAWS, as well as amending Chapter 34 of the City Code to be consistent with those changes and make certain clarifying wording changes requested by SAWS.

The rate adjustments were presented to City Council at a B-session on October 18, 2017. As discussed in that meeting, SAWS is requesting rate adjustments of 5.8% and 4.7% for 2018 and 2019 respectively. The drivers of the rate increase identified by SAWS are:

- Capital projects in 2018 and 2019 focused on the water & sewer infrastructure;
 - Replacing and upgrading sewer mains to comply with the Consent Decree with the EPA on Sanitary Sewer Overflows (SSOs), and
 - A renewed emphasis on the Water Delivery system to address aging infrastructure.
- O&M needs in 2019 including:
 - Automated Metering Infrastructure rollout to be based on pilot results in 2018, and
 - Operating reserve increases required by the bond indenture for the additional O&M cost from

the Vista Ridge Project scheduled to start in April of 2020.

The Public Utilities Staff of the Finance Department conducted a comprehensive review of the proposed rate adjustments as documented in the attached memo.

Consideration of the proposed rates by the SAWS Board of Trustees is expected on November 7, 2017.

ISSUE:

SAWS proposes modifications to the current water and sewer rates including changes to the residential, general, irrigation, wholesale and recycled class rates for 2018 and 2019. SAWS is also seeking to make adjustments to its Special Service Fees in 2018 and amending Chapter 34 of the City Code to be consistent with those changes and make certain clarifying wording changes in the Code.

ALTERNATIVES:

Council could elect to approve only the 2018 changes, and not the 2019 changes.

Council could elect not to approve this ordinance and have SAWS maintain its current rates and charges. However, there would be impacts to the levels of service provided by SAWS and to the capital plans.

FISCAL IMPACT:

The City receives 2.7% of gross revenues from SAWS. If the new rates become effective as planned on January 1, 2018, additional revenue of approximately \$615,000 will be generated for FY18. On an annual basis, City payment would increase by approximately \$802,000. The City's utility expenses would also increase for the remainder of the current fiscal year by approximately \$71,600. On an annual basis, the City's utility expenses will also increase by approximately \$92,400. The net impact to the City is estimated to be \$543,400 in FY18 and \$709,600 in FY19.

RECOMMENDATION:

Based on a comprehensive review of the proposed adjustments to SAWS rates, staff recommends the following to City Council for consideration:

- Approval of rate adjustments of 5.8% and 4.7% for 2018 and 2019 respectively;
- Approval of recycled water rate adjustments; and
- Approval of changes to SAWS Special Service Fees; and
- Approval of changes to Chapter 34 of the City Code.