



# City of San Antonio

## Agenda Memorandum

**File Number:**16-5691

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**Agenda Item Number:** 1.

**Agenda Date:** 11/9/2016

**In Control:** City Council B Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Ben Gorzell, Chief Financial Officer

**COUNCIL DISTRICTS IMPACTED:** City Wide

**SUBJECT:**

A briefing from the San Antonio Water System (SAWS) on the 2017 rate adjustment, proposed 2017 Water Management Plan, and an update on the Vista Ridge Project and a briefing by City staff on the 2017 rate adjustment.

**SUMMARY:**

This item will be a briefing from SAWS on the 2017 rate adjustment, the proposed 2017 Water Management Plan, and the status of the Vista Ridge Project and a briefing from City staff on the 2017 rate adjustment.

**BACKGROUND INFORMATION:**

The below is information on the 2017 rate adjustment, proposed 2017 Water Management Plan, and the Vista Ridge Project.

**2017 Rate Adjustment**

In connection with the development of its 2017 Operating Budget and Capital Improvement Program (CIP), SAWS has determined that a rate adjustment is required for 2017. The impact to the average residential customer is 6.8% which is less than the maximum 2017 rate adjustment of 7.9% approved by City Council on November 19, 2015.

Based upon information provided by SAWS, two thirds of the revenue generated by the rate adjustment will support the 2017 SAWS CIP which is expected to total \$367.5 million. The 2017 CIP includes \$141.5 million in capital projects specifically identified to comply with SAWS commitments under the Environmental Protection Agency (EPA) Consent Decree. Another \$112 million will be invested in infrastructure improvements necessary to begin receiving water from the Vista Ridge project in 2020. The remaining capital

investments will address production and treatment facilities upgrades and improvements as well as the replacement of water and sewer mains in support of the City's bond program.

A portion of the rate adjustment will also support a full year operation of the brackish groundwater desalination plant that will come online in late 2016 as well as the purchase of additional 2,500 acre feet of water from the Schertz Seguin Local Government Corporation (SSLGC). With a full year's operation of the brackish groundwater desalination plant and the purchase of water from SSLGC, SAWS will add nearly 16,000 acre feet to its water portfolio in 2017.

Additionally, customers in the former Bexar Metropolitan Water District ("BexarMet") service area will see a change in water rates in 2017 as they move to the SAWS approved water rate schedules. Since the dissolution of BexarMet in 2012, customers in the former BexarMet service areas have paid for water service based on the BexarMet rate schedules approved by the BexarMet Board in 2010. State legislation that approved the dissolution of BexarMet required that full integration with SAWS be completed no later than January 1, 2017. Converting these customers to the SAWS rate schedules effective January 1, 2017 will be the final step to achieving full integration.

This is a briefing for informational purposes only as these changes to the SAWS rate schedules require no additional Council action. The SAWS Board of Trustees will consider approval of the 2017 Operating Budget and Capital Improvement Program and related rate adjustment on December 13, 2016. If approved, the customers will begin seeing the impact of the rate adjustments in February bills.

### **2017 Water Management Plan**

SAWS has a history of updating the Water Management Plan ("WMP") every five years, the last WMP was completed in 2012. With the Brackish Desalination project coming on-line and the progress of the Vista Ridge project, SAWS expects to complete the new WMP in early 2017. SAWS will discuss the timeline for the new WMP.

### **Vista Ridge**

SAWS briefed City Council on June 1, 2016 on the change of control and interest rate lock, which resulted in significant savings to the Capital and Raw Groundwater Unit price.

On November 1, 2016, the SAWS Board of Trustees approved an amendment to the Water Transmission and Purchase Agreement and authorization of the SAWS President/CEO to declare Financial Close on the Project when the financial close conditions are met. On November 2, 2016, the Project Company reached Financial Close on the Vista Ridge Water Supply Project. Financial Close signals the Project Company's closing of the loan and contribution of equity necessary to construct the Project and SAWS' long term commitment to purchase the water made available over the thirty-year term of the Agreement. After thirty years, SAWS would take ownership of the pipeline and continue to have access to groundwater permits for an additional thirty years through an agreement with Blue Water Systems.

The amendment does not involve an increase in the amount of water to be delivered or the manner in which the System's payment for delivered water is calculated; therefore, no action is needed by the City Council.

### **Public Utilities Recommendation:**

Based upon the Ordinance approved on November 19, 2015, establishing the not-to-exceed rate increase amount, no City Council action is required. City Staff conducted a comprehensive review and has determined that the proposed rate adjustment of 6.8% is reasonable. Attached is a report prepared by City staff that details this review and related recommendations.

**ISSUE:**

This item will be a briefing from SAWS on the 2017 rate adjustment, the proposed 2017 Water Management Plan, and the status of the Vista Ridge Project.

**ALTERNATIVES:**

This item is for briefing purposes only.

**FISCAL IMPACT:**

This item is for briefing purposes only.

**RECOMMENDATION:**

This item is for briefing purposes only.