



City of San Antonio

Agenda Memorandum

File Number:19-7631

Agenda Item Number: 1.

Agenda Date: 10/31/2019

In Control: City Council Special Meeting

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

A briefing from the San Antonio Water System (SAWS) on the 2020 Budget, pre-approved rate adjustments, and various projects to include the Consent Decree, Vista Ridge, Rate Study and Rate Advisory Committee, Affordability, recent high water usage, and Automated Metering Infrastructure.

SUMMARY:

SAWS will provide a briefing on the proposed 2020 Budget and adjustments to the Water Supply Fee rates and Recycled Water rates. The rate adjustments will result in an increase of 9.9% to the average residential bill for 2020. The purpose of this briefing is to inform City Council of key budget items as well as the drivers for the rate adjustment. No action is required at this meeting since the rate adjustment was previously approved.

Additionally, SAWS will provide an update on various projects to include the Consent Decree, Vista Ridge, Rate Study and Rate Advisory Committee, Affordability, recent high water usage, and Automated Metering Infrastructure (AMI).

BACKGROUND INFORMATION:

On November 19, 2015, City Council approved rate adjustments for SAWS that included adjustments to water delivery, wastewater and the water supply core business units for 2016 and pre-approved rate caps for 2017. In addition, City Council approved the rate plan (rate caps) for 2018 through 2020 solely for the water supply core business and to support “financial closure” on the Vista Ridge Project. Table I below reflects the approved rate plan. The rate adjustment percentages are based on the impact to the average residential customer (assumes a monthly consumption of 7,092 gallons of water and 5,668 gallons of wastewater).

Table I

SAWS 2015 Rate Plan - With Pre-Approvals for 2017 and WS for 2018-2020					
	2016	2017	2018	2019	2020
	Actual	Plan	Plan	Plan	Plan
Water Supply Fee	1.8%	3.2%	1.3%	4.5%	9.9%
Water Delivery & Wastewater	5.7%	4.7%	4.9%	4.2%	3.8%
Total	7.5%	7.9%	6.2%	8.7%	13.7%
Pre-Approval					

The pre-approved rates as outlined above were subject to a review by the Public Utilities Office. If the Public Utilities Office agrees with SAWS' request and the request does not exceed the pre-approved rate caps, the rates 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 were to brief the City Council prior to the implementation of any such rate adjustment. Since 2015, SAWS has implemented rates at or below the rate plan and has not exceeded the pre-approved caps in any year. Table II below reflects the actual implemented rate adjustments as compared to the pre-approved rate plan. It also reflects the proposed adjustment for 2020.

Table II below reflects the actual implemented rate adjustments as compared to the pre-approved rate plan and the proposed adjustment for 2020. The rate plan was developed with the assumption that SAWS would take the maximum pre-approved Water Supply Fee change each year, in other words, it recognized the cumulative effect of rates compounding each year. It also was developed based on conditions known in 2015 and the project and costs have evolved over time. As reflected in the table, SAWS implemented an actual rate lower than the pre-approved rates under each year of the plan. Additionally, if the cumulative impact of the rate plan was applied, the 2020 adjustment could have been 15.9% rather than 9.9% assuming underlying Vista Ridge costs would support the increase.

Table II

SAWS 2015 Water Supply Fee (WSF) Rate Plan Compared to Actuals					
	2016	2017	2018	2019	2020
2015 Plan - WSF	1.8%	3.2%	1.3%	4.5%	9.9%
Actuals w/ 2020 Proposed - WSF	1.8%	1.3%	0.9%	0.8%	9.9%
WSF Results % Reduction	0.0%	-1.9%	-0.4%	-3.7%	0.0%
Pre-Approval					

On November 5, 2019, the SAWS Board will consider approval of the FY 2020 SAWS Budget and associated water supply fee rate adjustments which will result in rates less than the maximum water supply fee rates pre-approved in 2015 by the City Council for 2020. The driver for the rate adjustment in 2020 is the Vista Ridge water supply project, which is on schedule to start delivery of 50,000 acre-feet (AF) annually by April 2020. Excluding Vista Ridge, SAWS' operations and maintenance costs are projected to increase by only 1.4%.

There are no proposed changes to the water delivery or wastewater rates for 2020. The rate adjustment for the water supply fee when applied in conjunction with water delivery and wastewater rates generates an increase of 9.9% to the total bill for the average SAWS residential customer. As a result of the water supply fee rate change, a 19.2% rate adjustment is proposed for recycled water service, which is consistent with SAWS policy to change recycled water rates based on the average impact of water delivery and water supply rate adjustments on the average residential customer for potable water service. City Staff has conducted a review of the proposed rate adjustments and a more comprehensive briefing memo is attached for your review. This briefing is to inform Council of key budget items as well as the drivers for the rate adjustment to be effective January 1, 2020. No action is required at this meeting.

Additionally, SAWS will provide an update on various projects to include:

- EPA Consent Decree
- Vista Ridge Project
- Rate Study and Rate Advisory Committee
- Affordability
- Recent High Water Usage
- AMI

ALTERNATIVES:

This item is for briefing purposes only.

FISCAL IMPACT:

As approved in the FY 2020 City Budget process, the City receives 4% of gross revenues from SAWS. If the new rates become effective January 1, 2020, additional revenue of approximately \$2.5 million will be generated in the City's FY 2020. On an annual basis, the City payment would increase by approximately \$3.3 million in FY 2021. The City's utility expenses would also increase for FY 2020 in the amount of approximately \$545K. On an annual basis, the City's utility expenses will increase by approximately \$702K in FY 2021. Based upon the City Council pre-approved rate plan, the additional revenue was already included in the City's FY 2020 Adopted Budget. As such, there is no update needed to the City's FY 2020 Adopted Budget for the proposed increases.

RECOMMENDATION:

This item is for briefing purposes only.