



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 1.

Agenda Date: 9/16/2015

In Control: City Council B Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

San Antonio Water System (SAWS) briefing regarding recommendations to make certain modifications to the SAWS water and sewer rate structures.

SUMMARY:

The proposed recommendations to the current rate structure include changes to residential, general, irrigation and wholesale class rates. The recommendations include the expansion of the number of residential rate blocks from four to eight, providing stronger price signals for discretionary uses of water while creating a Lifeline Supply rate block for life-sustaining uses. SAWS has presented these recommendations to more than 40 community groups city-wide as well as numerous business organizations.

BACKGROUND INFORMATION:

Approximately every five years, San Antonio Water System conducts a comprehensive cost of service and rate design study with the help of a national rate consultant and a citizen's advisory committee. The Rate Advisory Committee (RAC) consisted of representatives from throughout the community, including those nominated by City Council members. The RAC was tasked with reviewing the current structure and deliberating on how to best fund the needs of the city's water utility. It is important to note that the citizens' review focused on *how* to charge, not *what* to charge. The RAC was composed of the following members:

Carroll Jackson, RAC Chairman	
John Davis – District 1	Larry Underwood – District 6
James McNamara – District 2	Mario Hune – District 7
Roberto Anguiano – District 3	Ken Lawrence – District 8
Mark Guerrero – District 4	Michael Moore – District 9
Daniel Meza – District 5	Allison Cohen – District 10
Jorge Garcia – Recycled Water	Howard Peak – At Large
Allyson McKay – Apartment Assoc.	Manuel Pelaez-Prada – Business Community
Gerardo Noriega – Greater Edwards Aquifer Alliance	Mark Perry – Wholesale Customer

The Rate Advisory Committee (RAC) began meeting more than two years ago and over an 18 month period met on 14 different occasions. The RAC's hard work and commitment during this time yielded important recommendations for SAWS' water and wastewater rate structure. In May, the RAC unanimously agreed upon the final recommendations. These recommendations create a rate structure that will ensure fairness among customer categories (residential, commercial, irrigation, etc.), while also allowing SAWS to fully recover its costs.

The RAC recommendations achieve the following objectives:

1. Ensure fairness by setting rates based on the cost to provide service to each category of customers (residential, commercial, irrigation, etc.)
2. Develop Lifeline Supply pricing as a means to incentivize very efficient use of water and to provide all residential customers with a very low rate for life essential uses of water.
3. Promote more progressive pricing structures for both water and wastewater systems to further encourage conservation efforts.

ISSUE:

The proposed recommendations to the current rate structure include changes to residential, general, irrigation and wholesale class rates. The recommendations include the expansion of the number of residential rate blocks from four to eight, providing stronger price signals for discretionary uses of water while creating a Lifeline Supply rate block for life-sustaining uses. SAWS has presented these recommendations to more than 40 community groups city-wide as well as numerous business organizations.

SAWS is seeking to make certain modifications to its water and sewer rate structures in order to ensure that the rates charged for services adhere to cost of service principals and reflect utility and community objectives.

The RAC approved the following recommendations for water charges:

1. Develop a Residential Lifeline Supply rate block to incentivize very efficient use of water and to provide all residential customers with a very low rate for life essential uses of water. This proposal would change the rate structure by reducing the volumetric rate for the first 2,992 gallons of consumption and lowering the fixed charge for customers with no usage above 2,992 gallons.

2. Expand the number of Residential volumetric blocks from four to eight. This change will allow SAWS to send an earlier price signal to all customers with usage above the Lifeline Supply amount and will further incentivize customer conservation efforts by affording customers the opportunity to move down the rate blocks with moderate reductions in usage.
3. Continue to group the multi-family customers with the General class.
4. Expand the number of Irrigation volumetric blocks from three to four, sending the highest price signal to the top 20% of irrigation usage.
5. For the Wholesale class, reduce the existing four block volumetric block structure to two blocks where the first block represents the customer's prior year's average monthly usage or the base use amount as defined in a wholesale contract and the second block represents water usage by wholesale customers above the prior year average or the agreed upon base amount. Eliminate the distinction between inside city limit (ICL) and outside city limit (OCL) wholesale rates and develop one wholesale water rate structure that fully recovers the estimated cost of providing wholesale water service to existing wholesale customers.
6. Eliminate the seasonal rate structure. At the time that the seasonal structure was implemented by SAWS, the Edwards Aquifer Authority (EAA) controlled water permits on a quarterly basis. Currently, the EAA controls water permits on an annual basis. As a result, seasonal rates have lost much of their effectiveness. Additionally, because weather patterns do not consistently follow seasonal trends, there can be quite a bit of revenue volatility for SAWS during the seasonal rate time period.
7. Apply consistent block differentials to both water delivery and the water supply rates within each rate class.

The RAC approved the following recommendations for 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. This change also includes a significantly lower rate for the Lifeline Supply block of 2,992 gallons.
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. New residential customers with no established average winter consumption are currently charged a monthly wastewater charge based on an assumed consumption of 11 ccf (8,229 gallons). After 3 months, the customer is charged the lesser of actual average water usage or the unaveraged rate. 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.

Appendix A contains tables that compare water and wastewater rates under the existing and proposed

structures.

Other recommendations approved by the RAC include:

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 as indicated in Table 7 provided in Appendix A.

ALTERNATIVES:

This is a briefing for informational purposes only.

FISCAL IMPACT:

This is a briefing for informational purposes only.

RECOMMENDATION:

This is a briefing for informational purposes only. This material will be presented by SAWS to the full City Council “B” Session scheduled on September 16, 2015.