



City of San Antonio

Agenda Memorandum

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Agenda Date: 10/21/2015

In Control: City Council B Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Ben Gorzell, Chief Finance Officer

COUNCIL DISTRICT(S) IMPACTED: City Wide

SUBJECT:

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

SUMMARY:

City staff will provide its professional recommendation to the City Council on the proposed modifications to the water and sewer rate structure including changes to the residential, general, irrigation, and wholesale class rates and proposed rate adjustments.

BACKGROUND INFORMATION:

Rate Structure

Approximately every five years, SAWS 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. In May, the RAC unanimously agreed upon the final recommendations. These recommendations aim to 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 approved the following recommendations for water charges:

1. Develop a Residential Lifeline Supply rate block.
2. Expand the number of Residential volumetric blocks from four to eight.
3. Continue to group the multi-family customers with the General class.
4. Expand the number of Irrigation volumetric blocks from three to four.
5. For the Wholesale class, reduce the existing four block volumetric block structure to two blocks. Eliminate the distinction between inside city limit (ICL) and outside city limit (OCL) wholesale rates and develop one wholesale water rate structure.
6. Eliminate the seasonal rate structure.
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.
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. For new residential customers with no established winter consumption, 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

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.

Proposed Rate Adjustments

As part of the development of the SAWS multi-year financial plan for 2016 through 2020, SAWS is requesting that City Council approve rate adjustments as outlined in the table below. 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).

	2016	2017	2018	2019	2020
Water Supply Fee	1.8%	3.2%	1.3%	4.5%	9.9%
Wastewater & Water Delivery	5.7%	4.7%	TBD	TBD	TBD
Total	7.5%	7.9%	TBD	TBD	TBD

The 2016 rate adjustments would be effective January 1, 2016. All pre-approved rate adjustments for 2017 through 2020 are 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 amounts, the rates will 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 will brief the City Council in B-Session prior to the implementation of any such rate adjustment.

2016 Rate Adjustments

The projected 2016 rate adjustments are needed to:

1. Provide funds to begin operation of the brackish groundwater desalination plant in late 2016;
2. Monitor the construction of the Vista Ridge pipeline and well fields and begin design of the necessary improvements to SAWS water delivery infrastructure in order to be able to integrate the Vista Ridge water beginning in 2019;
3. Adhere to SAWS' commitments under of the Consent Decree with the Environmental Project Agency (EPA) related to sanitary sewer overflows;
4. Construct infrastructure to provide a redundant water source to the city's military installations;
5. Make required infrastructure improvements in connection with the City's bond program and other capital requirements; and
6. Improve SAWS financial metrics in order to support and maintain SAWS' strong bond credit ratings.

Adjustments to other fees and charges for 2016 include:

1. Recycled Water Rates - In order to prevent the differential between potable water rates and recycled water from increasing, SAWS is requesting an increase in recycled water rates of 9.6%.
2. Fireline Charges - Fireline charges for dedicated fire suppression service have not been adjusted since 1994. In

order to recover the cost of providing that service, SAWS is requesting an increase in Fireline charges of 8.6%.

3. Sewer Surcharges - Sewer surcharges have not been adjusted since 2003. In order to fully recover the cost of treating highly concentrated sewage, SAWS is requesting an increase in the sewer surcharge of 11.7%.
4. Special Services fees - Detailed schedule will be provided
5. Laboratory fees - Detailed schedule will be provided

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:

City staff could not present on October 21st and make its recommendation at a later time.

FISCAL IMPACT:

This is a briefing for informational purposes only.

RECOMMENDATION:

City staff will provide a more detailed report to include staffs professional recommendation on the proposed modification to the rate structure and proposed rate adjustments prior to the B-Session on October 21. City staff will present its professional recommendation during the B-Session.