



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 35

**Agenda Date:** June 23, 2022

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Recycled Water MOU between SAWS and the City and a related agreement with SARA.

**SUMMARY:**

Approving a Memorandum of Understanding (MOU) between SAWS and the City regarding continuing recycled water discharges to supplement river flows in the San Antonio River and Salado Creek and other beneficial uses. Under the MOU, the Parks Department will pay SAWS \$862,998.21 annually for 6,590.13 AFY of recycled water for river discharges on a take-or-pay basis at the Exchange rate. The contract is effective July 1, 2022; therefore, Parks will incur approximately \$215,750.00 in Fiscal Year 2022 and the full annual contract amount of \$862,998.21 in FY2023. The mid-year budget adjustment included funding to cover the estimated amount for FY 2022 and the projected amount necessary for a full year will be included in the Proposed FY 2023 Budget. Also approving Amendment No. 2 to the Operations and Management Agreement of the San Antonio Channel Improvement Project assigning additional maintenance responsibility to the San Antonio River Authority equal to the value of the Recycled Water utilized for its Permits and River Operations.

**BACKGROUND INFORMATION:**

SAWS operates the nation's largest direct recycled water system. Recycled water is a by-product of sewage treatment and uses state of the art treatment processes to remove wastewater contaminants. Although recycled water is virtually indistinguishable from potable water, it is not used for human consumption. Rather, recycled water displaces demand for potable water, freeing that resource for human use.

SAWS conveys its recycled water through the SAWS purple pipe system for beneficial uses including landscape and golf course irrigation, industrial processes, cooling towers, and supplementing flows in the San Antonio River and Salado Creek.

On January 14, 1999, Council passed ordinance 89069 (Original Ordinance) adopting general conditions for the City to receive recycled water service in exchange for Edwards Aquifer Water Rights transferred by the City to SAWS. On December 27, 2001, a twenty-year Interjurisdictional Agreement (IJA) was executed pursuant to the Original Ordinance.

For the last twenty years, SAWS has provided recycled water to supplement flows in the San Antonio River and Salado Creek under the IJA. The recycled water discharge points are located in Brackenridge Park and the Convention Center to serve the San Antonio River and James Park for Salado Creek. These discharges improve the quantity and quality of water through important features like the River Walk, Mission Reach, San Pedro Creek, and the Lock and Dam system. Recycled water is particularly beneficial during drought conditions because it is exempt from drought restrictions and continues to be available when natural runoff into the rivers and streams is low.

SAWS has two recycle water rates:

- **Non-Edwards Exchange** (Full), provided to retail customers including CoSA for non-river flows. This rate is approximately 21% of potable water rates.
- **Edwards Exchange** (Exchange) for customers who transferred Edwards Aquifer Rights to SAWS and is discounted ~75% from the full recycled water rate to reflect the value of the Edwards Water exchanged.

Under the IJA, the City transferred control of four City wells with historic use of 5,210 acre feet per year (AFY). It was anticipated the SAWS would receive approximately that volume of Edwards Aquifer rights in permitting through the Edwards Aquifer Authority. Therefore, the IJA contemplated exchanging the water rights for recycled discharges into the river with no monetary compensation. However, SAWS only received 2,192 AFY (42%) in Edwards Aquifer rights from the transfer. Therefore, the benefit to SAWS from the IJA was not as large as anticipated. Nonetheless, SAWS has provided the recycled water for river flows with no-monetary compensation for the 20-year term of the IJA.

The IJA expired on December 27, 2021 and the City and SAWS have been in negotiations on the terms of a replacement agreement. In the interim, SAWS continued to provide recycled water at no charge.

Also under the IJA, the City's consumption of recycled water for non-river uses, typically golf course irrigation, were charged at the full retail recycled water rate since there were no Edwards

Rights exchanged with this usage. Over time, the operations at the golf courses and certain other locations specified in the original IJA have been transferred to third-party operators. There remain four City recycled water irrigation service locations:

• Brackenridge Park Irrigation Extension	1.00 AFY
• Pearsall Road Park	7.00
• Emergency Dispatch Center Irrigation	1.00
• Alamo Irrigation	0.69
• Total	9.69 AFY

Subsequent to the IJA, San Antonio River Authority (SARA) obtained TCEQ water use permits for the San Pedro Creek, Lock and Dam, and Mission Reach projects. Each SARA permit is supported by letter signed by the City committing recycled water from the IJA to the permits. SAWS has agreed to incorporate these permits under the City's MOU at the exchange rate.

#### **ISSUE:**

Under the proposed MOU,

- SAWS will provide 6,590.13 AFY of recycled water at the exchange rate for \$862,998.21 annually to supplement flows in the San Antonio River and Salado Creek, a 13% increase in volume compare to the original agreement. The City consulted with the San Antonio River Authority and believes this volume of water is adequate to maintain river quality through drought conditions. As with the IJA, the water will continue to be discharged into the San Antonio River at Brackenridge Park and the Convention Center and into Salado Creek at James Park.
- The third-party operators have or will execute standard SAWS recycled agreements for their irrigation needs and are not part of the MOU.
- SAWS will continue to provide 9.69 AFY to four city locations currently using recycled water for irrigation at the full recycled rate. Separate standard SAWS recycled water agreements have or will be executed for those locations.

The term of the MOU is 15-years with one 10-year extension based on mutual agreement.

SAWS is currently undergoing a rate study and may recommend increasing of the recycled exchange rate and full recycled retail rate to cover more of the cost of service for the recycled system. However, the approximately 75% discount on the exchange rate is expected to remain and recycled water is expected to continue to be significantly discounted from potable rates.

The Parks Department has negotiated an amendment to the Operations and Management Agreement of the San Antonio Channel Improvement Project assigning additional maintenance responsibility to SARA equal to the value of recycled water utilized for its Permits and River Operations.

#### **ALTERNATIVES:**

There is no feasible alternative to supplement the river flows without significant additional costs. Therefore, if the MOU is not approved, the recycled water discharges which have occurred for the last 20-years supplementing flows in the San Antonio River and Salado Creek would be discontinued impacting water quantity and quality in River Walk as well as the remainder of the San Antonio River and Salado Creek.

### **FISCAL IMPACT:**

Under the MOU, the Parks Department will pay SAWS \$862,998.21 annually for 6,590.13 AFY of recycled water for river discharges on a take-or-pay basis at the Exchange rate. The contract is effective July 1, 2022; therefore, Parks will incur approximately \$215,750.00 in Fiscal Year 2022 and the full annual contract amount of \$862,998.21 in FY2023. The mid-year budget adjustment included funding to cover the estimated amount for FY 2022 and the projected amount necessary for a full year will be included in the Proposed FY 2023 Budget.

Consistent with the past, the four City recycled water irrigation locations will pay collectively \$5,140.45 per year at the full retail recycled water rate. These are not new expenditures, rather are moving from the IJA to the MOU. The amounts have been included in the City's adopted budget.

As compensation for the value of recycled water committed to the SARA permits for the San Pedro Creek, Lock and Dam, and Mission Reach Projects, the Parks Department has negotiated an amendment to an existing Operations and Management agreement to receive in-kind service from SARA. The value of the recycled water committed to the permits is currently \$50,894.00 annually. In the event that future rate increases cause the value of the recycled water committed to the SARA permits to increase, the amount of in-kind services will be adjusted.

### **RECOMMENDATION:**

Parks and Finance Staff recommend

1. Approval of the MOU with SAWS to continue recycled water discharges into the San Antonio River and Salado Creek as a cost-effective way to maintain the quality the River Walk and other river features.
2. Approval of Amendment No. 2 to the Operations and Management Agreement of the San Antonio Channel Improvement Project Assigning Additional Maintenance Responsibility to the San Antonio River Authority Equal to the Value of Recycled Water Value Utilized for its Permits and River Operations.