



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 4

Agenda Date: November 10, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

SAWS Proposed Rate Structure Changes and Adjustments to Special Service Fees

SUMMARY:

An Ordinance approving: 1) modifications to the SAWS 2023 water, and wastewater rate structures, 2) modification to various SAWS Special Services Fees including an automatic annual inflation adjustment, both effective on or about January 1, 2023, and 3) amending Chapter 34 of the City Code to reflect the changes.

BACKGROUND INFORMATION:

2022 RAC Recommendations

Consistent with its practice of reviewing water and wastewater rate structures on a periodic basis, SAWS initiated a comprehensive rate study for 2022 including a cost-of-service analysis. The purpose of a rate study is to ensure that rates are in line with the cost to provide service and that the rate structure reflects SAWS and the community's values and objectives. To conduct the rate study, the SAWS Board awarded a contract to Carollo Engineers, Inc. ("Carollo").

In February 2022, the Board appointed members to the 2022 RAC to provide rate design

recommendations to the Board of Trustees regarding the rate structures for water and wastewater services, based on the cost-of-service analysis prepared by Carollo and approved by the Board in March 2022. The composition of the 2022 RAC included nominations from each City Council Member and additional members to represent a cross section of SAWS customers to ensure that all customer interests are considered when evaluating the structure of SAWS rates.

With the help of SAWS staff and Carollo, the 2022 RAC developed and submitted rate recommendations to the Board for consideration as documented in Carollo's Rate Design Study Technical Memorandum dated August 2022. The RAC recommendations ensure that life-essential uses of water are made as affordable as possible, promote greater conservation, and maintain the financial stability of SAWS.

Highlights of the 2022 RAC recommendations include:

- Sufficient revenue is generated from these rates to meet the revenue requirements as set forth in SAWS 2022 Operating and Capital Budget.
- Revenue generated from each customer class meets the cost-of-service for that class as determined by Carollo.
- 100% of SAWS residential bills will reflect reduced wastewater charges.
- 83% of SAWS residential bills will reflect reduced water charges (for customers using 9,000 gallons of water or less).
- 98% of residential bills for customers enrolled in SAWS Affordability Discount Program (ADP) will be lower. The other 2% of ADP customer bills will have a minimal charge similar to current charges.
- The ADP program will be funded by a volumetric pass-through charge applied to non-ADP customers usage called the Uplift Assistance Program Fee (UAP Fees).
- Stronger pricing signals will be sent for residential water usage above 9,000 gallons.
- The average residential customer will pay \$60.88 per month which is a reduction of 8.7% from current charges.

Special Service Fees

In the utility industry, it is customary to assess a range of fees for special services that are associated for the benefit of a particular customer like lab fees and industrial waste fees. These fees are designed to recover costs associated with providing special services and help decrease pressure on system-wide rates, which otherwise subsidize special services provided to limited groups of customers.

In order to recover more accurately the changing costs incurred by SAWS to provide special services, adjustments for these fees are recommended for implementation as of January 1, 2023. If adopted, the fee proposals are estimated to generate an additional \$120,757.00 in net new annual revenue for the utility. The fee proposals have been developed using cost-of-service methodology. In some cases, partial cost recovery increases are proposed to temper the potential adverse economic impact that full cost recovery fee increases would have at this time. A new fee is proposed for primarily commercial and industrial customers who are non-compliant with required inspections of back-flow prevention assemblies where backflow presents a significant health hazard. This is not a fee for the typical residential customer who failed to get their irrigation system

inspected annually. Additionally, it is recommended that provisions in the City Code be made to allow Special Services Fees to automatically increase at the annual rate of inflation each year after 2023, subject to a cost-of-service study to occur with any future general rate increase to reassess the fees based on the cost to provide the service.

ISSUE:

City Council approves all SAWS rates and charges. SAWS is requesting Council approve an ordinance modifying Chapter 34 of the Municipal Code to:

A. Modify the SAWS 2023 water and wastewater rate structures consistent with the recommendations of the 2022 RAC; and

B. Approve modification of various SAWS Special Service Fees to include an automatic annual increase at the annual rate of inflation, subject to a cost-of-service study to occur with any future general rate increase

ALTERNATIVES:

The City Council could elect not to approve the proposed changes and have SAWS maintain its current rate structure.

FISCAL IMPACT:

The 2022 RAC recommendations are revenue neutral to SAWS and are designed to the recover the same amount of revenue under the usage assumptions used to develop SAWS 2022 Operating and Capital Budget. The vast majority of the City's SAWS accounts are billed at the General Class Rate. The rate adjustment will increase the City's water expenses. The estimated impact for FY 2023 will be \$102,000.00, assuming a January 1, 2023 implementation of the new rates. The impact for a full fiscal year is estimated to be \$136,000.00. Funding for each affected Department is available within their FY 2023 Adopted Budget.

RECOMMENDATION:

SAWS Staff and Board of Trustees recommend approval of the Ordinance.

The Supervisor of Public Utilities and his staff in the Office of Public Utilities have reviewed the SAWS request, considers it reasonable, and recommends Council approve the request and establish the following accountability procedures.

1. Funds collected through the Uplift Assistance Program Fee (UAP Fees) must be accounted for separately and by class.
2. 60 days prior to the annual update of the pass-through UAP Fee, SAWS will provide to the City's Public Utilities Division:

- The proposed UAP Fee,
 - The calculation used to develop the fee including historical and projected enrollment in the Uplift Program, any over or under recovery, and projected annual water usage,
 - Underlying support for the calculation components, and
 - Any additional information requested by Public Utilities
3. Public Utilities will monitor the recovery of the UAP Fee pass through over time.