



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 5

**Agenda Date:** November 10, 2022

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

SAWS Proposed Recycled Water Rates Increases for 2023 to 2027.

**SUMMARY:**

Ordinance increasing recycled water rates by 15.0% for 2023 and adopting maximum annual “up-to” percentage adjustments to recycled water rates for 2024 (10.0%), 2025 (10.0%), 2026 (10.0%) and 2027 (10.0%), respectively.

**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.

Currently, recycled water rates recover approximately one-third of the annual operating costs of the SAWS recycled water system. The remaining costs are recovered from rates charged to potable

water users. In order to recover more of the recycled water system costs from customers directly using the service, the 2022 SAWS Rate Advisory Committee (2022 RAC) recommended that the City Council adopt a 15.0% increase in recycled water rates for calendar year 2023 and a maximum annual “up-to” percentage adjustment to recycled water rates for 2024 (10.0%), 2025 (10.0%), 2026 (10.0%) and 2027 (10.0%), respectively.

The proposed change is not a general rate increase impacting SAWS water and wastewater customers. It will only impact customers receiving recycled water service.

#### **ISSUE:**

City Council approves all SAWS rates and charges. SAWS is requesting Council approve an ordinance to adopt a 15.0% increase in recycled water rates for 2023 and a maximum annual “up-to” percentage adjustment to recycled water rates for 2024 (10.0%), 2025 (10.0%), 2026 (10.0%) and 2027 (10.0%), respectively. These changes are consistent with the recommendations of the 2022 RAC.

#### **ALTERNATIVES:**

The City Council could elect not to approve the proposed recycled water rate changes for each year from 2023 to 2027, and have SAWS maintain the recycled water rates at the 2022 level.

#### **FISCAL IMPACT:**

This ordinance authorizes increase in recycled water rates by 15.0% for calendar year 2023 and adopting maximum annual “up-to” percentage adjustments to recycled water rates for 2024 (10.0%), 2025 (10.0%), 2026 (10.0%) and 2027 (10.0%), respectively. The adjustments to recycled water rates will increase the City’s annual operating expenses. For Fiscal Year 2023, the 15% recycled water rate increase will increase expenses by an additional \$97,841.00, and for a full 12-months approximately \$130,000.00. Over the 5-year plan, with the 2023 increase and assuming the maximum pre-approved “up-to” rate increases, the City’s recycled water bill will increase by \$562,780.00 in year five. The table below shows the increase in City annual operating expense under the 5-year plan compare to the current rate.

	<b>Total Bill</b>	<b>Annual Increase*</b>
Current	\$862,998	
2023	\$960,839	\$97,841
2024	\$1,068,714	\$107,875
2025	\$1,176,588	\$107,874
2026	\$1,295,250	\$118,662
2027	\$1,425,778	\$130,528
5-Year Change		\$562,780

\* Assumes maximum “up-to” rate increases each year over the 5-year period and on a City Fiscal Year basis, whereas SAWS rate increases are on a calendar year.

If the proposed rate increase is approved, the fiscal impact will be incorporated into the budget during the City's mid-year budget adjustment process for FY 2023 as well as be incorporated in the City budgeting process for future years.

## **RECOMMENDATION:**

The SAWS Board of Trustees recommends 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. SAWS shall consult with the SAWS Board to determine the appropriate level of maximum recovery for the Recycled Water System, when compared to a 100% cost of service, to recognize the positive benefits of the system as an alternative to the use of potable water, benefits to conservation, and to continue to encourage its utilization.
2. Provide the City's Office of Public Utilities a mid-year financial report on the Recycled Water System as of June 30 each year to be delivered no later than August 15 each year. Report will include an analysis of the cost-of-service recovery level for the recycled water system compared to the latest cost-of-service analysis.
3. SAWS and City Staff will monitor the maximum annual adjustments authorized to achieve the recovery goal set by the Board. 60 days prior to the implementation of any previously approved "up-to" rate increase, SAWS will provide to the City's Public Utilities Division:
  - a. The proposed rate increase and the calculation method,
  - b. Underlying support for the increase, and
  - c. Any additional information requested by Public Utilities
4. Annual adjustments under the pre-approved "up-to" maximum amounts require concurrence of the Supervisor of Public Utilities.