

**CITY OF SAN ANTONIO**  
**PUBLIC UTILITIES DEPARTMENT**  
**CITY COUNCIL AGENDA MEMORANDUM**

AGENDA ITEM NO.

**3**  
**A-E**

**TO:** Mayor and City Council

**FROM:** Ben Gorzell Jr., Director of Public Utilities

**SUBJECT:** Ordinances Authorizing Proposed Adjustments to Water and Wastewater Rates, the Water Supply Fee and Other Miscellaneous Fees and Charges Including the Addition of a Water Service Interconnect Rate

**DATE:** November 17, 2005

**SUMMARY AND RECOMMENDATIONS**

The proposed Ordinances will approve adjustments to Chapter 34 of the City Code related to the following items:

- Water Service Rates;
- Wastewater Service Rates;
- Water Supply Fee;
- Miscellaneous Charge – Returned Check Fee; and
- Addition of an Interconnect Water Service Rate.

Staff recommends approval of the proposed Ordinances.

**BACKGROUND INFORMATION**

On Wednesday, November 2, 2005, City Council was briefed in “B-Session” on the proposed adjustments to the San Antonio Water System (SAWS) water delivery and wastewater rates, the water supply fee, liquid waste transportation disposal fee (does not require City Council approval), an increase in the returned check fee, and the addition of an interconnect water service rate. The current rate structure was studied in 2003 by SAWS with the assistance of Raftelis Financial Consulting, a nationally recognized consultant in rate development. Additionally, a Rates Advisory Committee (RAC) comprised of the SAWS’ Board of Trustees and a stakeholder group with representatives from various industries, environmental groups, and customer classes was established to provide input, develop pricing objectives, and work with the consultants.

SAWS’ rates are cost of service based rates with some policy deviations such as the affordability programs. Cost of service is predicated on the allocation of costs to customer groups based on their service requirements and is a commonly utilized methodology for the development of rates by a utility. The proposed adjustments to the rates preserve the current rate structure and apply an across the board rate increase to generate the additional required funds.

SAWS’ 2006 Proposed Annual Budget established total system requirements which identified the need for an additional \$12.3 million in revenues. This additional revenue requirement is primarily attributable to the following drivers: declining consumption due to conservation; increasing existing debt service costs; and funding for the 2006 Capital Improvement Program (CIP). Total operations and maintenance expenses for the System are proposed to be reduced by 5.9%, from \$180.9 million to \$170.3 million for fiscal year 2006.

The 2006 CIP calls for the expenditure of \$198.9 million including \$51.1 million for water delivery, \$65.3 for wastewater, \$79.3 million for water supply and \$3 million for recycled (\$0.25 million is associated with Heating and Cooling not related to the proposed rate increase). Replacement of SAWS' aging water delivery and wastewater infrastructure continues to be a critical component of the water delivery and wastewater CIP program with 74.0% dedicated towards replacements. With respect to water supply, the CIP continues to fund water supply capital projects to acquire additional water sources. The following table summarizes the CIP for water delivery, wastewater, and water supply programs and Attachment I provides additional information on the SAWS 2006 CIP.

Total Capital Improvement Program			
Water Delivery & Wastewater		Water Supply	
Projects	Millions	Projects	Millions
Governmental	\$ 44.3	Edwards Purchases	\$ 17.6
Collection	28.1	ASR	2.8
Sewer Main Replacement	15.2	Trinity	0.6
Company Technology	11.4	Recycled	3.0
Distribution	8.3	Regional Carrizo Phase I	58.3
Water Main Replacement	4.5	Total	\$ 82.3
Production	2.6		
Treatment	2.0		
Total	\$ 116.4		

In an effort to maximize available funding and efficiently utilize CIP funds, all uncommitted CIP dollars from 2004 and earlier years were reprioritized. Reprioritization was based upon risk, priority, business factors and resources and the 2005 and future capital projects were also prioritized and scheduled based upon this risk/resource filter. Additionally, the plan includes the utilization of commercial paper to initially fund construction expenditures. These actions including the reprioritization of all uncommitted CIP dollars reduced debt service costs by approximately \$13 million from the planned level for 2006 as forecasted during the 2005 rate process.

The following sections provide summary information on the proposed changes in water delivery and wastewater rates, water supply fee, miscellaneous charge – returned check fee; and the interconnect water service rate. Summary information on proposed increases to a SAWS' affordability program and revisions to accountability procedures is also provided. In addition, while no City Council action is required, information on proposed changes to the Liquid Waste Transportation Disposal Fee is provided in order to present a comprehensive review of the proposed rate changes being requested by SAWS for 2006. Under the Water Code, the SAWS' Board of Trustees has the authority to adjust the Liquid Waste Transportation Disposal Fee.

Mayor and City Council

November 17, 2005

Page 3 of 6

Water Delivery, Wastewater, and Water Supply Fee

With respect to the water delivery rates, wastewater rates, and the water supply fee, the proposed adjustment is an overall rate increase of 4.8%. This overall rate adjustment will provide the additional required revenues for 2006 of \$12.3 million. The impact to the average residential ratepayer is estimated at \$1.93 monthly or \$23.16 annually. Additionally, the following table provides a forecast of projected rate increases for the period 2006 through 2010 based on the average monthly residential bill exclusive of the stormwater component of the bill.

Monthly Bill	Calendar Year				
	2006	2007	2008	2009	2010
Water Supply Fee	\$ 11.58	\$ 13.22	\$ 15.44	\$ 17.29	\$ 20.56
Water	13.50	14.17	15.04	16.58	17.43
Wastewater	16.51	17.48	18.93	20.45	21.70
EAA Fee	1.30	1.31	1.31	1.32	1.32
Total Bill	\$ 42.89	\$ 46.18	\$ 50.71	\$ 55.64	\$ 61.01
% Increase	4.7%	7.7%	9.8%	9.7%	9.7%

Miscellaneous Charge – Returned Check Fee

SAWS is also proposing to increase the returned check fee to \$30 from the current fee of \$10 which has not been adjusted since 1998. A SAWS survey of other major water utilities indicated that the current fee is well below what other water utilities are currently charging and the City of San Antonio's returned check fee is also \$30. This increase of \$20 is anticipated to result in approximately \$83,500 in additional annual revenue.

Interconnect Water Service Rate

Water purveyors and entities outside of SAWS system have and are anticipated to continue to request connections to the system to receive potable water services on a short-term, unscheduled basis. Through these connections, these purveyors then resell the water provided by SAWS to their customers.

In order to ensure equitable recovery of costs and mitigate usage of these interconnections on more than a short-term basis, SAWS is proposing an Interconnect Water Service Rate. This proposed rate is structured to provide short-term temporary water service while encouraging long-term water service agreements. In addition, this rate schedule ensures that water purveyors utilizing potable water through an interconnection with SAWS do not profit when reselling this water to their own customers. Water purveyors who connect to the SAWS system under the Interconnect Water Service Rate shall pay for all services related to connecting to the infrastructure of SAWS' system to include applicable capital and operational costs.

Under this proposed rate, water purveyors will be charged all of the following:

- a. the highest bill calculated based on metered usage using SAWS or the water purveyors current residential rate schedules; and
- b. SAWS meter fee for standby service; and
- c. \$10,000 for each month of excessive usage, which is defined as use of the service two consecutive months or more than three months during a calendar year; and
- d. time and material charges incurred to service the interconnect infrastructure

#### Affordability Changes

SAWS continues to assist ratepayers who are having difficulty paying their bills by providing Payment Extensions, Payment Plans, Pledge Referrals, Medical Considerations, and most recently Hurricane Disaster Relief. SAWS also has several Income Based Programs that include Project Agua, Plumbers to People, Laterals to People and the Affordability Discount Program.

SAWS has established a budget of \$1 million to provide assistance to low income customers through the Affordability Discount Program. In an effort to lessen the impact of the proposed rate increase on low income customers, SAWS has increased the amount of the discount in the sliding scale of subsidies as reflected in the following table.

<u>Poverty Scale</u>	<u>Current Discount</u>		<u>Proposed Discount</u>	
0% - 50%	\$	8.00	\$	8.40
51% - 75%	\$	5.50	\$	5.80
76% - 100%	\$	3.60	\$	3.80
101 - 125%	\$	3.00	\$	3.15

#### Accountability Revisions

On October 19, 2000, the Water Supply Fee was established by City Council to provide a funding mechanism for water supply activities and projects. The Ordinance also included approval of a five year multi-year financial plan which gave the SAWS' Board of Trustees the authority to increase the water supply fee within maximum caps set for each of the five years of the plan. In conjunction with the establishment of this new fee and approval of the multi-year financial plan, accountability procedures were included in the establishing Ordinance. These procedures included items such as: written quarterly status reports; semi-annual briefings to City Council on status reports; City Council approval for increases in the water supply fee above the maximum caps; and the submission of a comprehensive rate package to the Public Utilities Office. Other accountability procedures approved on October 19, 2000 included the development of performance benchmarks of SAWS that once developed were to be audited annually by an independent third party consultant and an independent third party consultant performance review of SAWS was to be conducted every five years.

In conjunction with the proposed rate adjustments for 2006, these accountability procedures are proposed to be revised as well. A semi-annual written status report will be submitted to City Council instead of quarterly status reports with an annual briefing to City Council in open session unless otherwise indicated by the City. SAWS and City staff will revise the semi-annual status report to be a more executive summary type document. The accountability procedures related to performance benchmarking and reviews by independent third party consultants will be eliminated. SAWS will report to the City Council on an annual basis on SAWS continuing efforts to evaluate its performance in meeting the strategic priorities of the system. Additionally, SAWS and City staff will be working on the development of financial targets and policies over the course of the next year.

#### Miscellaneous Fees and Charges – Liquid Waste Transportation Disposal Fee

The Liquid Waste Transportation Disposal Fee is a charge imposed by SAWS to dispose of liquid waste from customers including costs to dispose of septic waste and waste from public toilets. The current fee for liquid waste transportation disposal does not fully recover all costs associated with the disposal of liquid waste. The last adjustment to the Liquid Waste Transportation Disposal Fee was made in 1998. Under the current rate of \$6.58 per 500 gallons, SAWS would collect approximately \$222,606 in 2006. The cost of providing this service in 2006 is forecasted to be \$982,729. The proposed charge of \$28.70 per 500 gallons will provide the necessary funding so that SAWS can fully recover the costs of providing this service.

Chapter 34 of the City Code provides that the SAWS Board of Trustees has the authority to increase the Liquid Waste Transportation Disposal Fee without City Council approval if the rates are not fully recovering SAWS' costs. However, information on this rate adjustment is being provided in order to provide a comprehensive review of all rate adjustments being proposed by SAWS for 2006.

#### FISCAL IMPACT

Attachment II provides a sample bill comparison for various usage levels for different customer classes. The residential line entitled "medium consumption" represents the estimated impact to an average residential ratepayer of \$1.93 monthly, or 4.7%. Please note that these bill comparisons exclude the stormwater fee which is also billed through SAWS.

The proposed adjustments to the water delivery, wastewater, and the water supply fee are anticipated to generate additional revenue of approximately \$12.3 million for SAWS. The City receives 2.7% of SAWS' gross revenues. In anticipation of an increase in rates, the City's Fiscal Year 2006 Adopted Budget included an assumption for a potential increase in rates both for the City's payment from SAWS as well as the City's water and wastewater expenditure accounts. A review of the proposed increases included in the FY 2006 Adopted Budget indicates that no adjustment to the City's budget is necessary at this time.

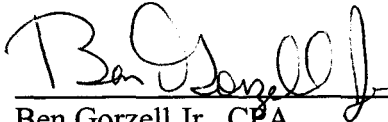
Mayor and City Council  
November 17, 2005  
Page 6 of 6

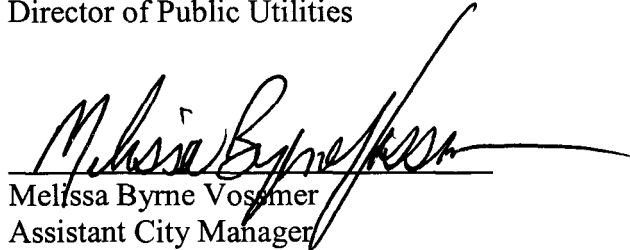
**COORDINATION**


This item has been coordinated with SAWS and the City Attorney's Office. The proposed rate adjustments were approved by the SAWS' Board of Trustees on Tuesday, November 1, 2005.

**SUPPLEMENTARY COMMENTS**

The disclosure requirements of the City's Ethics Ordinance are not applicable.

  
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Ben Gorzell Jr., CPA  
Director of Public Utilities

  
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Melissa Byrne Vosmer  
Assistant City Manager

  
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Sheryl Sculley  
City Manager

## ATTACHMENT I

### San Antonio Water System 2006 Capital Improvement Program

Project Title	Cost Element	Cost Estimate
<b>WATER DELIVERY CORE BUSINESS</b>		
<b>CORPORATE</b>		
Software Integration Project	Acquisition	5,700,000.00
<b>Total - Corporate</b>		<b>\$ 5,700,000.00</b>
<b>Distribution System</b>		
Old Pearsall Rd. from Medina Base Rd. to Military Drive Water Main	Construction	728,000.00
Brook Hollow Pressure Zone Improvements	Construction	336,000.00
Bandera Rd Pressure Zone 7 Water Main	Construction	3,584,000.00
Oversize Water Mains	Construction	1,632,000.00
Valves, Services, Meters	Construction	2,000,000.00
<b>Total - Distribution System</b>		<b>\$ 8,280,000.00</b>
<b>Main Replacement - Water</b>		
Interfund Transfer-Water	Construction	1,240,000.00
Annual Unspecified Civil Design Contract - Water	Design	224,000.00
Annual Survey Contract - Water	Design	224,000.00
Lakeside Village Water Main Replacement	Construction	672,000.00
San Fernando Water Replacement Phase II	Construction	1,154,000.00
San Fernando Water Replacement Phase III	Construction	931,000.00
<b>Total - Main Replacement - Water</b>		<b>\$ 4,445,000.00</b>
<b>Production</b>		
Water Facilities Upgrades - Pump Station Rehabilitation Phase 1	Design	270,000.00
System wide Emergencies - Water	Construction	750,000.00
Faith Tank	Design	270,000.00
Culebra Tank and Pump Station (Permanent)	Construction	1,344,000.00
<b>Total - Production</b>		<b>\$ 2,634,000.00</b>
<b>Governmental - Water</b>		
Water Installations	Construction	2,000,000.00
Governmental - Water Adjustments	Construction	4,480,000.00
Governmental - Water Replacements	Construction	23,520,000.00
<b>Total - Governmental - Water</b>		<b>\$ 30,000,000.00</b>
<b>TOTAL - WATER DELIVERY</b>		<b>\$ 51,059,000.00</b>

<b>Project Title</b>	<b>Cost Element</b>	<b>Cost Estimate</b>
<b>WASTEWATER CORE BUSINESS</b>		
<b>Corporate</b>		
Software Integration Project	Acquisition	5,700,000.00
<b>Total - Corporate</b>		<b>\$ 5,700,000.00</b>
<b>Collection System</b>		
Oversize Sewer Mains	Construction	2,170,486.00
Kelly USA Lift Stations Abandonment	Design	207,200.00
Lift Stations Rehabilitation Phase 1 (and Radio Path Study)	Construction	4,000,000.00
Lift Stations Assessment Phase 2 (and Radio Path Study)	Design	380,800.00
W. Salado Creek Lift Station ( Valle Vista) Relocation	Design	280,000.00
South Area Lift Station Elimination	Construction	575,000.00
System wide Emergencies - Wastewater	Construction	2,250,000.00
Far West Lift Station Upgrade #187	Design	140,000.00
Central Watershed Sewer Relief Line C-01	Design	980,000.00
Salado Sanitary Sewer Outfall Siphons Rehab Stage II - Siphons #8, 9, 10	Construction	5,679,425.00
Western Watershed Sewer Relief Line - W04	Construction	11,422,000.00
<b>Total - Collection System</b>		<b>\$ 28,084,911.00</b>
<b>Main Replacement - Wastewater</b>		
Probandt Phase 2	Construction	1,809,920.00
Interfund Transfer-Sewer	Construction	2,240,000.00
Annual Unspecified Civil Design Contract - Sewer	Design	224,000.00
Annual Survey Contract - Sewer	Design	224,000.00
Annual Cured in Place Pipe Contract	Construction	2,000,000.00
Lakeside Village Sewer Main Replacement	Construction	672,000.00
San Fernando Sewer Replacement Phase II	Construction	1,154,000.00
San Fernando Sewer Replacement Phase III	Construction	931,000.00
Sewer Laterals	Construction	728,000.00
Roosevelt Avenue 48" Sewer Main Rehabilitation	Construction	3,178,810.00
Annual Pipe Bursting Contract	Construction	2,000,000.00
<b>Total - Main Replacement - Wastewater</b>		<b>\$ 15,161,730.00</b>
<b>Treatment</b>		
Leon Creek WRC Improvements	Design	560,000.00
WRC Disinfection System Evaluation and Performance Upgrade	Design	168,000.00
WRC Corrosion Control Program	Design	112,000.00
Gas-Energy Project Extensions	Design	700,000.00
Capital Equipment Monitoring and Replacement Program	Construction	500,000.00
<b>Total - Treatment</b>		<b>\$ 2,040,000.00</b>



<b>Project Title</b>	<b>Cost Element</b>	<b>Cost Estimate</b>
<b>Governmental - Wastewater</b>		
Sewer Installations	Construction	2,000,000.00
Governmental - Sewer Adjustments	Construction	4,480,000.00
Governmental - Sewer Replacements	Construction	7,840,000.00
<b>Total - Governmental - Wastewater</b>		<b>\$ 14,320,000.00</b>
<b>TOTAL - WASTEWATER</b>		<b>\$ 65,306,641.00</b>
<b>TOTAL - WATER DELIVERY &amp; WASTEWATER</b>		
		<b>\$ 116,365,641.00</b>
<b>HEATING &amp; COOLING CORE BUSINESS</b>		
System wide Emergencies - Heating & Cooling	Construction	250,000.00
<b>Total Heating &amp; Cooling</b>		<b>\$ 250,000.00</b>
<b>TOTAL - WATER DELIVERY, WASTEWATER &amp; HEATING &amp; COOLING</b>		
		<b>\$ 116,615,641.00</b>
<b>WATER SUPPLY CORE BUSINESS</b>		
<b>Recycle Program</b>		
Conversion Benefits		330,000.00
Customer Lines		1,650,000.00
Brackenridge Park Well Plugging		990,000.00
<b>Total Recycle</b>		<b>\$ 2,970,000.00</b>
<b>Water Resources</b>		
Edwards Groundwater Acquisitions		17,600,000.00
ASR Inside Phase II (30 MGD)		2,750,000.00
Regional Carrizo Phase IA		19,432,600.00
Regional Carrizo Phase IB		38,856,400.00
Trinity Phase III		660,000.00
<b>Total Water Resources</b>		<b>\$ 79,299,000</b>
<b>TOTAL WATER SUPPLY</b>		
		<b>\$ 82,269,000</b>
<b>TOTAL 2006 CAPITAL IMPROVEMENTS PROGRAM (CIP)</b>		
		<b>\$ 198,884,641</b>

## Attachment II

### Sample Bill Comparison

Water Delivery, Wastewater, Water Supply and EAA									
Class		Assumptions			Total Water, Sewer, Water Supply and EAA Bill				
		Gallons Water Per Month	Gallons Sewer Per Month	Meter Size	Current Bill	Proposed Bill	Difference	% Change	
Residential									
Low Consumption	Low Watering	5,885	4,700	5/8"	\$ 33.08	\$ 34.67	\$ 1.59	4.8%	
Medium Consumption	Med. Watering	7,788	6,178	5/8"	\$ 40.96	\$ 42.89	\$ 1.93	4.7%	
High Consumption	High Watering	15,000	8,229	5/8"	\$ 66.06	\$ 69.65	\$ 3.59	5.4%	
Commercial									
Low Consumption	Eg. Conv. Store	3,500	3,500	5/8"	\$ 28.74	\$ 30.32	\$ 1.58	5.5%	
Medium Consumption	Eg. Car Dealer	50,000	50,000	1.5"	\$ 259.63	\$ 272.17	\$ 12.54	4.8%	
High Consumption	Eg. Lg. Resturaunt	212,000	212,000	2"	\$ 1,000.06	\$ 1,046.84	\$ 46.78	4.7%	
Wholesale									
Average Consumption	Eg. Small City	1,300,000	1,300,000	8"	\$ 5,501.98	\$ 5,761.03	\$ 259.05	4.7%	
Irrigation									
Average Consumption	Eg. Shopping Center	3,500	3,500	5/8"	\$ 197.96	\$ 212.81	\$ 14.85	7.5%	