

**TO: SAM DAWSON, CHAIRMAN
BOARD OF DIRECTORS**

FROM: EXECUTIVE COMMITTEE

SUBJECT: SAWS PROPOSED RATE ADJUSTMENT

STATUS: ADOPTED



DATE: 10/27/2011

RECOMMENDATION: That the Board of Directors of The Greater San Antonio Chamber of Commerce adopt the following statement as policy:

STATEMENT:

The Greater San Antonio Chamber of Commerce supports the San Antonio Water System's (SAWS) ongoing improvement of water service and water resource diversification and supports SAWS current proposal for investing in wastewater, water delivery and water supplies for our community. The Chamber further recommends the City:

- 1) Authorize SAWS to develop multi-year rate increases within parameters set forth by the City Council with a goal of increasing water supply;
- 2) Revise city ordinances to allow for reasonable water uses such as fountains and common areas irrigation associated with tourism and visitor venues to enhance the image of San Antonio as a desirable business destination; and
- 3) Place a greater emphasis on new water supplies with the goal of establishing water restrictions based on a diverse water supply portfolio and not solely on the Edwards Aquifer.

BACKGROUND:

SAWS is recognized nationally as a leader in water conservation and water reuse. Currently, SAWS' rates are below the national average for cities comparable to San Antonio. However, several challenges facing SAWS that drive the need to increase their revenue requirements: drought management, water supply acquisition and integration, sanitary sewer overflows, and aging infrastructure.

In this year's drought, SAWS has shifted pumping away from the Edwards by retrieving 40 million gallons per day from the Aquifer Storage and Recovery facility, an underground water storage facility. Additionally, compliance with water restrictions has reduced pumping from the Edwards by 30-50 million gallons per day.

A September 14 [Express-News](#) article reported the average SAWS customer who uses 7,788 gallons a month, may see a bill increase of as high as 14.7% starting January 1 and that SAWS plans to seek rate increases in future years.

While SAWS will be requesting City Council adopt a 7.9% rate increase in November, the increase to SAWS customers is anticipated to be greater than 7.9%. The Edwards Aquifer Authority Board will consider adopting a Habitat Conservation Plan (HCP) to

satisfy water needs while also protecting the endangered species that live in springs in San Marcos and New Braunfels. The HCP proposal has been developed through the Edwards Aquifer Recover Implementation Program (EARIP) process, led by a steering committee representing farmers, environmental and industry groups and water suppliers like SAWS who have been meeting for four years. The HCP is estimated to cost \$20M a year and will be paid for with increased Edwards Aquifer pumping fees by those who pump from the Edwards Aquifer. As a customer of the EAA, SAWS is expected pass the increased cost of water onto to its customers.

If the plan isn't approved, the U.S. Fish and Wildlife Service declared it could take over management of all pumping from the Edwards.

RECENT RATE INCREASES

The 2005 and 2008 San Antonio Water System Water Resource Plan Updates both projected the need for rate increases to finance the capital costs of its water system facilities, diversification of its water resources, and essential waste water infrastructure.

All rate increases must be reviewed and approved by the San Antonio City Council. In 2005 SAWS projected a five-year annual rate increase: 8.0% in 2007, 10.2% in 2008, 10.0% in 2009, 10.0% increase for 2010. These projections beginning FY 2006 show a substantial increase in water supply cost and wastewater services. However, SAWS did not take the request for the tiered rate increase proposal to City Council; they received approval for 4.8% rate which became effective in 2006 and another 4.8% increases in 2008.

In connection with The Chamber support for the 2008 rate increase, the Executive Committee suggested the City and SAWS consider planning an annual increase which should be pre-set (or set by index) for the next five years to allow its cost structure to keep pace with the general increase in expenses and avoid less periodic large increases which are more disruptive. The Executive Committee also suggested that any increase beyond the planned annual increases should require Council Review and approval and be tied to parameters or specific needs.

In 2010 the City Council approved SAWS request for a new rate structure and a 6.5% increase representing an average combined monthly residential bill rate of \$2.64 per month and a projected \$20 million in revenue to help fund the following:

- \$92M of 2011 infrastructure replacements
- \$3.7M of increased 2011 maintenance and utility costs
- \$79M in water supply (primarily on the Regional Carrizo & Brackish desalination)

2011 RATE INCREASE PROPOSAL

On November 17, SAWS will be asking for City Council approval for a proposed 7.9% combined rate increase adjustment to generate \$26.1 million in revenue. This would mean that the average monthly residential bill would go up by \$3.41. The 7.9% proposal includes an increased 13.6 percent wastewater fee, 3.0 percent water supply

fee and 3.4% water delivery fee. The 2011 rate increase is targeted to help fund the following:

- **\$122M - Wastewater**
 - Dos Rios upgrades
 - Sewer Main Replacements
 - Governmental Projects
- **\$54M - Water Delivery**
 - Replacement and Rehabilitation
 - New tank construction
 - System improvements
- **\$39M Water Supplies**
 - Desalination (Wilcox Aquifer)
 - Recycled water
 - Integration Pipeline

Proposed Rate Adjustment

Item	Rate Change	Avg. Monthly Residential Bill Change
Wastewater	13.6%	\$2.65
Water Delivery	3.4%	\$0.50
Water Supply	3.0%	\$0.26
SAWS Total	7.9%	\$3.41

WATER AND WASTEWATER INFRASTRUCTURE

SAWS water and wastewater service area covers 620-square miles of San Antonio and adjacent communities and more than 9,000 miles of water and sewer mains. SAWS manages 6,178 gallons of sewage for its average customer. Extensive work is being performed to clean sewer mains and reduce the buildup of grease to prevent sewer overflows with oversight from the Environmental Protection Agency (EPA). Older infrastructure is being examined, maintained, and replaced when needed

An average of \$150 million annually over the next three years will be invested in the City's sewer system. SAWS also provides sewage service for most Bexar Metropolitan Water District customers and the portion of the proposed rate increase (13.6% or \$2.65 more a month) will apply to almost all residents of Bexar County.

FUTURE RATE INCREASES

SAWS forecasted an increase in water/ wastewater rates over the next several years.

Proposed Capital Improvements Program

\$ in Millions	2012	2013	2014	2015	2016
	Proposed	Proposed	Proposed	Proposed	Proposed
Water Delivery	\$54.0	\$50.3	\$55.9	\$63.3	\$66.1
Wastewater	122.1	147.2	173.4	185.3	177.4
Water Supply	39.2	107.7	106.9	44.2	32.6
Heating and Cooling	0.1	1.8	0.1	0.1	0.1
Total CIP	\$215.5	\$307.0	\$336.3	\$292.9	\$276.2

- Pros-
1. The proposed rate increases will allow SAWS to make necessary investments in aging wastewater infrastructure and new water supply.
 2. The demand for less reliance on the Edwards Aquifer has been a priority for the community for a long while. Capital spending of \$250 million over the next three years will bring additional water from the Carrizo Aquifer and to desalinate salty water from the Wilcox Aquifer.
 3. Even with the rate increase, San Antonio rate payers will still enjoy the second lowest water-rate in the State.
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1. This rate increase comes approximately 16 months after SAWS' last rate increase and in the midst of the recession; making it difficult for both businesses and residential customers.
 2. SAWS must balance continuous evaluation and reduction in its operating costs per customer, while implementing additional water resources and effective water conservation strategies without detriment to the quality of life and opportunity for growth.

IMPLEMENTATION: The Chamber will communicate this position to the SAWS Board of Trustees, to the Mayor and members of the City Council, the media and The Chamber membership through public testimony, letters, media releases and publication in *The Chamber Today*.