



Meeting Date: March 30, 2023 **Agenda Type:** Items from Staff

From: John Warren **Reviewed by:** Ashley Van Booven
Finance Manager Director of Finance

Submitted by: Dawn Schriever **Approved by:** Ian Taylor
Chief Financial Officer Chief Executive Officer

RECOMMENDED ACTION: Water Supply Fee Report

BACKGROUND

The Fiscal Year (“FY”) 2023 Budget and Five Year Financial Operating Plan, presented to the Board of Trustees at the June 2022 Regular Board Meeting, identified revenue requirements in FY 2023 for the Water Line of Business, driven primarily from the need to acquire water supply and build infrastructure to keep up with growth and meet regulatory requirements.

One of the components included in NBU’s current Three-Year Rate Plan for FY 2021 through FY 2023, which was approved by City Council on October 26, 2020, was a Water Supply Fee (“WSF”). The WSF is a cost assessed to customers that have a volumetric usage. It consists of the cost of certain water supplies expressed as dollars per 1,000 gallons and then is multiplied by the gallons sold during a billing period to each customer. It is calculated and assessed annually based on estimated variables for the period, and is reconciled annually with actual costs and credits. As part of the annual reconciliation process, the NBU Board is apprised of any changes to the WSF.

The WSF is currently excluded from the first usage block for residential customers, in order to protect the essential use-only water customer, which provided an updated FY 2023 WSF estimate of \$2.06 per thousand gallons for the remaining volumes. The Three-Year Rate Plan included an estimated WSF of \$2.79 for FY 2023, based on estimates made in June 2020.

The FY 2023 WSF included estimates for the purchase of (i) Seguin water, (ii) Guadalupe-Blanco River Authority (“GBRA”) Canyon water, (iii) GBRA Gonzales Carrizo Water Supply Project (“GCWSP”) water, (iv) Green Valley water, and (v) Interim Seguin Interconnect water. During the reconciliation process, an over collection of \$3,643,255 was identified as a true-up amount to be included in the WSF for FY 2024. This over collection was mainly due to the delayed receipt of the GBRA GCWSP water. Any over/(under) collection of the WSF will be applied to the calculation of the WSF in the next rate plan.

In addition to the true-up amount, the proposed FY 2024 WSF and proposed FY 2025 WSF includes estimates for the purchase of (i) Seguin water, (ii) GBRA Canyon water, (iii) GBRA GCWSP water, (iv) Green Valley water, and (v) Comal Trinity water. The total amount of revenue that is estimated to be collected for FY 2024 and FY 2025 through the WSF is \$10,618,688 over the two fiscal years. When

dividing the total amount of estimated revenue for FY 2024 and FY 2025 across the estimated water volume, the WSF is calculated at \$1.84 per thousand gallons for each fiscal year.

NBU's twenty-year water infrastructure and water supply strategies are identified in NBU's Master Plan and Water Resources Plan respectively. The WSF will provide a portion of the revenue needed to make these investments, while placing the majority of costs for water on high volume water users.

FINANCIAL IMPACT

The proposed FY 2024 WSF and proposed FY 2025 WSF is estimated to provide \$10,618,688 towards the total water revenue requirement over the two fiscal years.

LINK TO STRATEGIC PLAN

Financial Excellence

EXHIBITS

1. Water Supply Fee Presentation