



Meeting Date: June 27, 2024 **Agenda Type:** Items from Staff

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

Submitted by: Dawn Schriever **Approved by:** Ryan Kelso
Chief Financial Officer Chief Executive Officer

RECOMMENDED ACTION: Water Supply Fee Report

BACKGROUND

The Fiscal Year (“FY”) 2024 Budget and Five-Year Financial Operating Plan, presented to the Board of Trustees at the March 2023 Regular Board Meeting, identified revenue requirements in FY 2024 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 Two-Year Rate Plan for FY 2024 through FY 2025, which was approved by City Council on April 10, 2023, 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 and second usage blocks for residential customers, in order to protect the essential use-only water customer.

The FY 2024 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) Comal Trinity water.

During the reconciliation process, an over collection of \$3,592,419 was identified as a true-up amount to be included in the WSF for FY 2025. 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 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 2025 through the WSF is \$3,383,023. When dividing the total amount of estimated revenue for FY 2025 across the estimated

water volume, the WSF is calculated at \$1.17 per thousand gallons. The Two-Year Rate Plan included an estimated WSF of \$1.84 per thousand gallons for FY 2025, based on estimates made during the FY 2024 budget process.

NBU's twenty-year water infrastructure and water supply strategies are identified in NBU's Water 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 FY 2025 WSF is estimated to provide \$3,383,023 towards the total water revenue requirement of \$43,436,716.

LINK TO STRATEGIC PLAN

Financial Excellence

EXHIBITS

1. WSF Presentation