



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting of December 1, 2020
Second Reading Ordinance for the City Council Meeting of December 8, 2020

DATE: October 16, 2020

TO: Peter Zaroni, City Manager

THRU: Steve Viera, Assistant City Manager
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FROM: Kevin Norton, Director of Water Utilities
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Ordinance adjusting treated water rates for public agency wholesale customers

CAPTION:

Ordinance amending the Code of Ordinances, Chapter 55, Utilities, Section 55-50 (a)(2)e regarding Resale Treated Water Rates to wholesale customers outside of City limits; effective January 1, 2021 with no rate increase.

PURPOSE:

To amend the Code of Ordinances for the revision of treated rates for public agency customers that are under contract for one-year rate adjustments.

BACKGROUND AND FINDINGS:

The City of Corpus Christi has treated water and/or raw water supply agreements with area public agencies including South Texas Water Authority (STWA), San Patricio Municipal Water District (SPMWD), Nueces County Water Control and Improvement District No. 4 (NCWCID#4), and the Violet Water Supply Corporation (Violet WSC). These Public Agency for Resale (PAR) customers are considered wholesale customers as they serve communities outside the city limits of Corpus Christi.

According to these agreements, the raw water cost adjustment (RWCA) as well as treated water rates will be calculated on an annual basis. The PAR customers are provided a summary of proposed rate changes and rate model to review and request additional information prior to City Council action. The PAR customers have voiced no opposition to the rate adjustments included in this ordinance.

The price to be charged for treated water sold to the noted public agencies is the published rate for water service established by this ordinance, including the PAR treated water volume rates for water delivered through City-owned facilities. These rates, effective January 1, 2021,

have decreased minimally because demand (consumption) for PAR customers is projected to increase in 2021, while the fixed costs per thousand gallons is decreasing. The result is a slight reduction in the PAR rate, but not a reduction in revenue given projected expenses and demand. The FY 2020-2021 budget includes estimates of revenues generated from the proposed rates necessary to cover existing operating costs and/or fund specific projects.

ALTERNATIVES:

N/A

FINANCIAL IMPACT:

Revenues generated from the proposed rates cover the cost of service to provide treated water to PAR customers and have been included in the FY21 Water Fund operating budget. These rates, effective January 1, 2021, have decreased minimally because demand (consumption) for PAR customers is projected to increase in 2021, while the fixed costs per thousand gallons is decreasing. The result is a slight reduction in the PAR rate, but not a reduction in revenue given projected expenses and demand. The FY 2020-2021 budget includes estimates of revenues generated from the proposed rates necessary to cover existing operating costs and/or fund specific projects.

Revenues	FY20	FY21
Raw Water -PAR customers	\$12,000,000	\$13,000,000
Treated Water – PAR customers	\$ 1,700,000	\$ 2,420,000

RECOMMENDATION:

Staff recommends approval of the Ordinance as submitted.

LIST OF SUPPORTING DOCUMENTS:

Ordinance

Exhibit A – Summary of Rate Adjustments