

MINUTES
MEETING OF THE SAN ANTONIO WATER SYSTEM
CAPITAL IMPROVEMENTS ADVISORY COMMITTEE

Wednesday, January 23, 2019

2:30 P.M.

SAN ANTONIO WATER SYSTEM
CUSTOMER CENTER
CONFERENCE ROOM #154

1. Meeting called to order

The regular meeting of the Capital Improvements Advisory Committee (CIAC) was called to order at 2:40 P.M. on Wednesday, January 23, 2019 by Dan Kossl, Chairman, Capital Improvements Advisory Committee.

Committee Members Present:

Arlene B. Fisher, District 1
Susan Wright, District 2
Debra Guerrero, District 3
Michael Cude, District 4
Michael Hogan, District 6
Brian Hughes, District 7
Amy Hardberger, District 8
Michael Moore, District 9
Dan Kossl, District 10
Stephen Colley, Mayor/ETJ

Committee Members Not Present:

Vacant, District 5

SAWS Staff Members Present:

Mike Frisbie, Chief Operating Officer
Mary Bailey, Vice President, Customer Experience & Strategy
Andrea Beymer, Vice President, Engineering & Construction
Nancy Belinsky, Vice President, General Counsel
Stacey Isenberg, Chief of Internal Audit
Keith Martin, Corporate Counsel
Tracey Lehmann, Director, Development
Cecilia Velasquez, Director, Accounting / Controller
Eric Cloudt, Director, Continuous Improvement & Innovation
Bob Johnson, Manager, Engineering

Lou Lendman, Manager, Budget
Cristina Brantley, Manager, Engineering
Mark Schnur, Senior Resource Analyst
Ben Benzaquen, Senior Financial Analyst
Jackie Kneupper, Planner III
Patrick Middleton, Planner II
Rene Gonzalez, Planner III
Darren Thompson, Director, Water Resources

Other Representatives Present:

Jennifer Ivey, Carollo Engineers
Garland Scott, SAWS Citizens Advisory Panel
Gretchen Sellard, KFW Engineers
Michelle E. Garza, San Antonio River Authority
Kevin DeAnda, Brown & Ortiz
Russell Morkovsky, CDS Muery
Jeff Pullin, City of San Antonio
Brendan Gibbons, Rivard Report
Lee Niles, Pape-Dawson
Martha Mangum, Real Estate Council of San Antonio
Alan Montemayor, San Antonio Sierra Club

2. Citizens To Be Heard

Alan Montemayor, San Antonio Sierra Club, voiced opposition to the Vista Ridge Pipeline, but if the project was to be built, encouraged the CIAC to recommend funding as much of the capital costs as possible through impact fees.

3. Approval of the minutes of the CIAC regular meeting of December 12, 2018.

Ms. Wright requested a correction to item four of the minutes from the regular meeting of December 12, 2018. The minutes will be corrected and resubmitted for approval at the regular meeting of January 30, 2019.

4. Follow up on CIAC member information requests from the regular meeting of December 12, 2018.

Mr. Lehmann presented information requested from the previous meeting, including a reconciled list of projects included in the Capital Improvements Plan.

Mr. Hogan asked for a summary of what SAWS staff had learned from the exercise of compiling the list. Ms. Beymer responded that it was a beneficial exercise for SAWS staff, specifically in analyzing whether or not certain projects were related to growth. Ms. Beymer continued that some projects were deemed non-impact fee eligible or outside the ten year study period, and were removed from the list which would affect the Maximum Impact Fee. Mr. Lehmann added that

staff learned that it needed to be more consistent with the naming conventions, and refrain from splitting projects into multiple titles.

Mr. Colley asked if a project would be able to be categorized as both C (construction) and I (included in proposed). Ms. Hardberger explained that the "C" category could have "I" designated projects embedded within the category, and projects designated as "C" were included in previous impact fee updates. Mr. Lehmann added that the "I" category denotes projects that have not been started at all, but are intended to be built within the next ten year window.

Ms. Wright commented that she would like clarification on the possible significance of the impact fees collected in the previous cycle in excess of the established CIP (approximately \$138 million more than believed necessary). Ms. Wright continued that she was trying to discern whether the projects that were included in the last impact fee calculation that were not built contributed to a significant difference in the fee structure, or if the effect is insignificant due to new projects added to the CIP within the five year period which would offset the overage. Mr. Johnson responded by using an example of a 90" sewer pipeline project being temporarily replaced with the Rilling Rd. Storage project which, would store wastewater during peak weather events. Mr. Lehmann continued that although the 90" sewer main would be taken out of the ten year planning window, ultimately it would be necessary to have the new main run to the Dos Rios Treatment Plant. The example was used to show that although projects are pushed out of the ten year planning window, the projects are not completely abandoned and will be built in the future. Mr. Hughes added to Ms. Wright question by asking if it would be possible to show the new projects added to the CIP that were not in the previous calculations which offset the projects that were not built but were included in the calculation of the previous impact fee. Mr. Lehmann responded that staff did go back and look at the board items which were approved (new projects), and looking at 2014-2017 there were multiple projects identified that had a capacity component totaling 73 million dollars' worth of projects which were constructed but not included in the 2014 impact fee calculation. Mr. Lehmann continued that there could potentially be more dollars to include, but staff did not include any projects that they had hesitations on regarding the inclusion of a growth component. Mr. Johnson reminded the CIAC that only 9% to 10% of the overall project cost estimate from 2013 was impact fee eligible.

Mr. Hughes requested that Mr. Martin confirm that the obligation under the statute is to make the best estimate with the data available at the time, and that the data will inevitably change throughout the course of the ten year planning window. Mr. Martin confirmed that this is often true, and that SAWS Master Planning Department is constantly reevaluating project priorities. Mr. Martin reminded the CIAC that, using the project reconciliation chart provided as a template, they are legally allowed to recommend to City Council that the impact fee update occur sooner than the five year time limit provided in the statute. Mr. Martin added that the statute does not indicate that a rebate or refund is allowable. Ms. Wright added that the CIAC should utilize the project reconciliation list as a tool going forward to monitor changes in the CIP, and if the changes are significant, proceed to amend the impact fee calculation. Ms. Wright continued that her intent was not to seek a credit, but to track accuracy.

Mr. Moore asked for clarification on the dramatic increase in cost in the E 19 sewer project. Ms. Beymer and Mr. Lehmann explained that an increase in the project scope, as well as a change in the method of construction, (open cut to tunneling), increased costs substantially.

Mr. Cude asked if the Expanded Carrizo project from 2014 to 2023 merged into another project or was renamed in the 2019 to 2028 supply project list. Ms. Beymer responded that the Expanded Carrizo project was outside the ten year window.

Ms. Hardberger asked if Desalination Phase 2 was excluded from the 2019 to 2028 CIP list due to being outside of the ten year window. Mr. Lehmann confirmed this to be correct. Ms. Hardberger asked how much water was supplied by Desalination Phase 2. Ms. Beymer replied that it was planned to produce 13 MGD, doubling the current capacity.

Mr. Cude asked how staff determined what portion of the Vista Ridge project would be eligible for the impact fee calculation. Mr. Lehmann responded that, of all the current water supplies, 11% will be used for the next ten year window. The capacity needed to service the remaining EDUs constitute 32% of the Vista Ridge project.

Mr. Colley asked if Desalination Phase 2 was permanently cancelled, or moved out of the planning window to be built at a later date. Mr. Lehmann confirmed that Desalination Phase 2 was not cancelled, but moved to a later date.

Mr. Hogan expressed concern over including the Vista Ridge project in the water supply component of the impact fee. Mr. Hogan explained that he believed that when the Vista Ridge project was initially described to the public, it was described as an O&M project to be funded entirely by rate revenue and not by impact fees. Mr. Martin replied that in the past many capital projects have been paid for entirely by rates. Impact fees collected on the projects are later used to reimburse the rate payer. Mr. Hughes commented that, under the enabling legislation, projects operated on the behalf of a water utility can be funded by impact fees. Ms. Hardberger commented that the rate increase accompanying Vista Ridge was not unusual, and a rate increase also accompanied the brackish desalination plant project. Mr. Hogan commented that he believed that when the Vista Ridge contract was initially constructed, no impact fees were planned to be used to fund capital. Ms. Bailey replied that the preapproved rate increases will pay the entire cost of the water, which was a stipulation necessary in order to issue future debt. Ms. Bailey continued that often projects are initially funded with debt because impact fees typically are collected over an extended period of time. The Vista Ridge project is effectively a 100% debt financed project; by including the project in the impact fee calculation SAWS is reimbursing the rate payer for what capital was initially funded by rates.

Mr. Hughes asked if there would be an adjustment in rates in the future to compensate for the collection of impact fees to fund capital. Mr. Hogan commented that he believed it would be difficult to lower future rates to compensate for the current collection of impact fees, and that he was also concerned about the wholesale of water to other entities in relation to equity among rate and impact fee payers. Mr. Hogan asked if wholesale customers pay impact fees. Ms. Bailey responded that wholesale customers do pay impact fees. Ms. Bailey continued, in regard to the wholesale of water, the only cost being rolled into the impact fee is that which is necessary for the Vista Ridge water over the next ten years of growth. The sale of any future water would not be accounted for in the impact fee calculation.

Mr. Kossel asked for clarification on what portion of the Water Supply fee Vista Ridge constitutes. Mr. Lehmann responded that it is approximately \$2,582.00, before the calculation of a rate credit.

Mr. Hogan requested that when the final impact fee calculation is presented to the CIAC, that it be shown with and without the cost of the Vista Ridge Pipeline included. Ms. Ivey commented that without the Vista Ridge project, the available water supplies would be exhausted and would

need to be replaced with a different supply project. Mr. Kossl requested that the final supply calculation be distributed to the CIAC ahead of the next meeting.

5. Deliberation, consideration of findings and possible action by the CIAC on the SAWS Maximum Impact Fee.

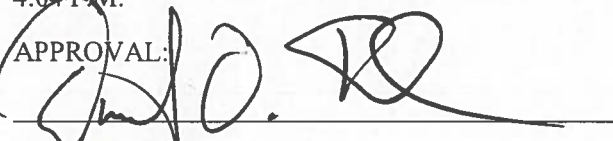
The CIAC chose to not take any action at this time.

All presentation materials can be found on the SAWS CIAC webpage:
http://www.saws.org/business_center/developer/impactfees/meetings.cfm

6. Adjournment

The committee agreed to meet on January 30, 2019 at 2:30 P.M. The meeting was adjourned at 4:04 P.M.

APPROVAL:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned over a horizontal line.

CIAC Chairman