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CAPITAL IMPROVEMENTS ADVISORY COMMITTEE DRAFT FINDINGS January 23, 2014

FINDINGS:

1. The CIAC agrees with and recommends the following proposed changes to impact fee service areas.
 - a. The San Antonio Water System is integrating the former Bexar Met Water System service areas into the SAWS water system. The revised Water Supply, Water Flow, and Water System Development impact fees will be based on the combined water service areas.
 - b. The changes from the existing water service areas to the proposed service areas are largely due to the addition of five DSP service areas totaling 174,000 acres. In addition, SAWS driven changes located in the northwest portion of the county are due to a reduction in CCN application areas. One CCN application was reduced from 15,000 acres to 49 acres and a CCN application of 21,000 acres was withdrawn completely. SAWS was also granted a CCN application area that added 8,500 acres in the northeast portion of the SAWS service area. The net change in water service area is an increase of 146,549 acres.
 - c. The changes from the current wastewater service areas to the proposed service areas are in the northwest and southeast portions of the wastewater service area. The changes in the northwest were due to reduced CCN application areas. One application was reduced from 62,000 acres to 24,000 acres and another application was reduced from 50,000 acres to 9,000 acres. The southeast area was reduced due to a CCN application area being amended from 30,000 acres to 22,000 acres. The net change in wastewater service area is a reduction of 87,000 acres.
2. The Land Use Assumptions Plan is accepted and recommended for City Council approval.
 - a. 10 year water Land Use Assumptions Plan = 95,817 EDUs
 - b. 10 year wastewater Land Use Assumptions Plan = 95,589 EDUs
3. The Capital Improvements Plan is accepted and recommended for City Council approval.
 - a. 10 year value of eligible water supply projects = \$282.4 million
 - b. 10 year value of eligible water flow projects = \$121.6 million
 - c. 10 year value of eligible water system development projects = \$74.3 million
 - d. 10 year value of eligible wastewater treatment projects = \$83.4 million
 - e. 10 year value of eligible wastewater collection projects = \$168.4 million
 - f. Total 10 year value of all impact fee eligible projects = \$730.0 million
4. Chapter 395 of the L.G.C. requires utilities to calculate a rate credit for growth related CIP to be subtracted from the calculated impact fee.

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- a. The credit is based on the amount of projected future rate revenues or taxes expected to be generated by the new development and used to pay for capital improvements identified in the CIP.
 - b. Utilities can calculate the credit and apply it to the impact fee or apply a credit equal to 50% of the calculated impact fee.
 - c. SAWS opted to calculate the rate credit.
5. The impact fees per EDU based on the different methods identified in Chapter 395 of the LGC for complying with the rate credit requirement are shown below:

	<u>50% method</u>	<u>Rate Credit</u> <u>Calculation</u>
a. Water supply impact fee =	\$1,474	\$2,652
b. Water flow impact fee =	\$634	\$1,202
c. Water System development impact fee		
i. High =	\$494	\$957
ii. Middle =	\$422	\$815
iii. Low =	\$329	\$631
d. Wastewater treatment		
i. Medio Creek =	\$729	\$1,377
ii. Dos Rios/Leon Creek =	\$407	\$766
e. Wastewater collection		
i. Medio Creek =	\$460	\$894
ii. Upper Medina =	\$827	\$1,564
iii. Lower Medina =	\$254	\$473
iv. Upper Collection =	\$1,343	\$2,570
v. Middle Collection =	\$782	\$1,491
vi. Lower Collection =	\$385	\$729

6. The CIAC accepts and recommends for City Council approval the maximum impact fees as shown below:

a. Water supply impact fee =	\$2,652
b. Water flow impact fee =	\$1,202
c. Water System development impact fee	
i. High =	\$957
ii. Middle =	\$815
iii. Low =	\$631
d. Wastewater treatment	
i. Medio Creek =	\$1,377
ii. Dos Rios/Leon Creek =	\$766
e. Wastewater collection	
i. Medio Creek =	\$894
ii. Upper Medina =	\$1,564
iii. Lower Medina =	\$473
iv. Upper Collection =	\$2,570
v. Middle Collection =	\$1,491

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vi. Lower Collection = \$729

7. Chapter 395 requires the calculation of the maximum impact fee. It does not require that the maximum impact fee be charged.
 - a. Historically, the City of San Antonio has approved charging the maximum impact fee.
 - b. Many other cities charge an impact fee that is less than the maximum impact fee.
 - c. If less than the maximum is charged the difference must be made up from another source.

8. The water supply impact fee is based on the SAWS 50 Year Water Management Plan.
 - a. The 50 Year Water Management Plan uses the drought of record as the guide to determine when projects are needed and the amount of Edwards Aquifer water that will be available based on projected pumping restrictions.
 - b. The existing water supply projects used in the calculation are the Average Existing Edwards Aquifer, Local Carrizo, Trinity-WECO, Oliver Ranch, BSR, GBRA-Western Canyon, and Medina System Surface Water.
 - c. The 2014 to 2023 projects used in the calculation are the Average New Edwards Aquifer, Regional Carrizo/SSLGC, Brackish Groundwater Desalination Phases 1 and 2, Expanded Carrizo Phases 1 and 2, and the portion of the integration line needed for the local Carrizo and Brackish Desalination projects over the next ten years. The Regional Water Project is not included in the 2014 to 2013 impact fees.
 - d. SAWS determined the total amount of Edwards Aquifer water available as the average during a repeat of a 10-year Drought of Record, or similar conditions. This total amount was calculated to be 215,477 AF (or 614,109 EDUs) for its existing Edwards supply, and 7,106 AF (or 20,253 EDUs) for its future Edwards supply. Of this total 222,583 AF (or 634,362 EDUs), 210,157 AF (or 598,948 EDUs) was used for existing customers, while 8,642 AF (or 24,629 EDUs) was used for customers 2014-2023. The remaining 3,784 AF (or 10,785 EDUs) was used for customers beyond the year 2023.
 - e. The impact of the integration of the former Bexar Met Water System water supplies into SAWS water supplies is an increase of \$472 to the Water Supply impact fee.

9. The methods used to determine the value of the existing infrastructure has evolved further to provide a more accurate valuation.
 - a. Compared to the 2011 update, existing infrastructure values for Water Flow and System Development infrastructure are lower, and values for Wastewater Collection and Wastewater Treatment infrastructure are higher
 - b. Large wastewater projects undertaken since 2011 have increased Wastewater Collection values (e.g. Medina River Sewer Outfall, C-33 Broadway Corridor, and C-01 Central Watershed Sewer Relief Line). Large wastewater collection projects have also increased in construction costs. Bids are coming in higher than the original cost estimate used in the 2011 impact fee study. The percent increase of estimated to actual costs for several projects ranges from 8% to 55%. Therefore

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all cost estimates for the wastewater collection impact fee projects expected to be constructed in the next 10 years were adjusted to reflect recent bids.

- c. More precise allocations of Construction Work-in-Progress (CWIP) capital projects also contributed to higher valuation of existing wastewater related infrastructure.
- d. In the 2011 update, the value of the existing wastewater collection infrastructure was based on the diameter and length. Additionally, SAWS assumed the growth between year 2011 and year 2020 would use 10% of any available capacity in the system. This 10% was applied to the equity for each of the six wastewater collection impact fee areas.
- e. In the 2014 update, the value of the existing collection infrastructure was provided by Finance. Master Planning proportionately assigned the values by impact fee area using diameter and length. This did not change from the 2011 study. However, the capacity used in the system for each pipe was determined using the wastewater hydraulic model. The total capacity for each impact area was calculated and then the percent used by each service area over the next 10 years was calculated using the change in EDUs from the 2014 LUAP. The percent of available capacity used by the 10 year EDU projection for each impact fee area ranged from 8% to 28%. These percentages were applied to the value of the equity in each service area. The value of infrastructure that crossed service areas was proportionately assigned to the respective service areas using the diameter and length of pipe in each service area. The upper impact fee service areas paid for their proportionate use of available capacity in downstream infrastructure over the 10 year period. This caused the value of existing capacity used to increase from the 2011 study.
- f. For wastewater treatment, the 2014 LUAP population projections for the next 10 years were applied at a rate of 90 gallons per capita per day (gpcd) to calculate the 10 year capacity. The 90 gpcd rate equates to 207 gallons per EDU (gal/EDU), which is less than the 2011 value of 240 gal/EDU. The ratio of the 10 year capacity over the total capacity of the Water Recycling Centers was applied to the known value of the existing WRCs to determine the value of the eligible equity in the impact fees.
- g. Many of the treatment projects from the 2011 impact fee study have been completed and the value moved to equity, thereby increasing the value of available capacity. The cost of new projects has increased slightly and the available new capacity has been reduced. The net impact of these variables is an overall increase in the Treatment impact fee.
- h. Corrections made to underlying assumptions used in 2011 have contributed to changes in the valuation of Water Flow and System Development infrastructure such as:
 - i. Exclusion of meters and services infrastructure values.
 - ii. Distance of transmission pipelines no longer influenced by Aquifer Storage & Recovery (ASR) pipeline distance.
 - iii. Impact Fee credits no longer included in infrastructure valuation.

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10. Chapter 395 of the L.G.C. allows for financing costs to be included in the calculation of impact fees.
 - a. Financing costs for existing projects were included in the impact fee calculations.
 - b. Financing costs for future projects were not included since SAWS reserves the option to fund growth projects with cash.
 - c. Financing costs for existing and future projects were not included in the water supply impact fee calculation.

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	LUAP (EDUs)		Eligible CIP (\$)		Impact Fee (\$/EDU)	
	<u>2011</u>	<u>2014</u>	<u>2011</u>	<u>2014</u>	<u>2011</u>	<u>2014</u>
Water Supply	80,343	95,817	\$ 115,660,971	\$ 282,399,631	\$ 1,297	\$ 2,652
Water Flow	80,343	95,817	\$ 107,071,131	\$ 121,552,414	\$ 1,247	\$ 1,202
Water System Development (total)	<u>80,343</u>	<u>95,817</u>	<u>\$ 64,278,453</u>	<u>\$ 74,267,379</u>		
High Elevation	18,818	8,783	\$ 18,749,685	\$ 8,675,405	\$ 966	\$ 957
Middle Elevation	41,501	45,265	\$ 33,332,491	\$ 38,147,533	\$ 774	\$ 815
Low Elevation	20,024	41,769	\$ 12,196,277	\$ 27,444,441	\$ 579	\$ 631
Wastewater Treatment (total)	<u>107,075</u>	<u>95,589</u>	<u>\$ 77,766,825</u>	<u>\$ 83,421,345</u>		
Medio Creek	17,234	8,838	\$ 25,542,728	\$ 12,881,809	\$ 1,379	\$ 1,377
Leon/Dos Rios Creeks	89,841	86,751	\$ 52,224,097	\$ 70,539,536	\$ 552	\$ 766
Wastewater Collection (total)	<u>107,075</u>	<u>95,589</u>	<u>\$ 139,872,333</u>	<u>\$ 168,393,241</u>		
Medio Creek	17,234	8,838	\$ 10,285,377	\$ 8,118,776	\$ 582	\$ 894
Upper Medina	14,224	18,744	\$ 6,705,155	\$ 21,485,284	\$ 1,053	\$ 1,564
Lower Medina	1,721	3,762	\$ 9,597,499	\$ 11,416,547	\$ 594	\$ 473
Upper Collection	50,727	35,689	\$ 34,328,678	\$ 40,007,056	\$ 1,795	\$ 2,570
Middle Collection	7,207	12,048	\$ 36,197,660	\$ 37,974,752	\$ 1,142	\$ 1,491
Lower Collection	15,962	16,508	\$ 42,757,964	\$ 49,390,827	\$ 552	\$ 729
Total			\$ 504,649,713	\$ 730,034,009		

Notes:

1. 2011 = Final Approved 2011 to 2020 impact fee program
2. 2014 = Draft Proposed to date 2014 to 2023 impact fee program
3. 2011 figures do not include BexarMet data.