

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

Wednesday, November 28, 2018

9:00 A.M.

SAN ANTONIO WATER SYSTEM
CUSTOMER CENTER
CONFERENCE ROOM C-154

1. Meeting called to order

The regular meeting of the Capital Improvements Advisory Committee (CIAC) was called to order at 9:05 A.M. on Wednesday, November 28, 2018 by Mike Hogan, acting 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
Stephen Colley, Mayor/ETJ

Committee Members Not Present:

Vacant, District 5
Dan Kossel, District 10

SAWS Staff Members Present:

Mary Bailey, Vice President, Customer Experience & Strategy
Andrea Beymer, Vice President, Engineering & Construction
Nancy Belinsky, Vice President, General Counsel
Doug Evanson, Senior Vice President, Chief Financial Officer
Gavino Ramos, Vice President, Communications & External Affairs
Stacey Isenberg, Chief of Internal Audit
Keith Martin, Corporate Counsel
Sam Mills, Director, Special Projects
Tracey Lehmann, Director, Development
Eric Cloudt, Director, Continuous Improvement & Innovation

Bob Johnson, Manager, Engineering
Lou Lendman, Manager, Budget
Mark Schnur, Senior Resource Analyst
Ben Benzaquen, Senior Financial Analyst
Jackie Kneupper, Planner III
Patrick Middleton, Planner II
Antonio Ramsey, Internal Auditor
Cecilia Velasquez, Director, Accounting / Controller
Rene Gonzalez, Planner III
Therese Kenner-Chavez, Intergovernmental & External Relations Coordinator
Byron Gipson, Intergovernmental & External Relations Coordinator

Other Representatives Present:

Jennifer Ivey, Carollo Engineers
Lee Marolowe, San Antonio River Authority
Morris Harris, City of San Antonio
Allison Cohen, San Antonio Apartment Association
Lee Niles, Pape-Dawson
Jim Koenig, North Chamber & Westwood
Martha Mangum, Real Estate Council of San Antonio
Jeremy Williams, Embrey
Hector Morales, San Antonio Apartment Association

2. Citizens To Be Heard

There were no citizens to be heard.

3. Approval of the minutes of the CIAC regular meeting of October 3, 2018.

The committee approved the minutes of the October 3, 2018 regular meeting.

4. Follow up on CIAC member information requests from the regular meeting of October 3, 2018.

Eric Cloudt, Director, Continuous Improvements and Innovation, delivered a presentation on what SAWS rates would approximate without the inclusion of an impact fee. Mr. Hogan asked if staff had any doubts or issues with the assumptions used in the exercise. Mr. Cloudt confirmed that he believed the financial model used, (the same model used to project rates and rate requirements for SAWS normal course of business), to predict the rates was comprehensive and accurate. Mr. Cloudt added that he believed the estimated rate increase to be conservative. Mr. Hogan asked if the normal debt coverage ratio used by SAWS was 1.5. Mr. Evanson, CFO, responded that the debt coverage ratio ranged from 1.7 to 1.75, in keeping with metrics provided by rating agencies to maintain the AA bond rating. Mr. Hughes asked for clarification on the 116 million dollar figure in Mr. Cloudt's presentation. Mr. Cloudt explained that this figure represented money which was recouped from projects which were funded by other monies due to being built ahead of schedule. Ms. Bailey added that it also represented the portion of the impact fee which is used to refund equity. Mr. Hughes asked if the fundamental function of the impact fee was to reduce the capital budget. Ms. Bailey responded that, partially, yes. It is also used to recover the cost of infrastructure that has already

been built but is still available for growth. Essentially, having the new customer pay their share of infrastructure which is either in place now, or will be in place in the future to serve them.

Ms. Bailey, Vice President, Customer Experience and Strategy, presented on financial details of the Vista Ridge Pipeline project. Ms. Hardberger asked for clarification on which portions of the pipeline cost would change over time. Ms. Bailey responded that the O&M and electricity costs would change over time. Mr. Hughes asked for specifics on the water rights at the end of the 30 year contract with the Vista Ridge project company. Ms. Bailey explained that at the end of the thirty year period, SAWS will deal directly with Blue Water to negotiate contracts with the lease holders in the Carrizo Aquifer for an additional thirty years. Ms. Hardberger asked how long the lease terms were for the water rights. Ms. Belinsky answered that lease terms and permit terms have separate timelines. Ms. Belinsky continued that the lease terms are for as long as there is production, but she was unsure of the exact terms of the permits. Ms. Belinsky continued that the permit renewal would need to take place at some point during the thirty year contract with Blue Water.

Mr. Hughes asked if the rate payer would see a reduction in rates by the amount that is collected in the impact fee for the Vista Ridge Pipeline. Ms. Bailey replied that the rate would not be reduced, however the recoupment of funds used for future capital will help to reduce rate increases in the future.

Mr. Hogan asked if Vista Ridge would qualify as “offsite water distribution”, which is prohibited in Chapter 395 of the TLGC. Mr. Hogan continued that the Vista Ridge project boundaries lie outside of SAWS CCN. Mr. Martin, SAWS Corporate Counsel, responded that SAWS is not necessarily limited to the CCN for the source of water, and the water pumped by the Vista Ridge project would be used to service customers within the SAWS service area.

Mr. Hughes commented that he believed that there should be further discounting in the water supply funding of Vista Ridge, as he believed the structure of the contract caused impact fee payers to pay an undue share of the project. Mr. Mills commented that the impact fees only included a portion of the Vista Ridge total cost; only that amount which is needed to support the 142,000 new customers (approximately 330 million dollars). Ms. Bailey added that the future interest is not included in the current impact fee, however this will be reevaluated in the next impact fee update. Mr. Hughes asked if existing debt was included in the impact fee calculation. Ms. Ivey confirmed that interest on existing debt has been included in the equity portion of the calculation in previous impact fees.

5. Briefing and deliberation on updates to components of the SAWS Capital Improvements Impact Fee.

Mr. Lehmann presented on updates to components of the SAWS Capital Improvements Impact Fee including the final CIP project list and total dollar amount of future CIP over the next ten years.

6. Briefing and deliberation on financing costs and rate credit for the SAWS Capital Improvements Impact Fee.

Mr. Lehmann and Ms. Ivey presented on the financing cost and rate credit associated with the SAWS Maximum Impact Fee.

Mr. Hogan commented that the CIP lists provided by SAWS staff are inconsistent. Mr. Hogan requested a side by side list which shows project status from the 2014 CIP alongside the 2018 CIP. Ms. Wright commented that it is essential for SAWS staff to show the CIAC how the CIP project list has changed since the previous impact fee update, so that the CIAC is allowed a consistent method to evaluate the update. Ms. Beymer suggested a reconciled list of SAWS CIP from 2014 to what is being proposed presently, notating the projects which are still outstanding. SAWS staff will work to provide an updated CIP list to the CIAC. Ms. Wright requested the 2019 Land Use Assumptions Plan. Ms. Beymer replied that it will be provided to the CIAC by the end of the week.

7. Briefing and deliberation on the SAWS Maximum Impact Fee.

Ms. Ivey presented the SAWS Maximum Impact Fee including the financing cost and rate credit. The presentation included a map of the impact fees by service area and comparisons to impact fees of other municipalities locally and nationally.

8. Briefing and deliberation and possible action on CIAC findings regarding the SAWS Maximum Impact Fee.

The CIAC chose not to proceed with findings until the subsequent meeting.

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

9. Adjournment

The committee agreed to meet on December 12, 2018. The meeting was adjourned at 10:56 A.M.

APPROVAL:



CIAC Chairman

Acting