

MINUTES
MEETING OF THE SAN ANTONIO WATER SYSTEM
CAPITAL IMPROVEMENTS ADVISORY COMMITTEE
Thursday, December 19, 2013
9:00 A.M.

SAN ANTONIO WATER SYSTEM
ADMINISTRATION BUILDING
EXECUTIVE CONFERENCE ROOM

1. Meeting called to order.

The regular meeting of the Capital Improvements Advisory Committee (CIAC) was called to order at 9:08 a.m. on Thursday, December 19, 2013 by Dan Kossl, Chairman, Capital Improvements Advisory Committee.

Committee Members Present:

Arlene Fisher, District 1
Michael Cude, District 4
Michael Martinez, District 5
Michael Hogan, District 6
Robert Hahn, District 7
Mark Johnson, District 8
James Garcia, District 9
Dan Kossl, District 10
Amy Hardberger, Mayor/ETJ

Committee Members Not Present:

Susan Wright, District 2
Norm Dugas, District 3

SAWS Staff Members Present:

Sam Mills, Director, Engineering
Kathleen Price, Manager, Engineering
Jorge Monserrate, Manager, Engineering
Keith Martin, Corporate Counsel
Lou Lendman, Finance
Carlos Mendoza, Finance
Tracey Lehmann, Engineering
Mark Schnur, Planner IV
Felipe Martinez, Planner II
Darren Thompson, Director, Water Resources

Other Representatives Present:

Jennifer Ivey, Red Oak/Arcadis

Carl Bain, Bain Medina Bain

Morris Harris, COSA

Alfred Chang, COSA

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 December 5, 2013.

The committee approved the minutes from the December 5, 2013 meeting.

Mr. Mills opened the meeting by presenting a summary table of the LUAP, CIP, and Maximum Impact Fees, comparing the values for each component for 2011 and 2014. The committee asked about a comparison of the 2014 fees with other Texas cities, and Mr. Mills noted that SAWS has always charged the maximum impact fees with a rate credit, while many other cities have charged 50% of the maximum impact fees. Mr. Mills stated that SAWS was able to calculate the rate credit, and that development pays its fair share to help keep water and sewer rates low. The committee asked to see a comparison with other Texas cities.

4. Briefing and deliberation on SAWS Water System Development Capital Improvements Projects.

Ms. Ivey presented the impact fee formula, assumptions, the detailed calculation of capacity, demand, capital costs, and financing costs for the System Development High Elevation high service and booster pumps as an example for the entire System Development impact fee calculation. The detailed calculations for all system development infrastructure was not presented in the interest of time, but is available in the presentation. The summary tables for each system development infrastructure component were presented. Mr. Kossl asked how the max hour peaking factor was derived, and Mr. Mills responded that it comes from production and pumping data. Mr. Garcia asked about the elevation range in the high elevation service area, and Mr. Hogan asked about a map of SAWS pressure zones. Staff will supply a map of the pressure zones to the committee members. Mr. Hogan asked why the firm capacity for each pump station excludes the largest capacity pump, and Ms. Ivey replied that this is a conservative measure to guarantee firm capacity in the event that the largest pump is out of service. Mr. Monserrate mentioned that this is also in compliance with TCEQ regulations. Mr. Garcia asked if the starting point for the water infrastructure is the 2008 Master Plan, and staff confirmed this. Mr. Cude asked about the DSP infrastructure in Stone Oak, and Mr. Mills replied that it is all in the Middle Elevation service area.

Mr. Garcia asked about the cost of debt, and Ms. Ivey replied that the cost of debt is included for existing infrastructure, but not for future infrastructure since the exact amount is not known. Ms. Hardberger confirmed that there is no interest for future CIP. Mr. Hogan asked staff to walk through the impact of the DSP on the SAWS system in detail at a future meeting, including the equity value and rate credit. After some discussion to confirm the nature of this presentation, staff agreed to present this to the committee at the next meeting, including a list of assumptions that changed between 2011 and 2014. Mr. Martin read the statutory definition of rate credit from Chapter 395. Mr. Lendman stated that SAWS did refinance some DSP debt, and that DSP is a much better debt risk after being acquired by SAWS. Ms. Price stated that SAWS connected DSP to its system to address TCEQ violations for capacity issues, and Mr. Mills added that the water supply impact fees are the biggest driver for the impact fee increases in the DSP service areas. Mr. Hogan summarized his request to quantify the impact of DSP on the impact fees.

5. Briefing and deliberation on SAWS Water Flow Capital Improvements Projects.

Ms. Ivey continued her presentation, presenting the Flow calculations in detail. There were no questions on this.

6. Briefing and deliberation on SAWS Capital Improvement Impact Fees.

Ms. Ivey completed her presentation on SAWS Water Supply, Treatment, and Collection impact fees, and used the Flow rate credit as an example rate credit calculation. Mr. Hogan asked what the biggest drivers in the wastewater increase were, and Mr. Mills replied that the increased construction costs and better data to analyze capacity in the wastewater model contributed to the increased wastewater impact fees. Mr. Hogan left the meeting at 10:15 a.m. Mr. Kossl asked why the rate credit option is allowed in Chapter 395, and Mr. Martin replied that it benefits cities that have tax revenue that fund their utilities. SAWS receives no tax dollars for revenues. Utilities that do receive tax revenue may find it easier to use the 50% reduction in maximum impact fees easier to calculate than the rate credit. This is also an incentive for utilities to calculate the rate credit. Mr. Kossl asked about the percentage of the water supply fee attributable to DSP, and staff agreed to analyze this.

Mr. Schnur presented the Maximum Impact Fees, including the rate credit. He showed a table with the changes in fees from the 2011 update, and the amount and percentage of change from 2011 to 2014. He also showed tables and maps of the changes by water, including DSP, and wastewater, and a combined water and wastewater map of impact fees that a new customer will pay.

7. Adjournment

The committee tentatively agreed to meet on January 9th, 2014 at 9:00 a.m., pending an e-mail survey to confirm attendance. Mr. Kossl stated that is important to have a full committee to continue discussion on the impact fees. Staff will respond to the committee's requests as noted above. Mr. Kossl asked staff to start drafting findings, and specifically address impact fees that have increased more than 25%. The meeting was adjourned at 11:43 a.m.

APPROVAL:

CIAC Chairman