

MINUTES
MEETING OF THE SAN ANTONIO WATER SYSTEM
CAPITAL IMPROVEMENTS ADVISORY COMMITTEE
Thursday, February 13, 2014
9:00 A.M.

SAN ANTONIO WATER SYSTEM
CUSTOMER CENTER
ROOM 145

1. Meeting called to order.

The regular meeting of the Capital Improvements Advisory Committee (CIAC) was called to order at 9:10 a.m. on Thursday, February 13, 2014 by Dan Kossl, Chairman, Capital Improvements Advisory Committee.

Committee Members Present:

Arlene Fisher, District 1
Susan Wright, District 2
Norm Dugas, District 3
Michael Cude, District 4
Michael Martinez, District 5
Michael Hogan, District 6
Mark Johnson, District 8
James Garcia, District 9
Dan Kossl, District 10
Amy Hardberger, Mayor/ETJ

Committee Members Not Present:

Robert Hahn, District 7

SAWS Staff Members Present:

Sam Mills, Director, Engineering
Tracey Lehmann, Manager, Engineering
Jorge Monserrate, Interim Manager, Engineering
Keith Martin, Corporate Counsel
Lou Lendman, Finance
Carlos Mendoza, Finance
Mark Schnur, Planner IV
Felipe Martinez, Planner II
Darren Thompson, Director, Water Resources
Adam Connor, Water Resources
Rene Gonzales, Water Resources
Greg Flores, Vice President, Public Affairs

Dan Crowley, Director, Innovation and Efficiency

Other Representatives Present:

Carl Bain, Bain Medina Bain

Morris Harris, COSA

Alfred Chang, COSA

Pam Monroe, COSA

Marion Gee, COSA

2. Citizens To Be Heard

There were no citizens to be heard.

3. Approval of the minutes of the CIAC regular meeting of January 23, 2014.

The committee approved the minutes from the January 23, 2014 meeting.

4. Briefing and deliberation on SAWS Land Use Assumptions Plan.

Mr. Mills opened the meeting by informing the committee that SAWS had announced that the utility would not be moving forward with the Regional Water Project, as announced in the media. Mr. Thompson stated that SAWS staff is recommending to the SAWS Board that the Regional Water Supply proposals received from the SAWS Request for Confidential Sealed Proposals (RFCSP) not be considered any further and that SAWS work toward further expanding the Brackish Water Desalination project as a means of increasing SAWS water supplies. Mr. Mills stated that since the Regional Water Supply project itself was not part of the impact fee calculation, and that the costs for the Brackish Water Desalination expansion are not yet defined, there would be no impact on the current water supply impact fee calculations. Rene Gonzales stated that the updated TAZ model will not be approved by the March/April timeframe. He also stated there could be as many as three different scenarios they will chose from. Mr. Kossel asked if staff can acquire the new TAZ projections. Mr. Gonzales replied that the AACOG is considering three different scenarios, and Mr. Mills added that it takes four weeks to turn the data into a new LUAP, so the information would not be useful to the committee in time.

After discussion about the growth rate assumptions used for the current land use assumptions plans (LUAP) being considered, both Water and Wastewater LUAP's were approved by unanimous vote.

The committee discussed the impact of integrating the DSP with SAWS on the new impact fee calculations at length. Mr. Garcia stated that he thought that the impact fee amounts should not be affected by the City's decision to allow SAWS to assume the DSP. He asked why assumption of the DSP is necessarily a

justification to increase the impact fee? Ms. Hardberger stated that the principle of people having to pay for what they benefit from does not change from the integration of the DSP; developers will still be building in the DSP areas to meet new demand and will require new water and wastewater service as will those building in SAWS areas. The impact fees assessed for providing service to all SAWS and DSP areas should reflect the cost. Water is becoming more and more expensive to acquire and provide across-the-board.

5. Deliberation and Recommendations on Capital Improvements Advisory Committee Findings on SAWS Water Delivery Capital Improvements Plan.

The committee did not discuss this item as written.

6. Deliberation and Recommendations on Capital Improvements Advisory Committee Findings on SAWS Wastewater Capital Improvements Plan.

The committee did not discuss this item as written.

7. Deliberation and Recommendations on Capital Improvements Advisory Committee Findings on SAWS Water Supply Capital Improvements Plan.

Mr. Dugas stated it is unfair to place 100% of the water supply infrastructure costs on new development. Additionally, he asked why does new development have to pay the capital costs for the most expensive water? New water supplies benefit the entire community. Mr. Dugas suggested that the water supply impact fee be calculated as follows:

\$792 million: All Water Supply Capital Funding from previous years
(2001 to June 2013)

Plus

\$282.0 million: 10-Year projected Water Supply CIP
= \$1.074 billion

Divided by the following sum:

381,644 existing Acre Feet (AF))

Plus

33,620 10-Year projected AF
= 414,264 AF

Resulting in a rounded cost per AF of \$2,592. This divided by the 2.85 EDUs per acre foot equals an impact fee of \$909.

Mr. Dugas suggested other ways of calculating the water supply impact fee all with the intention of spreading the cost of new water supplies to the entire

community and not just allocating those costs on new development. Mr. Martin reminded the committee that by statute all calculations performed by staff will show the Maximum Impact Fee. He further clarified that this would be the ceiling and that the committee could recommend an impact up fee up to the Maximum. Ms. Wright expressed some concern that staff has always presented the Maximum Impact Fee to the SAWS board. She wants to ensure that the committee's recommendation would be supported by staff. Mr. Garcia recommended that staff show the minimum and the maximum impact fee in comparison to the committee recommendation.

Mr. Mills reiterated that the impact fee study effort thus far has been to calculate the maximum possible impact fee, and that the committee certainly may recommend a lower fee, if they wish.

8. Deliberation and Recommendations on Capital Improvements Advisory Committee Findings on SAWS Impact Fees.

The committee discussed the timing of CIAC recommendations, Board of Trustees action and Council consideration of the proposed new impact fees

Mr. Mills stated that the current schedule assumed final CIAC recommendations to be completed in time for use by the Board for action on March 4; if necessary, he added Board action could wait until the next Board meeting on April 1 which would still allow time for City Council action by the end of May in time for approval of the required impact fee update need by June.

After a discussion, the committee agreed to work toward completing their findings and recommendation at the next meeting scheduled for 20 Feb 2013 to try to support Board action in March; because of various scheduling conflicts among the members, it may be necessary to extend CIAC deliberations into March and work toward supporting Board action in April.

To assist in developing the committee's recommendations, Mr. Dugas asked for information about the effect of impact fee changes on SAWS regular rates; he asked how much revenue a one percent increase in rates would generate.

In response to Mr. Dugas, Mr. Lendman (Finance Department) stated that a one percent rate increase would be needed to generate \$45 million in resources annually. Mr. Lendman later asked after the meeting to clarify his statement as follows: a 1% rate increase would be needed to generate the debt service necessary to support \$45 million in debt to support new infrastructure; a 1% increase in rates does not generate \$45 million by itself.

9. Adjournment

The meeting was adjourned at 11:15 a.m.

APPROVAL:

CIAC Chairman