

San Antonio Water System

Water and Wastewater Impact
Fee Update

Capital Improvements Plan and
Proposed Impact Fees

October 13, 2010



Overview

**Land Use Assumptions
Review**

Capital Improvement Plan

Draft Impact Fees

- Maximum Calculated Impact Fees
- Rate Credit

Background

- Impact fees are a one-time payment made by new development at time of connection
- Impact fees facilitate growth by funding system expansions
- Impact fees are assessed by many utilities in Texas, including several of the largest:
 - Houston
 - Austin
 - El Paso
 - Fort Worth
 - Arlington
- SAWS has been charging impact fees since 1990

Background (Cont.)

- Impact fees are designed to recover the cost of capital improvements needed to serve new development
 - Costs allowed by State law include:
 - Construction contract price
 - Surveying and engineering fees
 - Land acquisition costs
 - Interest charges on bonds payable only by impact fee proceeds to finance construction
 - Must be based on adopted Land Use Assumptions Plan and adopted Capital Improvements Plan

Impact Fee Review Process

Basic Concepts

- Existing customers do not subsidize new customers
- New customers do not subsidize existing customers
- Texas Local Gov't Code 395 mandates that:
 - Impact fees pay for capital costs only
 - All other costs are covered by rates and service fees
- Projections of demand are based on adopted population projections and utility demand historical experience
- Demand is projected assuming typical weather years

Impact Fee Review Process

Basic Concepts (Continued)

- Existing customers do not subsidize new customers
 - The value of existing infrastructure with capacity available to serve projected new development from 2010 to 2020 is included in impact fee calculations
 - Future water delivery and wastewater projects (excluding water supply projects) designed to serve new development will be funded with cash from impact fees when available

Capital Improvements Plan (CIP) Financial Assumptions

- Existing Infrastructure
 - 35% cash funded
 - 65% debt funded
 - Interest expense is included in impact fee
- Water Delivery Future CIP – cash funded
- Water Supply Future CIP – debt funded (interest not included)
- Wastewater Future CIP
 - MRSO – debt funded (interest not included)
 - All other projects – cash funded

Types of Impact Fees

Water Flow



Water System Development



Water Supply



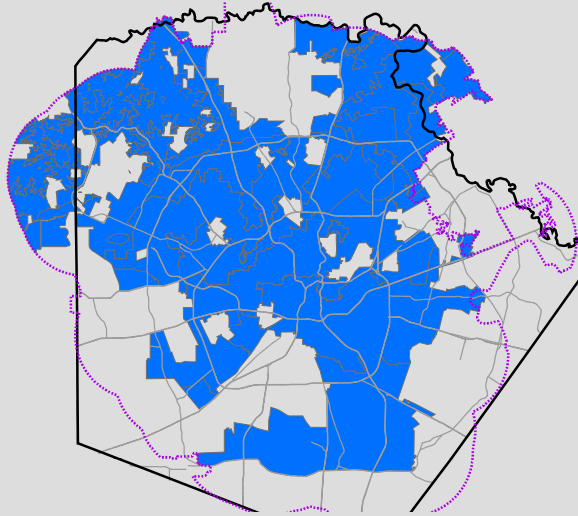
Wastewater Collection




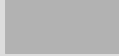



Wastewater Treatment

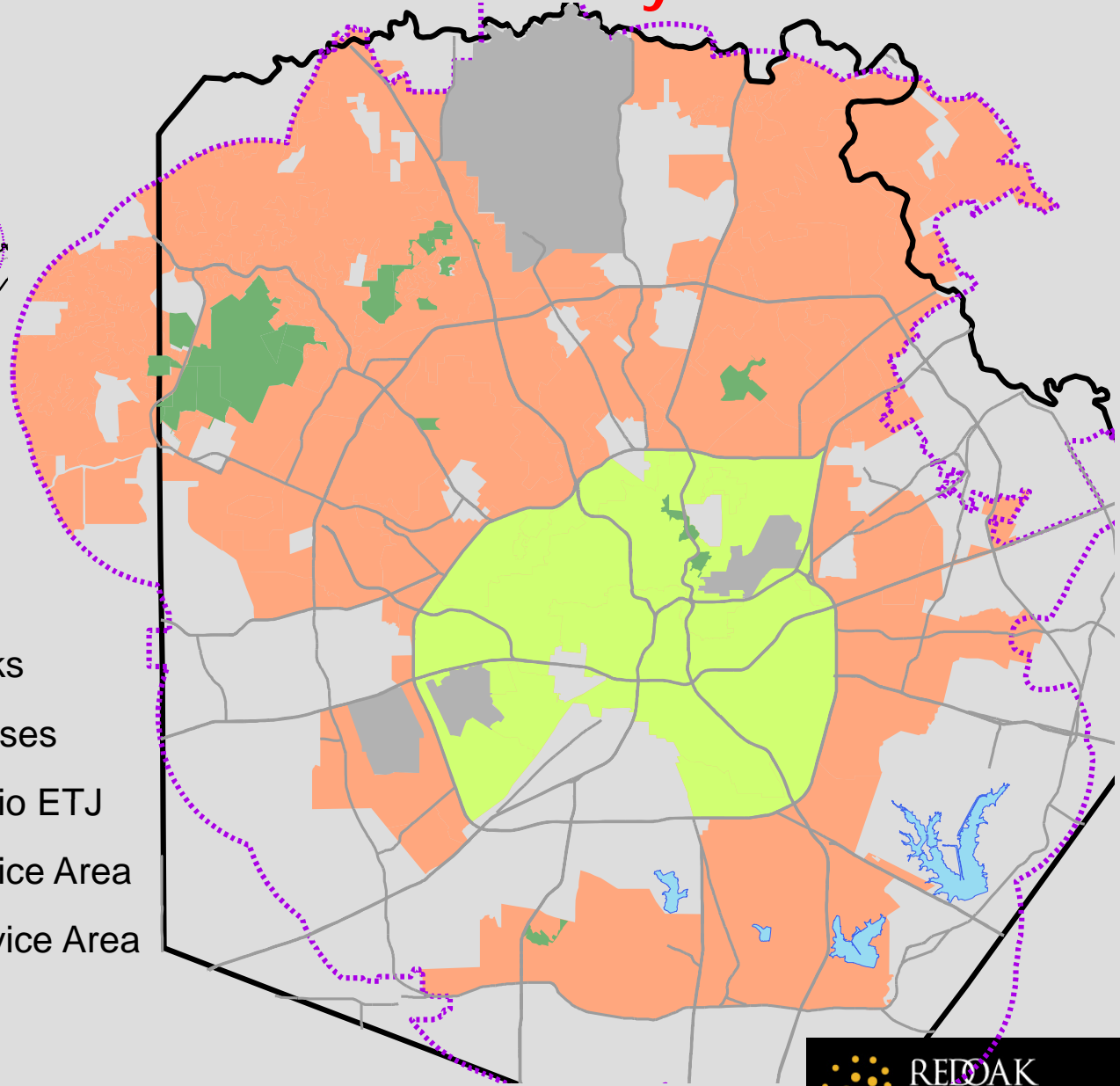


Service Areas: Water Delivery - Flow

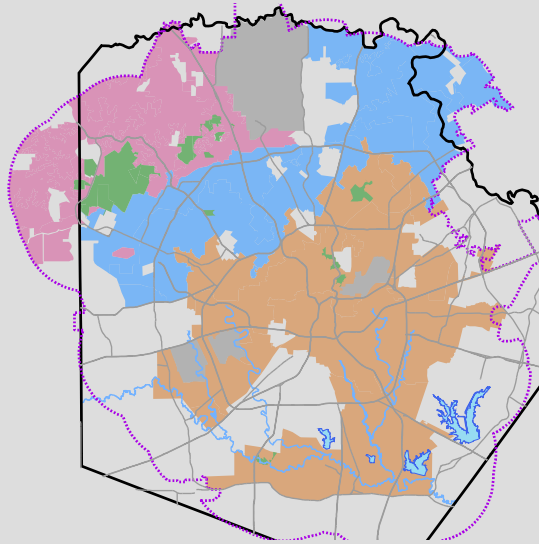


Existing







-  Major Parks
-  Military Bases
-  San Antonio ETJ
-  Inner Service Area
-  Outer Service Area

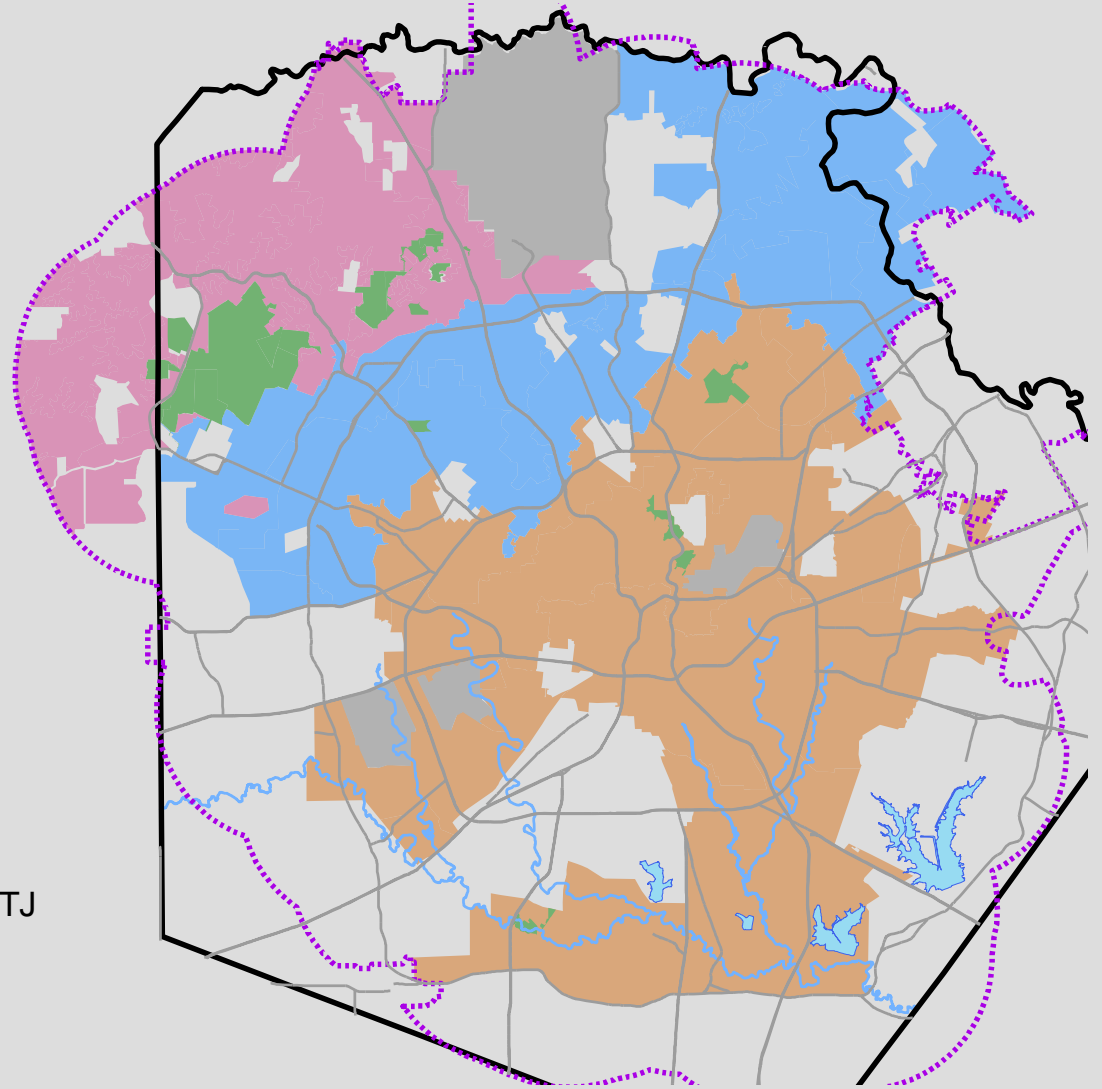


Service Areas: Water Delivery – System Development

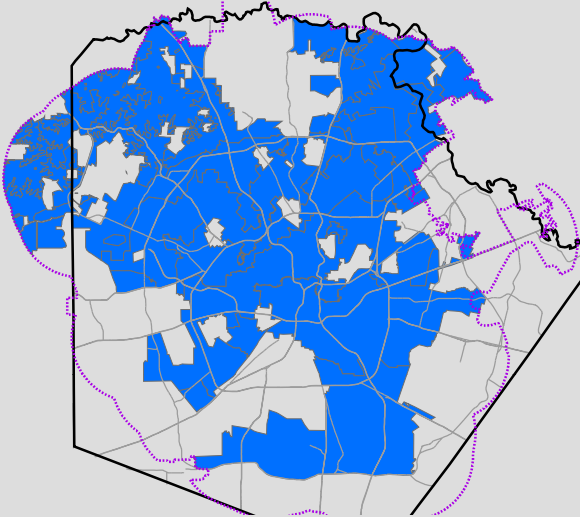


Existing

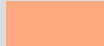



-  High
-  Middle
-  Low
-  San Antonio ETJ
-  Military Bases
-  Major Parks

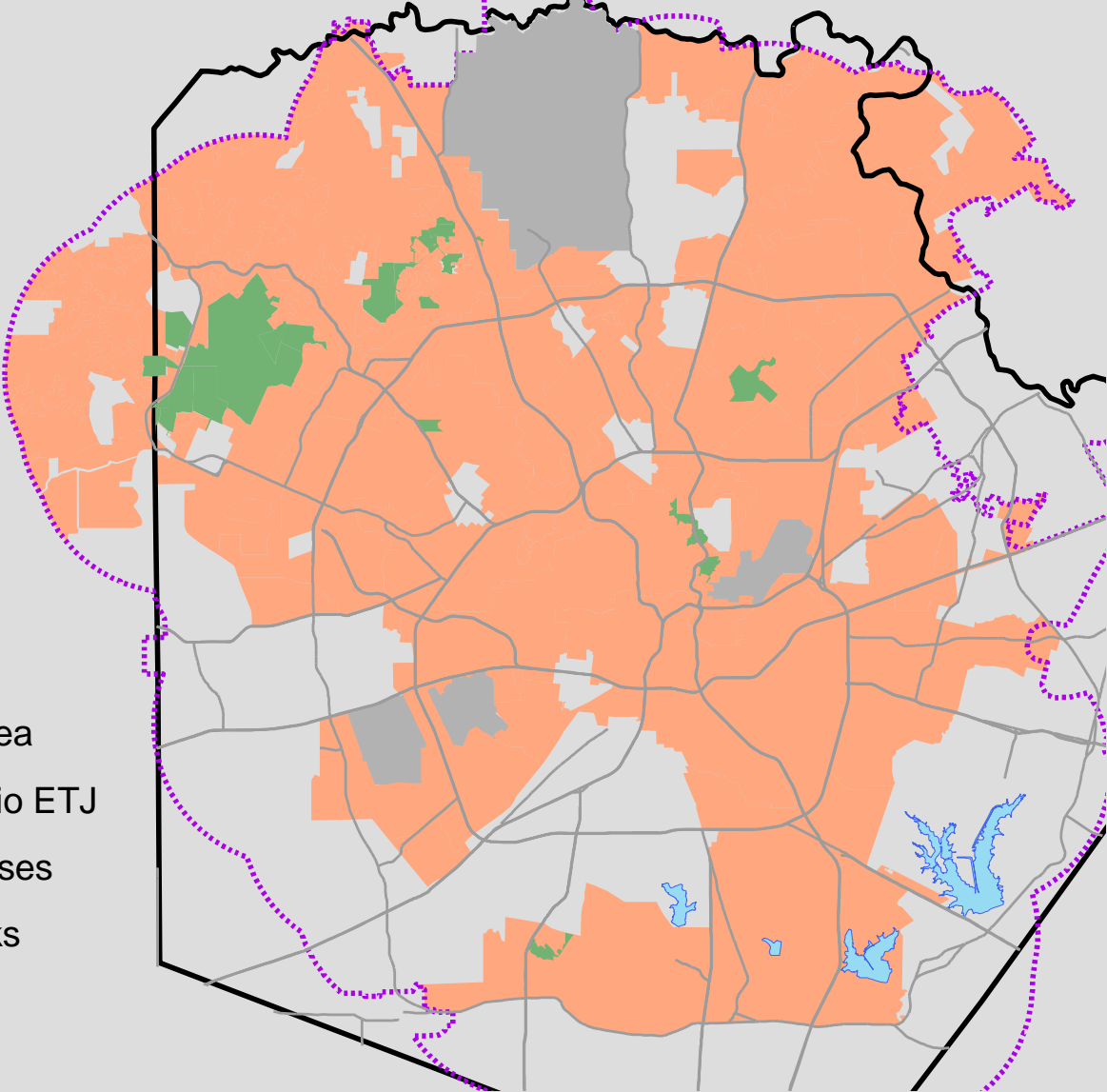


Service Areas: Water Supply

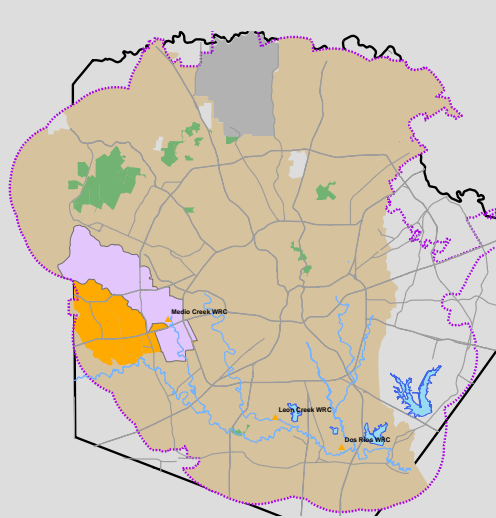


Existing




-  Service Area
-  San Antonio ETJ
-  Military Bases
-  Major Parks

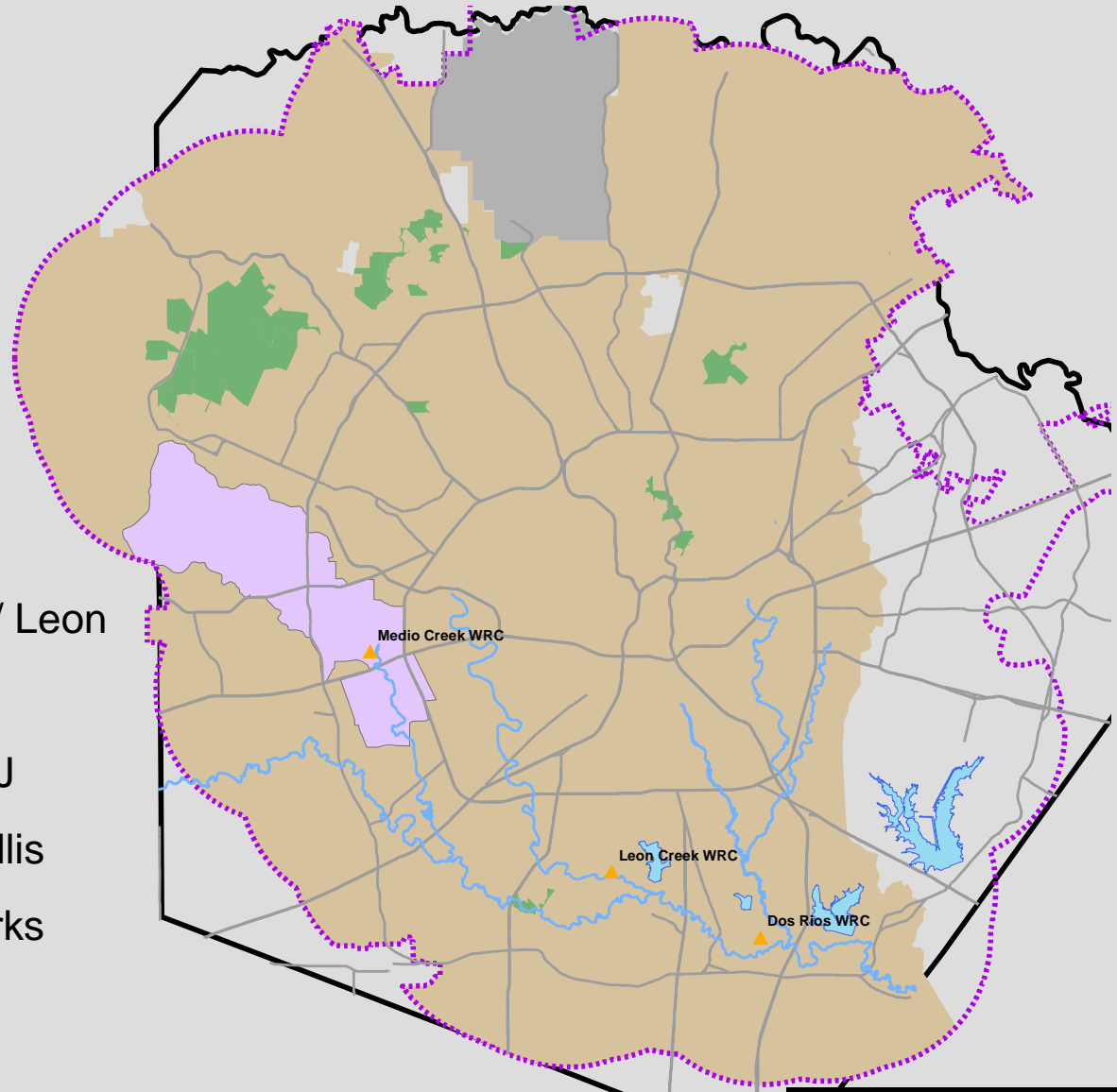


Service Areas: Wastewater Treatment

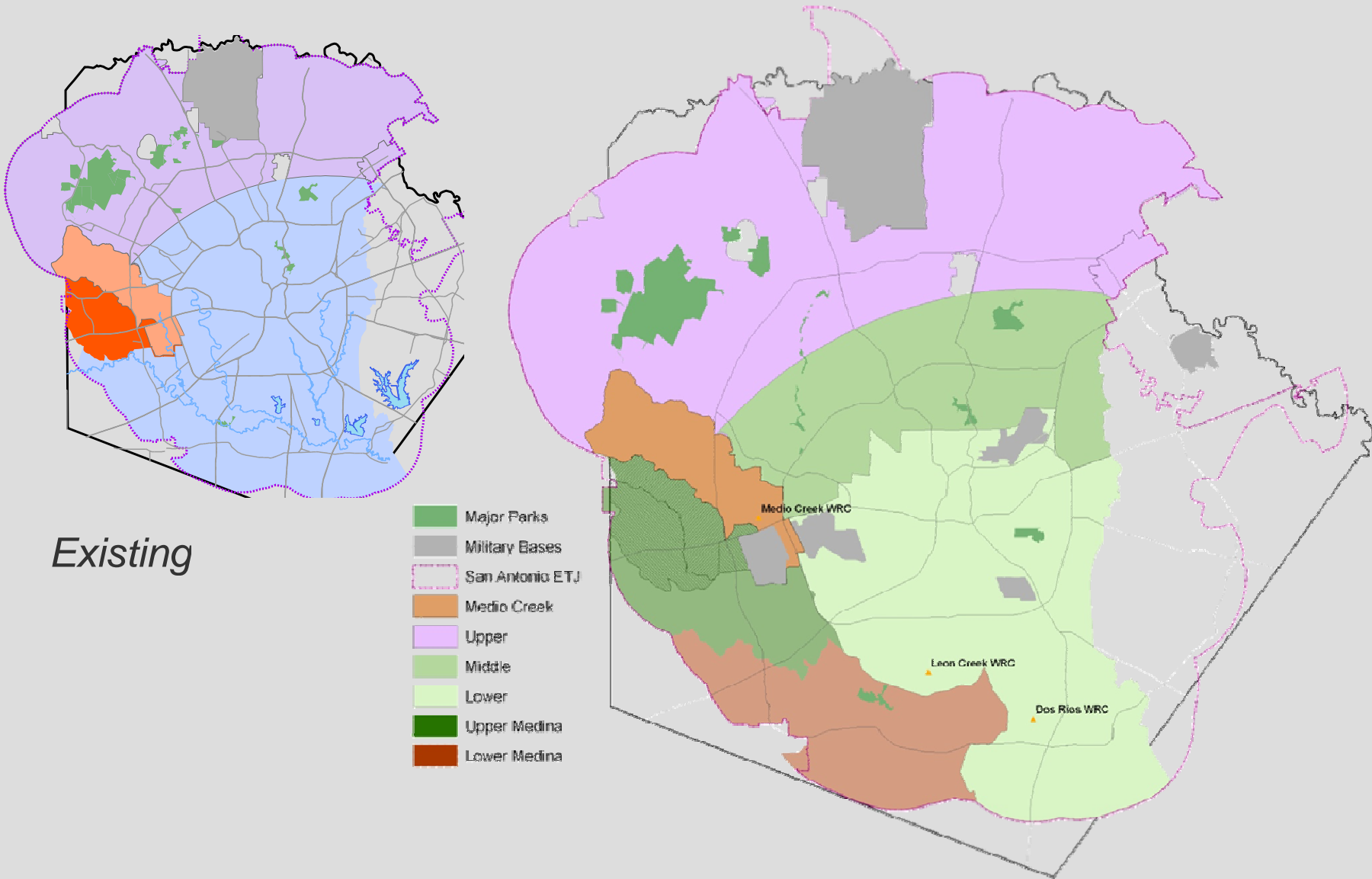


Existing

-  Dos Rios/ Leon
-  Medio
-  CoSA ETJ
-  Camp Bullis
-  Major Parks



Service Areas: Wastewater Collection



Existing

Land Use Assumptions Plan

Projected Growth: 2011 - 2020

- New Water EDUs – 80,343
- New Wastewater EDUs – 107,223

WATER DELIVERY CIP

Flow System Development

WATER DELIVERY – FLOW

Distribution Mains

Water Flow

Distribution Mains – Impact Fee Eligible Capacity

Service Area	Value of Existing Capacity	Value of New CIP Capacity	Total Value of Existing and New CIP Capacity	Total Value of Eligible Study Period Capacity
TOTAL	\$ 603,237,641	\$ 150,955,749	\$ 754,193,390	\$ 124,060,310

Water Flow - Proposed

Distribution Mains – Impact Fee Eligible Capacity

Service Area	Value of Existing Capacity	Value of New CIP Capacity	Total Value of Existing and New CIP Capacity	Total Value of Eligible Study Period Capacity
Inside 410	\$ 223,006,792	\$ 11,648,000	\$ 234,654,792	\$ 7,658,952
Outside 410	380,230,849	139,307,749	519,538,597	116,401,358
TOTAL	\$ 603,237,641	\$ 150,955,749	\$ 754,193,390	\$ 124,060,310

WATER DELIVERY – SYSTEM DEVELOPMENT

Well Pumps
High Service and Booster Pumps
Transmission Mains
Elevated and Ground Storage Tanks

Water System Development

Impact Fee Eligible Capacity

Service Area	Value of Existing Capacity	Value of New CIP Capacity	Total Value of Existing and New CIP Capacity	Total Value of Eligible Study Period Capacity
High	\$ 58,343,609	\$ 49,775,443	\$ 100,453,806	\$ 21,536,633
Middle	136,430,448	115,532,715	251,963,163	36,136,781
Low	142,698,027	32,079,660	174,777,687	11,580,552
TOTAL	\$ 337,472,084	\$ 197,387,818	\$ 527,194,656	\$ 69,253,966

WATER SUPPLY CIP

Water Supply

Impact Fee Eligible Capacity

Service Area	Value of Existing Capacity	Value of New CIP Capacity	Total Value of Existing and New CIP Capacity	Total Value of Eligible Study Period Capacity
ALL	\$ 575,247,480*	\$ 453,251,860	\$ 1,028,499,340	\$ 216,279,051

**Not included in impact fee calculation*

WASTEWATER CIP

Treatment Collection System

WASTEWATER TREATMENT

Wastewater Treatment

Impact Fee Eligible Capacity

Service Area	Value of Existing Capacity	Value of New CIP Capacity	Total Value of Existing and New CIP Capacity	Total Value of Eligible Study Period Capacity
Medio Creek	\$ 62,770,361	\$ -	\$ 62,770,361	\$ 23,653,467
Leon Creek / Dos Rios	367,856,341	59,426,620	427,282,961	91,550,594
TOTAL	\$ 430,626,702	\$ 59,426,620	\$ 490,053,322	\$ 115,204,061

WASTEWATER COLLECTION

Wastewater Collection

Impact Fee Eligible Capacity

Service Area	Value of Existing Capacity	Value of New CIP Capacity	Total Value of Existing and New CIP Capacity	Total Value of Eligible Study Period Capacity
Medio Creek	\$ 21,217,024	\$ 38,662,980	\$ 59,880,004	\$ 10,285,345
Upper Medina	7,875,983	54,810,062	62,686,045	9,060,335
Lower Medina	1,643,755	79,986,011	81,629,766	12,583,001
Upper Collection	94,543,417	99,975,884	194,519,301	34,328,722
Lower Collection	320,152,727	473,843,445	793,996,172	78,856,159
TOTAL	\$ 445,432,906	\$ 747,278,382	\$ 1,192,711,288	\$ 145,113,562

Wastewater Collection - Proposed

Impact Fee Eligible Capacity

Service Area	Value of Existing Capacity	Value of New CIP Capacity	Total Value of Existing and New CIP Capacity	Total Value of Eligible Study Period Capacity
Medio Creek	\$ 21,217,024	\$ 38,662,980	\$ 59,880,004	\$ 10,285,345
Upper Medina	7,875,983	54,810,062	62,686,045	9,060,335
Lower Medina	1,643,755	79,986,011	81,629,766	12,583,001
Upper Collection	94,543,417	99,975,884	194,519,301	34,328,722
Middle Collection	166,145,734	205,625,520	371,771,254	36,098,233
Lower Collection	154,006,993	268,217,925	422,224,918	42,757,926
TOTAL	\$ 445,432,906	\$ 747,278,382	\$ 1,192,711,288	\$ 145,113,562

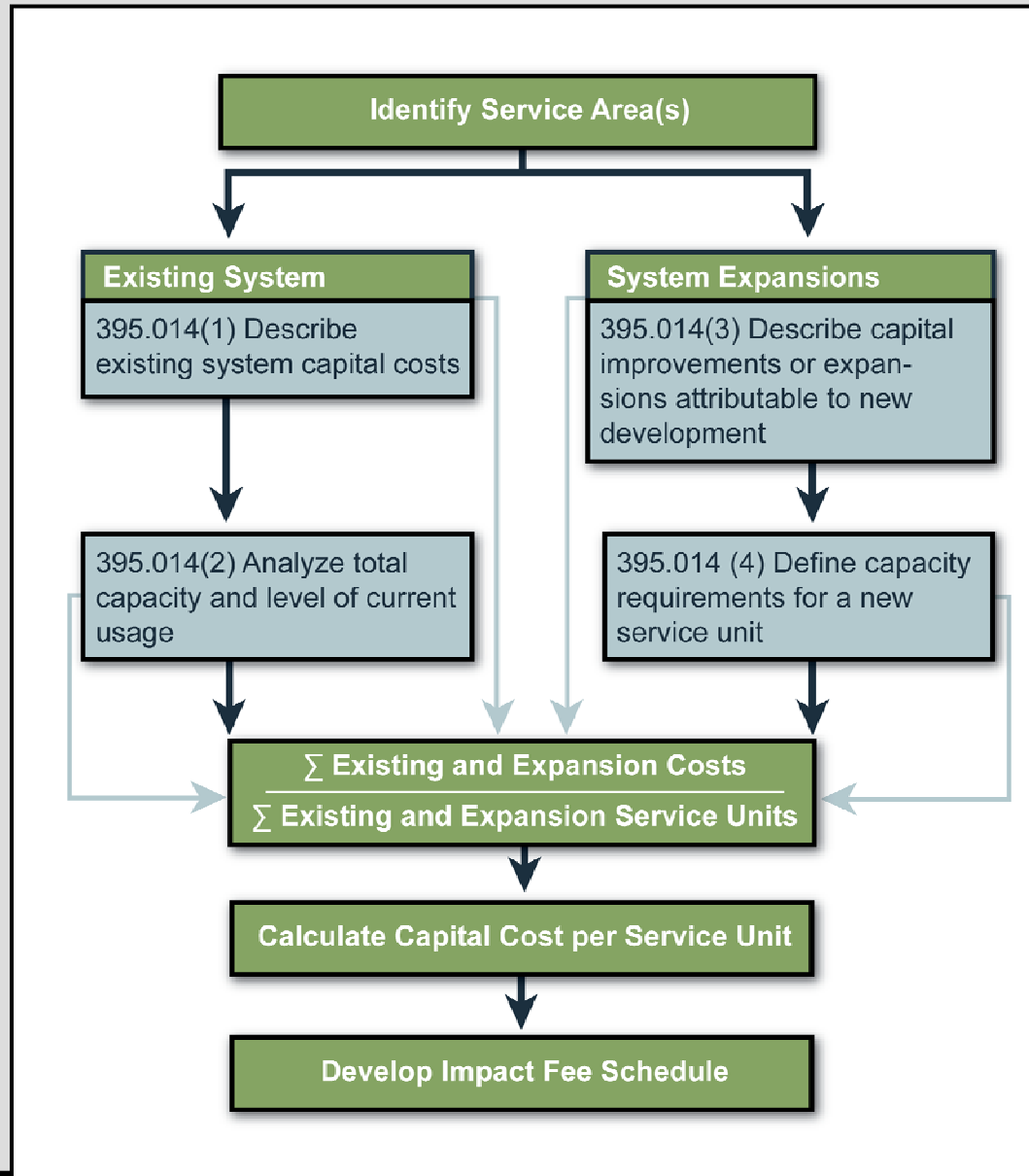
SUMMARY

Existing & New CIP Impact Fee Eligible Capacity for 10-Year Growth

Impact Fee Category	Value of Existing Capacity	Value of New CIP Capacity	Total Value of Existing and New CIP Capacity	Total Value of Eligible Study Period Capacity
WATER DELIVERY	\$ 940,709,726	\$ 348,343,567	\$ 1,289,053,293	\$ 193,576,801
WATER SUPPLY	*575,247,480	453,251,860	1,028,499,340	216,279,051
WASTEWATER	876,059,608	806,705,002	1,682,764,610	249,550,600
TOTAL	\$ 2,392,016,814	\$ 1,608,300,429	\$ 4,000,317,243	\$ 659,406,452

**Not included in impact fee calculation*

Impact Fee Formula



Rate Credit

- Ad-valorem taxes are not assessed or collected for water and wastewater infrastructure – all costs are recovered through fees and charges for service
- Credit is based on the portion of future utility service revenues generated by new service units that may be used for the payment of capital improvements
- The credit plan recognizes the cost of debt included in the maximum impact fees

PROPOSED IMPACT FEES

Water Delivery Impact Fees

Impact Fee Category	Service Area	Calculated Impact Fee per EDU	Rate Credit per EDU	Maximum Impact Fee per EDU
Flow	Combined	\$ 1,341	\$ 71	\$ 1,270
Flow – Proposed	Inside 410	1,192	54	1,138
	Outside 410	1,575	54	1,521
System Development	High Elevation	1,144	25	1,119
	Middle Elevation	871	25	846
	Low Elevation	591	25	566

Comparison of Water Delivery Impact Fees

Impact Fee Category	Service Area	Proposed Impact Fee per EDU	Current Impact Fee per EDU	Increase / (Decrease)
Flow	Combined	\$ 1,270	\$ 1,098	\$ 172
Flow – Proposed	Inside 410	1,138	1,098	40
	Outside 410	1,521	1,098	423
System Development	High Elevation	1,119	1,356	(237)
	Middle Elevation	846	591	255
	Low Elevation	566	668	(102)

Water Supply Impact Fees

Impact Fee Category	Service Area	Calculated Impact Fee per EDU	Rate Credit per EDU	Maximum Impact Fee per EDU
Water Supply	All	\$ 2,692	\$ 218	\$ 2,474

Comparison of Water Supply Impact Fees

Impact Fee Category	Service Area	Proposed Impact Fee per EDU	Current Impact Fee per EDU	Increase / (Decrease)
Water Supply	All	\$ 2,474	\$ 1,242	\$ 1,232

Wastewater Impact Fees

Impact Fee Category	Service Area	Calculated Impact Fee per EDU	Rate Credit per EDU	Maximum Impact Fee per EDU
Treatment	Medio Creek	\$ 1,371	\$ 39	\$ 1,332
	Leon Creek / Dos Rios	1,018	39	979
Collection	Medio Creek	596	45	551
	Upper Medina	1,424	45	1,379
	Lower Medina	788	45	743
	Upper Collection	1,741	45	1,696
	Lower Collection	1,066	45	1,021
Collection - Proposed	Upper Collection	1,876	45	1,831
	Middle Collection	1,200	45	1,155
	Lower Collection	578	45	533

Comparison of Wastewater Impact Fees

Impact Fee Category	Service Area	Proposed Impact Fee per EDU	Current Impact Fee per EDU	Increase / (Decrease)
Treatment	Medio Creek	\$ 1,332	\$ 901	\$ 431
	Leon Creek / Dos Rios	979	453 or 901	526 or 78
Collection	Medio Creek	551	394	157
	Upper Medina	1,379	772 or 413	926 or 478
	Lower Medina	743	413	330
	Upper Collection	1,696	691	1,005
	Lower Collection	1,021	413	608
Collection - Proposed	Upper Collection	1,831	691	1,140
	Middle Collection	1,155	413	742
	Lower Collection	533	413	120

DRAFT – Proposed Total Impact Fees

DRAFT – Proposed Total Impact Fees

■ Collection	
■ Upper	\$ 1,831
■ Middle	1,155
■ Lower	533
■ Medio Creek	551
■ Upper Medina	1,379
■ Lower Medina	743
■ Treatment	
■ Medio Creek	1,332
■ Dos Rios/Leon Creek	979

DRAFT – Proposed Total Impact Fees

Water Service Area	Wastewater Service Area	Proposed Impact Fee per EDU	Current Impact Fee per EDU	Increase / (Decrease)
Outside / High	Medio Creek	\$ 6,997	\$ 4,991	\$ 2,006
Outside / High	Upper Collection	7,924	4,840	3,084
Outside / Middle	Medio Creek	6,724	4,226	2,498
Outside / Middle	Upper Collection	7,651	4,075	3,576
Outside / Middle	Lower Collection	6,353	3,797	2,556
Outside / Low	Medio Creek	6,444	4,303	2,141
Outside / Low	Upper Medina	6,919	4,233	2,686
Outside / Low	Lower Medina	6,283	3,874	2,409
Outside / Low	Upper Collection	7,371	4,152	3,219
Outside / Low	Lower Collection	6,073	3,874	2,199
Inside / Middle	Lower Collection	5,970	3,797	2,173
Inside / Low	Medio Creek	6,061	4,303	1,758
Inside / Low	Lower Collection	5,690	3,874	1,816

DRAFT – Proposed Total Maximum & Minimum Impact Fees

	Proposed	Current	Change	%
Total Minimum (Inside Low/Lower Collection)	\$ 5,690	\$ 3,874	\$ 1,816	47
Total Maximum (Outside High/Upper Collection)	7,924	4,840	3,084	64

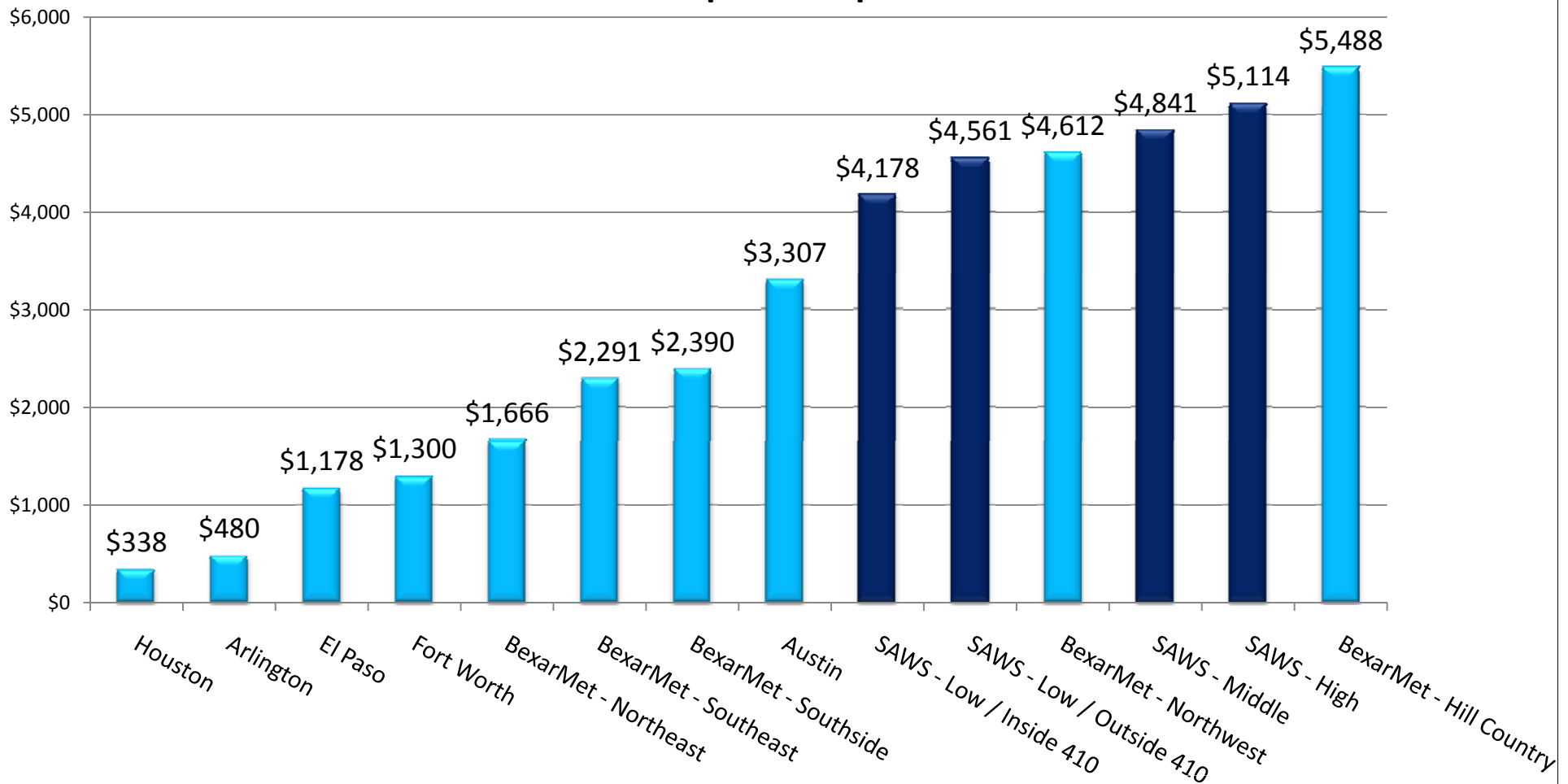
2006 Increase 23%-107%

Reasons for Increase in Impact Fees

- SAWS has better data for valuing the existing system from the Lawson financial system.
 - **2009 value: \$1.9 billion, 2005 value: \$1.5 billion (does not include Water Supply)**
- The method for valuing existing infrastructure (water pipes 12" and over, sewer pipes 10" and over) changed from valuing pipe by linear feet to valuing pipe by diameter.
 - **Sewer - 2009 value: \$445 million, 2005 value: \$112 million**
 - **Water - 2009 value: \$603 million, 2005 value: \$549 million**
- SAWS has a much larger wastewater and water supply CIP now than in 2006. The unit cost for water has increased.
 - **2011 Total CIP: \$659 million, 2006 Total CIP: \$504 million**
- The impact fee credit is less than in 2006.

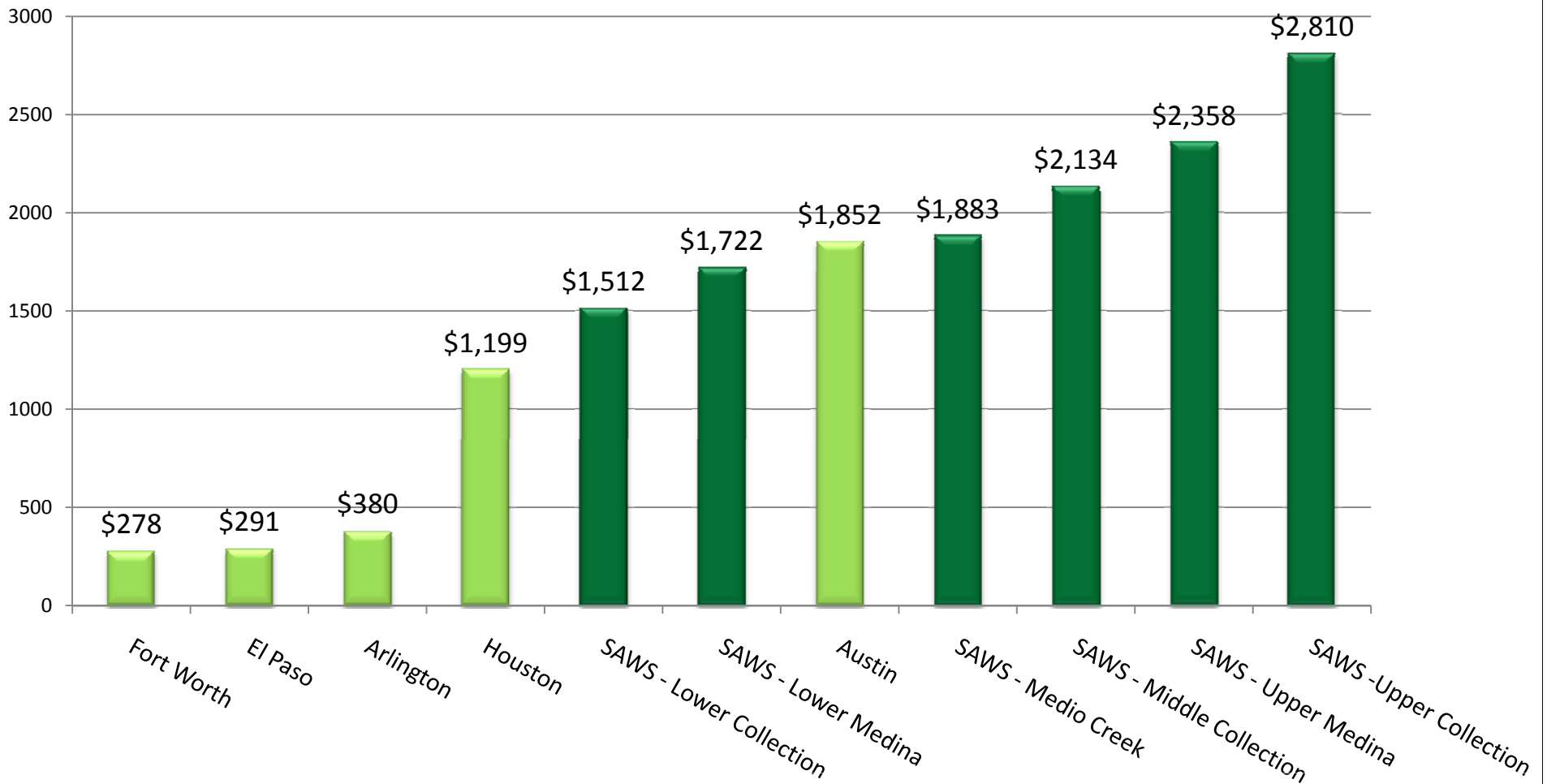
Comparison to Other Utilities - Water

SAWS Proposed Impact Fees



Comparison to Other Utilities - Wastewater

SAWS Proposed Impact Fees



Next Steps

Discussion of CIP

Discussion of Service Area Alternatives

- Flow Inside/Outside Loop 410
- Middle Collection Service Area

Discussion of Proposed Impact Fees

Questions?



Pathways to Lasting Solutions



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