

**MINUTES**  
**MEETING OF THE SAN ANTONIO WATER SYSTEM**  
**CAPITAL IMPROVEMENTS ADVISORY COMMITTEE**  
**Thursday, February 20, 2014**  
**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 9:10 a.m. on Thursday, February 20, 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  
Robert Hahn, District 7  
Mark Johnson, District 8  
James Garcia, District 9  
Dan Kossl, District 10  
Amy Hardberger, Mayor/ETJ

**Committee Members Not Present:**

Michael Hogan, District 6

**SAWS Staff Members Present:**

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

Dan Crowley, Director, Innovation and Efficiency

**Other Representatives Present:**

Jennifer Ivey, Red Oak/Arcadis

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 February 13, 2014.**

The committee had several revisions of the February 13, 2014 minutes. Staff will revise the minutes and the committee will review them and consider them for approval at the next meeting.

Mr. Mills opened the meeting by reviewing the deadline of June 2014 for City Council to approve the revised Land Use Assumptions Plan, Capital Improvements Plan, and Impact Fees. He presented the tentative schedule to meet the deadline with CIAC meetings, SAWS Board briefing, and City Council dates for a public hearing and action. He emphasized that the committee's responsibility is to provide their findings and recommendations, and SAWS staff must provide their recommendation to the SAWS Board of Trustees. The committee asked for staff to send the dates via e-mail. Mr. Mills stated that the final findings and recommendations must be ready for the SAWS Board agenda. Ms. Wright stated that the March 4<sup>th</sup> Board meeting is too close for staff to request Board action.

Mr. Lendman briefed the committee on the total costs toward water supply diversification, the rate increases needed to provide debt service to support different levels of capital expenditure, and the rate increase needed to offset reduced water supply impact fees. The ratepayers costs towards water supply diversification are \$1,124.6 million, or 81% of the total cost of \$1,392 million. The impact fees are 19% of the total cost, with \$124.3 million coming from the current impact fees and \$143.6 million from the increase in the maximum calculated water supply impact fees. He explained that a 1% rate increase is needed to provide the debt service on \$45 million in CIP. Mr. Dugas clarified that a 1% rate increase would be on SAWS average bill of about 55.72, or about fifty-six cents. Mr. Lendman showed that if SAWS did not charge a water supply impact fee, a 6% rate increase would be required over the next ten years. He also showed the capital expenditures since 2000 for water supply, water delivery, and wastewater, by impact fees and other funding sources. He next showed a slide on

water supply CIP vs. projected impact fee revenue. The committee felt that this slide was misleading so he did not continue with the presentation.

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

The committee unanimously approved paragraph 5 of the findings on the Water Delivery Capital Improvements Plan.

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

The committee unanimously approved paragraph 6 of the findings on the Wastewater Capital Improvements Plan.

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

Mr. Mills presented the water supply calculations from the impact fee model. He pointed out that the District Special Project customer base was 103% of their water supplies. Mr. Garcia pointed out that their capacity shrunk by 3,848 EDUs. Mr. Mills concluded by stating that new customers are not absorbing the DSP shortfall in water supplies.

Mr. Dugas presented a new set of impact calculations that he stated are more supportable.

Based on a firm yield of 204,000 ac.ft. + 33,000 ac.ft. = 237,000 ac.ft.  
The Water Supply cost of \$1.074B ÷ 237,000 ac.ft. = \$4,531 \$/ac.ft.  
\$4,531 ÷ 2.85 EDUs/ac.ft. = \$1,590 per EDU.

One possible consequence of the reduction in the impact fee to \$1,590 would require a total 2.57% increase in the monthly charges for the average residential customer spread out over the next 10 years. This equates to a \$1.43 monthly increase in the average 2014 SAWS bill.

Mr. Dugas stated that he obtained water supply cost numbers from SAWS Water Management Plan Semi-annual report dated June 2013.

Subsequent to the meeting, Mr. Dugas sent the following statement and revised calculation by e-mail to SAWS staff.

“The Committee determined that it was inappropriate to allocate 100% of the Capital Costs of new water projects to new development as this did not reflect the benefit to existing customers of the diversification of our water supply as well as the reduced drought risk provided by the increased, non-Edwards supply. Thereafter, the Committee recommends the Water Supply [Impact] Fee be

calculated by using the total capital costs of existing and new water supplies divided by the total number of firm yield EDU's available during the planning period. An example of this calculation is as follows:"

|                                                    |                      |        |
|----------------------------------------------------|----------------------|--------|
| Existing Water Supply Capital Funding              | \$792,000,000        |        |
| Pro-Rata Portion of New Water Supply Capital Costs | <u>\$282,000,000</u> |        |
| Total Capital Costs Allocated to Planning Period   | \$1,074,000,000      |        |
| Existing Firm Yield                                | 204,905              | Ac.Ft. |
| Projected New Consumption in Planning Period       | <u>33,620</u>        | Ac.Ft. |
|                                                    | 238,525              |        |

$$\$1,074,000,000 \div 238,525 = \$4,503/\text{Ac.Ft.}$$

$$\$4,503 \div 2.85 \text{ EDUs/Ac.Ft.} = \$1,580/\text{EDU}$$

One possible consequence of the revised recommendation of \$1,580 would require a total 2.59% increase in the monthly charges for the average residential customer spread out over the next 10 years. This equates to a \$1.44 monthly increase in the average 2014 SAWS bill.

During the meeting, Mr. Dugas discussed the fairness of charging water supply impact fees vs. the philosophy that growth benefits the community. Ms. Hardberger countered that new growth is driving the need for new water supplies, and that existing customers should not pay for growth at a 1:1 ratio. She added that new homes use more water. Ms. Fisher stated that San Antonio has a cheaper cost of living than Austin. Mr. Kossl discussed the tiered rate structure where high water users pay more per unit volume of water. The committee asked that staff send the water supply calculations table and the Drought of Record Average Existing table that Mr. Mills presented.

Mr. Martin stated that the deadline for the DSP to be fully integrated into SAWS is January 2017, and the impact fee update is a major step in that process. Mr. Dugas stated that over time costs will increase, and the impact fee should be averaged over all costs, not new growth. Mr. Kossl read an e-mail from Mr. Hogan (who was absent) to the other CIAC members. Mr. Hogan urged that the water supply impact fee be calculated to spread supplies over all users. His message also suggested three other options: phase in the new fees, delay the start of the new fees, and charge the new fees only in affected areas. Ms. Fisher asked what recommendations were most likely to be passed. Mr. Kossl referred to a slide that was handed out showing water supply diversification in 2004, 2011, and 2014. Mr. Dugas stated that his recommended water supply impact fee of \$1,590 (57% of the maximum calculated impact fee of \$2,796) is a fair ratio. Mr. Garcia and Mr. Dugas discussed pro-rating the portion of the impact fees attributable to new growth.

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

Mr. Dugas made a motion to recommend a Water Supply impact fee of \$1,590, conforming to his methodology in paragraph 6 above. Ms. Wright seconded the motion. The committee voted 5-2 in favor of the motion, with one member abstaining. Two members later changed their vote to yes, making the final vote 8-1 in favor of the motion, with no abstentions. The committee moved on with the agenda and reviewed the draft findings. They asked to add the phrase “maximum calculated” to paragraph 3.c. They asked to change the language of paragraph 4.e. to show that the \$482 increase included \$122 for existing BexarMet customers using existing SAWS water supplies. They asked to add paragraph 4.f. to include Mr. Dugas’s recommended water supply impact fees. The committee requested several changes to the impact fee comparison charts.

**8. Adjournment**

The committee agreed to meet on February 27<sup>th</sup> at 9:00 a.m., pending availability of a quorum. The meeting was adjourned at 11:25 a.m.

APPROVAL:

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CIAC Chairman