

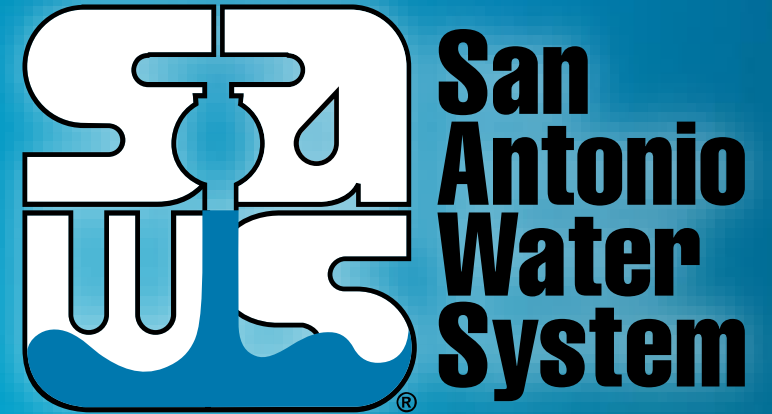
Vista Ridge

Mary Bailey

VP – Customer Experience & Strategic Initiatives

Capital Improvements Advisory Committee

November 28, 2018



MAKING SAN ANTONIO
WATERFUL



Vista Ridge Project – Key Provisions

- Provides 50,000 acre feet of water annually from Burleson County to Bexar County
- SAWS only pays for water made available by Project Company
- Ownership of all Project Company infrastructure transfers to SAWS at end of contract (~30 years) at no additional cost to SAWS

Project Company Infrastructure - ~\$930M



All infrastructure needed to produce and convey water to San Antonio

- Well fields
- Pump stations
- Pipeline from Burleson County
- Storage tank at Agua Vista Station

SAWS Infrastructure - ~\$200M

Integration of water into SAWS delivery system

- Agua Vista Station (terminus) storage tank and water treatment facilities
- New transmission lines from Agua Vista Station
- Upgrades at other SAWS pump stations



Vista Ridge Project Company Sources & Uses of Funds

Projected \$927M Capital Investment With More than \$620M Invested through June 2018

Sources & Uses of Funds – \$ in '000's	Actual – To Date June 30, 2018	Financial Model – November 2, 2016
Sources of Funds		
Debt	\$535,101	\$853,211
Equity	87,385	74,192
Total Sources	\$622,486	\$927,403
Uses of Funds		
Contract Asset	\$620,056	\$927,403
Other Assets – Net	2,430	-
Total Uses	\$622,486	\$927,403

Water Payments

Payment made only for water made available – assumes 50,000 acre feet annually

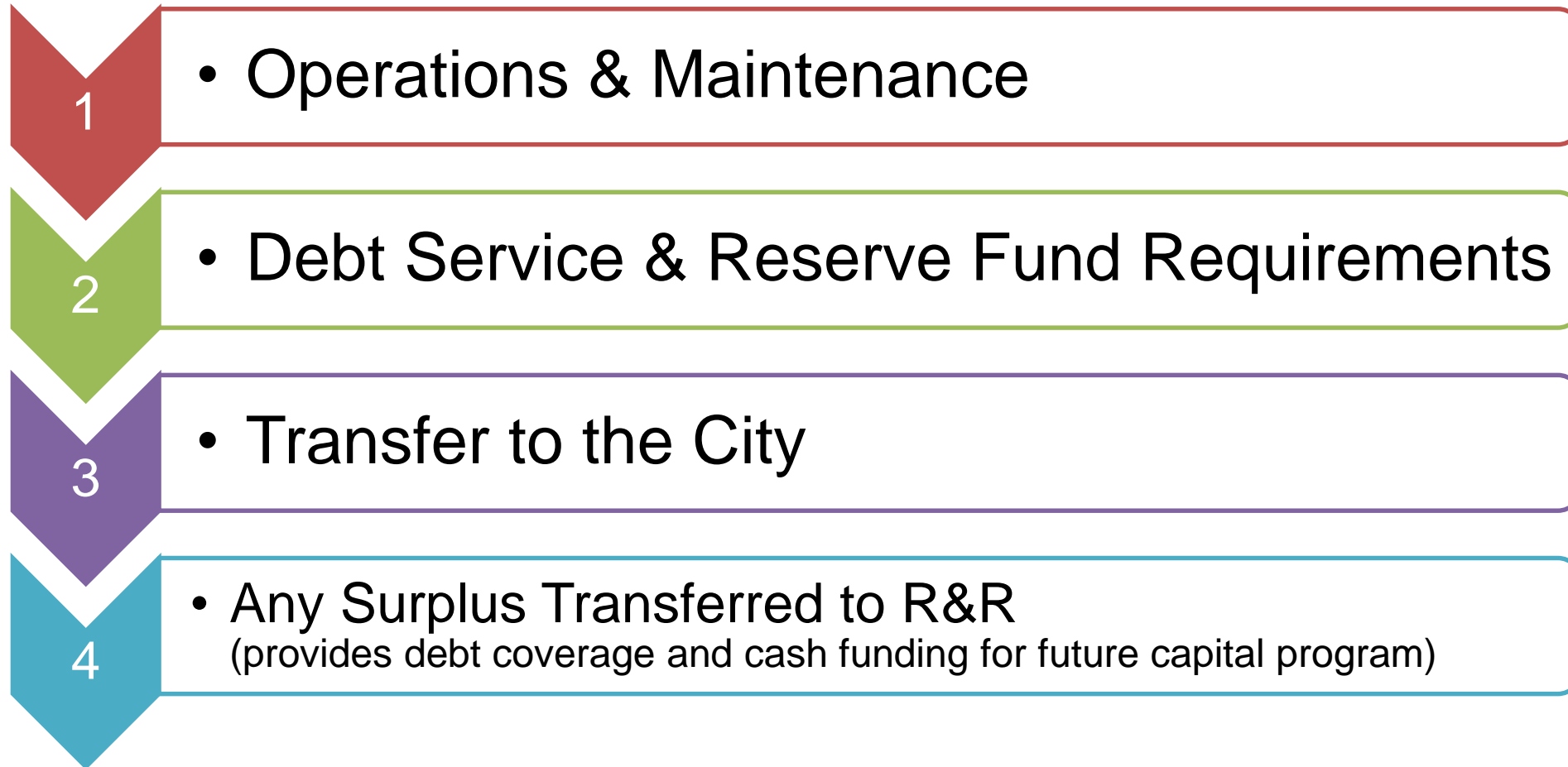
	Cost per AF	Annual Cost
Capital & Raw Groundwater Unit Price (CRGWUP)		
Debt Service	\$1,017	\$50,850,000
Return of Equity	219	10,950,000
Total Infrastructure Payment	\$1,236	\$61,800,000
Water fee (lease)	370	18,500,000
Total CRGWUP ¹	\$1,606	\$80,300,000
O&M Charge (pass-through) ²	175	8,750,000
Electricity (SAWS pays direct to provider) ²	172	8,600,000
Total Price	\$1,953	\$97,650,000

¹ CRGWUP is fixed for term of contract

² Estimated variable costs, subject to change

SAWS Flow of Funds – Founding Ordinance

Priority of Payments



How will Vista Ridge water payments be treated?

- Vista Ridge Contract
 - Requires that water payments be treated as O&M in terms of priority
 - Ensures that Project Company is paid first, before debt service
- Governmental Accounting Standards
 - Contracts that transfer ownership of the underlying asset should be treated as a financed purchase
 - Present value of the portion of payments that represents the repayment of the capital investment is reported as both an asset and a liability on SAWWS books
 - Use facts known to determine value of infrastructure (eg. quoted interest rate or actual capital costs)

Infrastructure Payments

SAWS will record an asset and liability of \$927.4 million at beginning of Operation Phase

CRGWUP – infrastructure repayment		Vista Ridge LLC Capital Investment	Internal Rate of Return
Per Acre Foot	Total Annual Payment		
\$1,236	\$61,800,000	\$927.4 Million	5.30%

Vista Ridge

Vista Ridge and Impact Fees

Can Vista Ridge capital costs be included in Impact Fees?

- ✓ Chapter 395 of Texas Local Code
 - A “capital improvement” that qualifies for impact fees is any facility that has a life expectancy of more than 3 years and is “owned and operated by or on behalf of” the utility (ie. SAWS)
- ✓ Vista Ridge project will be accounted for as an asset of SAWS once the Operation Phase begins
 - SAWS controls all water produced by project
 - Assets transfer to SAWS at end of contract for no additional payment
- ✓ Vista Ridge water supply provides excess capacity to support future growth
- ✓ Including Vista Ridge in impact fees effectively reimburses existing ratepayers for their investment in project

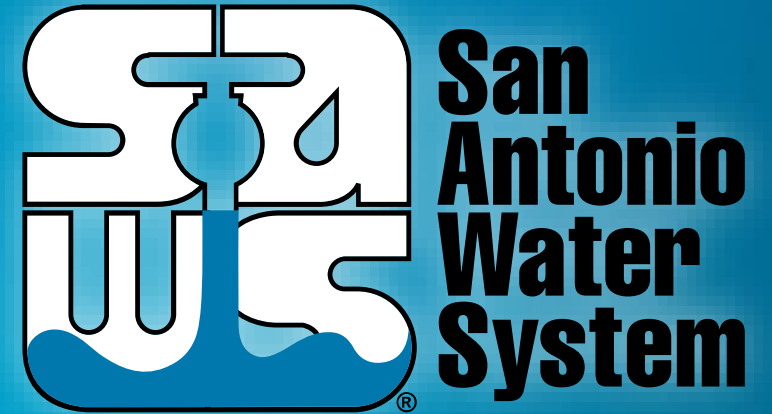
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