CAPITAL IMPROVEMENTS ADVISORY COMMITTEE
REPORT TO THE SAN ANTONIO CITY COUNCIL ON THE UPDATE OF THE 2019 – 2028 LAND USE ASSUMPTION PLAN, CAPITAL IMPROVEMENTS PLAN AND MAXIMUM IMPACT FEES

Chapter 395 of the Texas Local Government Code establishes both the procedural and substantive requirements for the City Council of the City of San Antonio (City) to adopt impact fees related to the San Antonio Water System's (SAWS) water and wastewater capital costs associated with new development. As part of those requirements, Section 395.058 of the Code requires the City Council to appoint an impact fee advisory committee, but gives the Council the option to either: designate the Planning or Zoning Commission as the advisory committee; or create a separate and independent advisory committee. In August of 1987, pursuant to Resolution No. 87-41-64, the City Council created the Capital Improvements Advisory Committee (CIAC) as an independent impact fee advisory committee.

Pursuant to Section 395.058, the CIAC is charged with the following responsibilities: advise and assist the City/SAWS in adopting a Land Use Assumptions Plan (LUAP); review the Capital Improvements Plan (CIP) and file written comments; monitor and evaluate the implementation of the CIP; file semiannual reports on the progress of the CIP and report any perceived inequities to the City/SAWS; and advise the City/SAWS of the need to update the CIP, LUAP and/or Impact Fees (see § 395.058). For the purposes of the proposed comprehensive five (5) year update, the CIAC's main purpose is to timely file its written comments consistent with those relevant responsibilities delineated above. The SAWS Board has the authority to make an independent recommendation to City Council and the Council has the final authority to adopt the updated CIP, LUAP and Impact Fees up to the maximum calculations. The CIAC shall meet at least semi-annually to review the status of the impact fee program and to meet the current legislative requirements.

BACKGROUND

1. Legal Basis

a. Impact fees may be adopted and collected under Chapter 395 of the Texas Local Government Code.
b. Impact fees are a framework for financing the capital improvements related to growth for water and sewer infrastructure.
c. Impact fees are a one-time charge to fund the cost of building new infrastructure to serve new development. They may be collected only for capital costs. Costs for operations and maintenance are not eligible.
d. Chapter 395 requires that impact fees must be updated every five years, for a ten year period.
e. Chapter 395 of the L.G.C. requires utilities to calculate a rate credit for growth related capital improvements to be subtracted from the calculated impact fee.
f. The rate credit is based on the amount of projected future rate revenues or taxes expected to be generated by the new development and used to pay for capital improvements identified in the CIP.
g. Utilities can calculate the rate credit and apply it to the impact fee or apply a credit equal to 50% of the calculated impact fee.
h. SAWS has historically opted to calculate the rate credit which results in the calculation of the maximum impact fee.
i. Chapter 395 requires the calculation of the maximum impact fee. It does not require that the maximum impact fee be charged.
j. A copy of all agendas, minutes, recordings and presentations to the CIAC will be maintained by SAWS. A copy of the draft 2019-2028 impact fee report is attached for reference.
k. The CIAC, in its advisory capacity to City Council, is required to file its written comments on the proposed updates and amendments to the CIP, LUAP and maximum impact fees no later than six (6) business days prior to the public hearing on the updates and amendments (see § 395.056).

2. Factual Basis

a. The San Antonio Water System updated impact fees in May 2014. The SAWS impact fees must be updated before June 2019.
b. Chapter 395 of the L.G.C. allows for financing costs to be included in the calculation of impact fees.
c. Financing costs for existing projects were included in the impact fee calculation.
d. Financing costs for future projects were not included since SAWS reserves the option to fund growth projects with cash.
e. Historically, the City of San Antonio has approved charging the maximum impact fee.
f. Many other cities charge an impact fee that is less than the maximum impact fee. . A comparison of other U.S. and Texas cities' impact fees is in Appendix B.
g. If less than the maximum impact fee is charged the difference would be made up from other sources in order to fund future CIP.

h. Using a timeline of 1993 through July of 2018, SAWS staff found that without the inclusion of an impact fee the average SAWS water bill would increase approximately $6.19, equating to an overall rate increase of 9.84%.

LAND USE ASSUMPTIONS PLAN (*LUAP)* –

3. The Land Use Assumptions Plan is accepted and recommended for City Council approval.

a. 10 year water Land Use Assumptions Plan = 141,770 EDUs.
b. 10 year wastewater Land Use Assumptions Plan = 131,840 EDUs.
c. A summary of the change in EDUs, CIP, and maximum calculated impact fees is in Appendix A.
d. The committee recommended approval of the Land Use Assumptions Plan by a vote of 8-0. There were two committee members absent (D7 & D8) and one unfilled position (D5).
e. The SAWS Water Management Plan was updated in 2017, and the population projections that were used by SAWS staff are consistent with COSA, AACOG and MPO.

EQUIVALENT DWELLING UNIT (EDU) DEFINTIONS

4. EDU Definitions

The EDU definitions are accepted and recommended for City Council approval.

a. A water EDU = 290 gallons per day.
b. A wastewater EDU = 200 gallons per day with an I/I factor (inflow and infiltration) of 600 gallons per acre per day.
c. The committee recommended approval of the EDU definitions by a vote of 8-0. There were two committee members absent (D7 & D8) and one unfilled position (D5).

CAPITAL IMPROVEMENTS PLAN

5. The Water Supply Capital Improvements Plan is based on the SAWS 50 Year Water Management Plan.

a. San Antonio's long-standing commitment and investment in water conservation and infrastructure improvements has yielded its most diverse water supply. SAWS, in partnership with the community, has successfully cultivated an ethic of conservation and invested in infrastructure over the past 25 years and effectively

reduced the gallons per capita per day (GPCD by approximately 50 percent, all while SAWS' service area population has grown by approximately 150 percent.

b. The 50 Year Water Management Plan uses the drought of record as the guide to determine when projects are needed and the amount of Edwards Aquifer water that will be available based on projected pumping restrictions.
c. The existing water supply projects used in the calculation are Edwards Aquifer Storage & Recovery, Local Carrizo, Regional Carrizo (through SSLGC),) Trinity Aquifer, GBRA (Canyon Lake), Desalination, Canyon Regional Water Authority, and Medina System Surface Water. .
d. SAWS staff determined the 2018 water supply capacity to be 281,495 AF (acre feet) and the 2028 water supply capacity to be 331,495 AF including 50,000 AF from the Vista Ridge project. *(An acre foot is 325,853 gallons of water.)*
e. SAWS staff determined the 2018 AD (annual demand) to be 251,629 AF and the 2028 (AD) to be 297,682 AF.
f. SAWS staff changed the assumption for debt financing the future Water Supply CIP from 50% to 85% debt financing, matching SAWS multi-year financial plan. Increasing the debt financing assumption increases the rate credit.
g. The CIAC does not recommend the maximum calculated Supply Impact Fee.
h. The CIAC recommends assessing a prorated Supply Impact Fee of $2,706 per EDU which blends the maximum calculated Supply Impact Fee of $3,322 and the expected future calculated Supply Impact Fee of $2,637 when the Vista Ridge Project will be accepted by SAWS and become a component of the equity calculation. Acceptance of the Vista Ridge Project is expected in 2020.
i. A reconciled CIP list will be provided to the CIAC biannually for review.
j. A summary of the change in EDUs, CIP, maximum calculated impact fees, and CIAC recommended impact fees is in Appendix A.

6. The Water Delivery System Development and Flow Capital improvements Plan.

a. The gallons per day used to define an EDU has been reduced from 313 to 290 GPD based on updated data provided by SAWS staff.
b. EDUs have increased over the last five years while total water supplied has remained fairly constant.
c. SAWS staff changed the assumption for debt financing the future Water Delivery CIP from 70% to 60%, matching the SAWS multi-year financial plan. Decreasing the debt financing assumption decreases the rate credit.
d. The CIAC recommends assessing the maximum Water Delivery System and Flow Impact Fees.
e. A reconciled CIP list will be provided to the CIAC at the biannual meetings for review.
f. A summary of the change in EDUs, CIP, maximum calculated impact fees, and CIAC recommended impact fees is in Appendix A.

7. The Wastewater Treatment and Collection Capital Improvements Plan

a. The gallons per day used to define an EDU has been reduced from 240 to 200 GPD based on updated data collected by SAWS staff monitoring flows at SAWS treatment plants, collection of winter averaging data, and flow meters throughout the SAWS wastewater system.
b. From data collected with additional flow meters in conjunction with the SAWS requirement in the EPA consent Decree, SAWS determined that an inflow and infiltration factor of 300 gallons per acre was inadequate, and was increased to 600 gallons per acre.
c. SAWS staff changed the assumption for debt financing the future Wastewater CIP from 70% to 60%, matching the SAWS multi-year financial plan. Decreasing the debt financing assumption decreased the rate credit.
d. The CIAC recommends assessing the maximum Wastewater Treatment and Collection fees.
e. A reconciled CIP list will be provided to the CIAC at the biannual meetings for review.
f. A summary of the change in EDUs, CIP, maximum calculated impact fees, and CIAC recommended impact fees is in Appendix A.

8. The Capital Improvements Plan is accepted and recommended for City Council approval.

a. 10-year value of eligible water supply projects = $519,048,777
b. 10-year value of eligible water flow projects = $182,232,572
c. 10-year value of eligible water system development projects = $139,999,299
d. 10-year value of eligible wastewater treatment projects = $ $102,044,699
e. 10-year value of eligible wastewater collection projects = $235,191,944
Total 10-year value of all impact fee eligible projects $1,178,517,291

MAXIMUM IMPACT FEES

9. The maximum calculated impact fees are shown below:

a. Water Supply Impact Fee……..$3,322
b. Water Flow Impact Fee…….$1,188
c. Water System Development Impact Fee
    i. High……...$1,203
    ii. Middle……$1,014
    iii. Low……$855
d. Wastewater Treatment
    i. Medio Creek……..$1,222
    ii. Dos Rios / Leon Creek……..$651
e. Wastewater Collection
    i. Medio Creek…….$861
    ii. Upper Medina……...$1,422
    iii. Lower Medina……...$520

iv. Upper Collection……...$2,800
v. Middle Collection…….$2,013
vi. Lower Collection……..$902

The Committee recommended approval of the Maximum Calculated Impact Fees by a vote of 9-0. One committee member was absent (D3) and one position unfilled (D5).

The percentage change and dollar amount of the maximum impact fees by service areas are shown in Appendix B.

10. Impact Fee Waiver Program

a. The City of San Antonio Fee Wavier Program was updated by City Council with an effective date of January 2, 2019
b. The program is available citywide for eligible projects.
c. Eligible projects may receive up to $150,000 in SAWS Impact Fee Waivers with an allowance of up to $250,000 for affordable housing.

CAPITAL IMPROVEMENTS ADVISORY COMMITTEE RECOMMENDATIONS

11. The CIAC accepts and recommends for City Council the approval of the maximum calculated impact fees except for the Water Supply Impact Fee as shown below:

a. Water Supply Impact Fee……..$2,706
b. Water Flow Impact Fee…….$1,188
c. Water System Development Impact Fee
    i. High……...$1,203
    ii. Middle……$1,014
    iii. Low……$855
d. Wastewater Treatment
    i. Medio Creek……..$1,222
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e. Wastewater Collection
    i. Medio Creek…….$861
    ii. Upper Medina……...$1,422
    iii. Lower Medina……...$520
    iv. Upper Collection……...$2,800
    v. Middle Collection…….$2,013
    vi. Lower Collection……..$902

CIAC Approved 2019-2028 Maximum Impact Fee Calculation

	EDU Definition (gpd)		LUAP (EDUs)		Eligible Equity & CIP ($)		Calculated Fee ($/EDU)		Rate Credit ($/EDU)		Impact Fee ($/EDU)		Fee Change	
	Current	Approved	Current	Approved	Current	Approved	Current	Approved	Current	Approved	Current	Approved Max	$	%
Water Supply	313	290	95,817	141,770	$ 282,391,017	$ 519,048,777	$ 2,947	$ 3,661	$ 151	$ 339	$ 2,796	$ 3,322	$ 526	19%
Water Flow	313	290	95,817	141,770	$ 121,466,247	$ 182,232,572	$ 1,268	$ 1,285	$ 86	$ 97	$ 1,182	$ 1,188	$ 6	1%
Water System Development (total)	313	290	95,817	141,770	$ 73,696,321	$ 139,999,299	$ 769	$ 988	$ 41	$ 52	$ 728	$ 935	$ 207	28%
High Elevation			8,783	6,845	$ 6,574,789	$ 8,467,874	$ 923	$ 1,237	$ 40	$ 34	$ 883	$ 1,203	$ 320	36%
Middle Elevation			45,265	56,478	$ 34,596,341	$ 60,338,483	$ 843	$ 1,068	$ 44	$ 54	$ 799	$ 1,014	$ 215	27%
Low Elevation			41,769	78,447	$ 32,525,191	$ 71,192,942	$ 657	$ 908	$ 38	$ 53	$ 619	$ 855	$ 236	38%
Wastewater Treatment (total)	240	200	95,589	131,840	$ 86,683,968	$ 102,044,699	$ 907	$ 774	$ 61	$ 57	$ 845	$ 717	$ (129)	-15%
Medio Creek			8,838	15,167	$ 13,385,880	$ 19,820,413	$ 1,515	$ 1,307	$ 86	$ 85	$ 1,429	$ 1,222	$ (207)	-14%
Leon/Dos Rios Creeks			86,751	116,673	$ 73,298,089	$ 82,224,287	$ 845	$ 705	$ 59	$ 54	$ 786	$ 651	$ (135)	-17%
Wastewater Collection (total)	240 & 300	200 & 600	95,589	131,840	$ 167,093,734	$ 235,191,944	$ 1,748	$ 1,784	$ 95	$ 103	$ 1,653	$ 1,681	$ 28	2%
Medio Creek			8,838	15,167	$ 7,627,627	$ 13,693,357	$ 863	$ 903	$ 25	$ 42	$ 838	$ 861	$ 23	3%
Upper Medina			18,744	11,667	$ 21,475,227	$ 11,011,473	$ 1,651	$ 1,504	$ 86	$ 82	$ 1,565	$ 1,422	$ (143)	-9%
Lower Medina			3,762	4,410	$ 11,374,282	$ 9,011,045	$ 505	$ 560	$ 30	$ 40	$ 475	$ 520	$ 45	9%
Upper Collection			35,689	39,389	$ 39,431,580	$ 32,831,501	$ 2,666	$ 2,969	$ 146	$ 169	$ 2,520	$ 2,800	$ 280	11%
Middle Collection			12,048	21,769	$ 37,842,239	$ 71,615,338	$ 1,561	$ 2,136	$ 92	$ 123	$ 1,469	$ 2,013	$ 544	37%
Lower Collection			16,508	39,438	$ 49,342,780	$ 97,029,230	$ 768	$ 965	$ 49	$ 63	$ 719	$ 902	$ 183	25%
Totals					**$ 731,331,287**	**$ 1,178,517,291**	**$ 7,639**	**$ 8,492**	**$ 434**	**$ 649**	**$ 7,205**	**$ 7,843**	**$ 638**	**9%**

Notes:

1. Current = Final Approved 2014 to 2023 impact fee program
2. Approved = Approved 2019 to 2028 impact fee program presented to the CIAC
3. Total Impact Fees ($/EDU) are weighted averages for water system development, wastewater treatment, wastewater collection, and total.
4. Eligible CIP is the prorated amount of existing and Approved infrastructure to serve the LUAP.
5. EDU definition applies as warranted based on average daily flow in gallons per day (gpd) except collection which shows 200 gpd average dry weather flow & 600 gpd per acre Inflow & Infiltration (I/I).

February 11, 2019

2019 - 2028 EDU, LUAP, CIP and Impact Fee Summary

	EDU Definition (gpd)		LUAP (EDUs)		Eligible Equity & CIP ($)		2014-2023 Impact Fee	Maximum Calculated 2019 - 2028 Impact Fee			CIAC Recommended 2019 - 2028 Impact Fee		
	Current	Approved	Current	Approved	Current	Approved	$/EDU	$/EDU	$ Change	% Change	$/EDU	$ Change	% Change
Water Supply	313	290	95,817	141,770	$ 282,391,017	$ 519,048,777	$ 2,796	$ 3,322	$ 526	19%	$ 2,706	$ (90)	-3%
Water Flow	313	290	95,817	141,770	$ 121,466,247	$ 182,232,572	$ 1,182	$ 1,188	$ 6	1%	$ 1,188	$ 6	1%
Water System Development (total)	313	290	95,817	141,770	$ 73,696,321	$ 139,999,299	$ 728	$ 935	$ 207	28%	$ 935	$ 207	28%
High Elevation			8,783	6,845	$ 6,574,789	$ 8,467,874	$ 883	$ 1,203	$ 320	36%	$ 1,203	$ 320	36%
Middle Elevation			45,265	56,478	$ 34,596,341	$ 60,338,483	$ 799	$ 1,014	$ 215	27%	$ 1,014	$ 215	27%
Low Elevation			41,769	78,447	$ 32,525,191	$ 71,192,942	$ 619	$ 855	$ 236	38%	$ 855	$ 236	38%
Wastewater Treatment (total)	240	200	95,589	131,840	$ 86,683,968	$ 102,044,699	$ 845	$ 717	$ (129)	-15%	$ 717	$ (129)	-15%
Medio Creek			8,838	15,167	$ 13,385,880	$ 19,820,413	$ 1,429	$ 1,222	$ (207)	-14%	$ 1,222	$ (207)	-14%
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Lower Collection			16,508	39,438	$ 49,342,780	$ 97,029,230	$ 719	$ 902	$ 183	25%	$ 902	$ 183	25%
Totals					**$ 731,331,287**	**$ 1,178,517,291**	**$ 7,205**	**$ 7,843**	**$ 638**	**9%**	**$ 7,227**	**$ 22**	**0%**

Notes:

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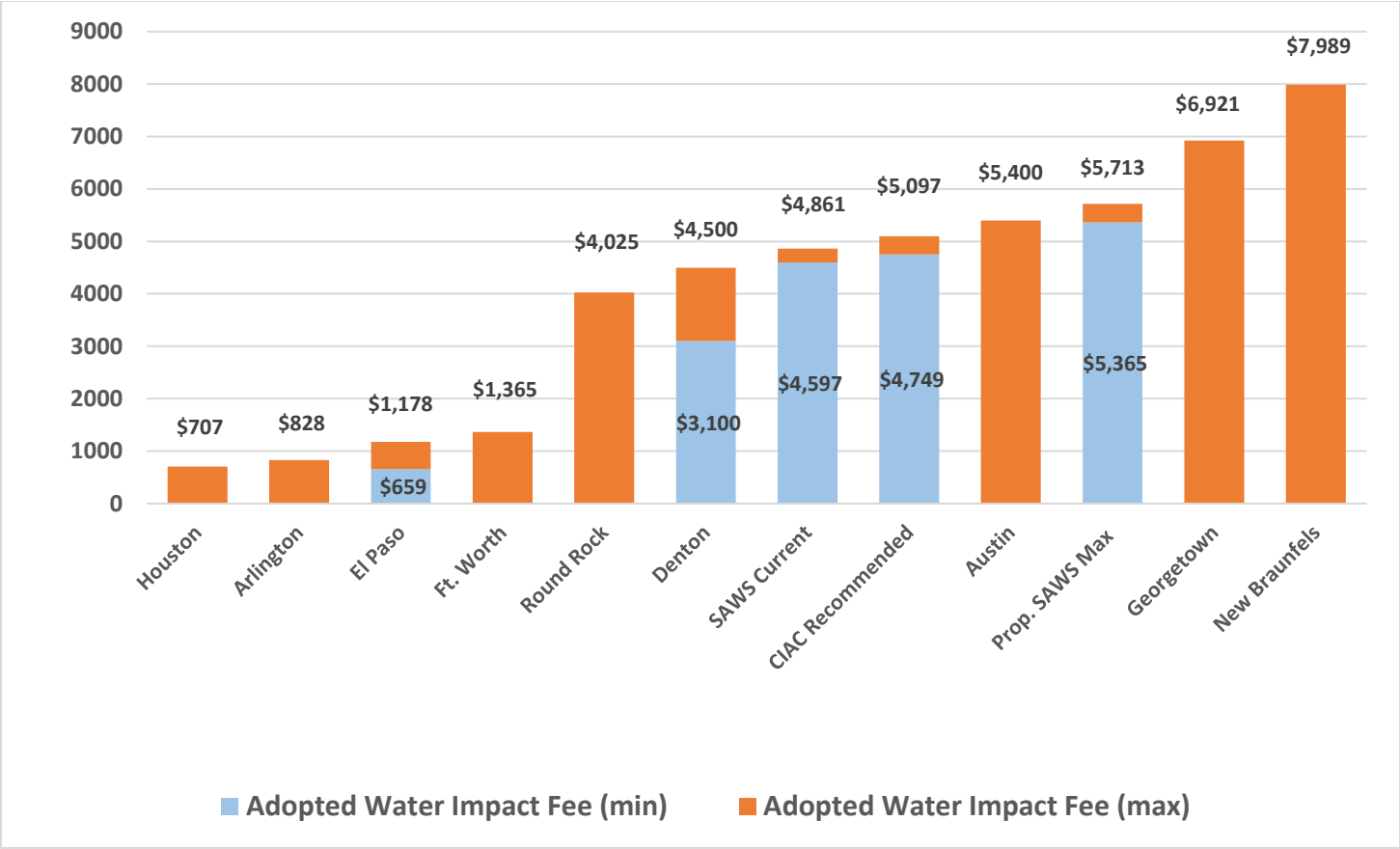
February 11, 2019

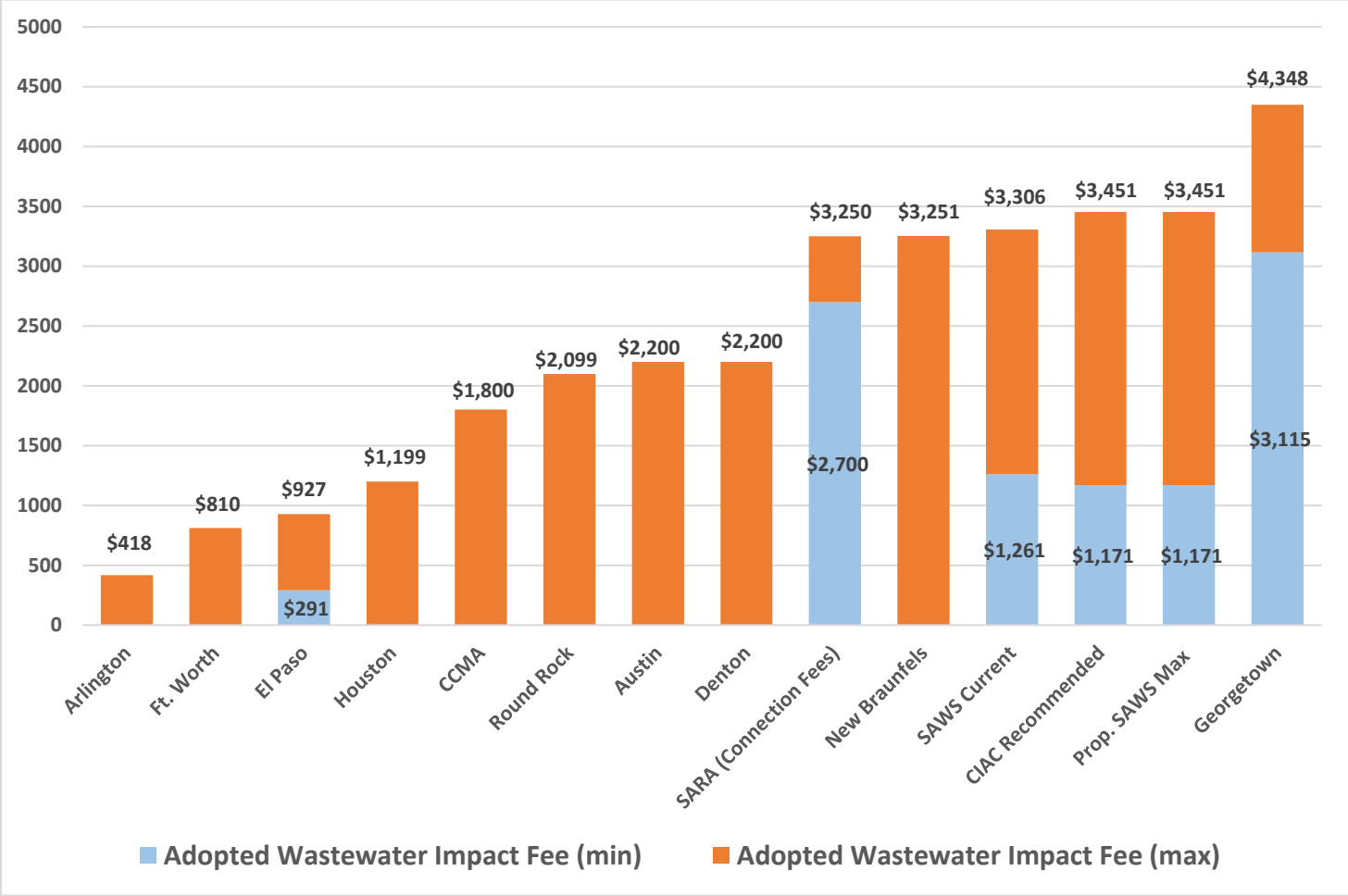
APPENDIX B: Impact Fee Survey of Texas Cities



Comparison to other Texas utilities – water

SAWS Current represent the minimum and maximum water impact fees in effect as of February 6, 2019. Proposed SAWS Maximum Allowable water impact fees are also reflected in the above chart.

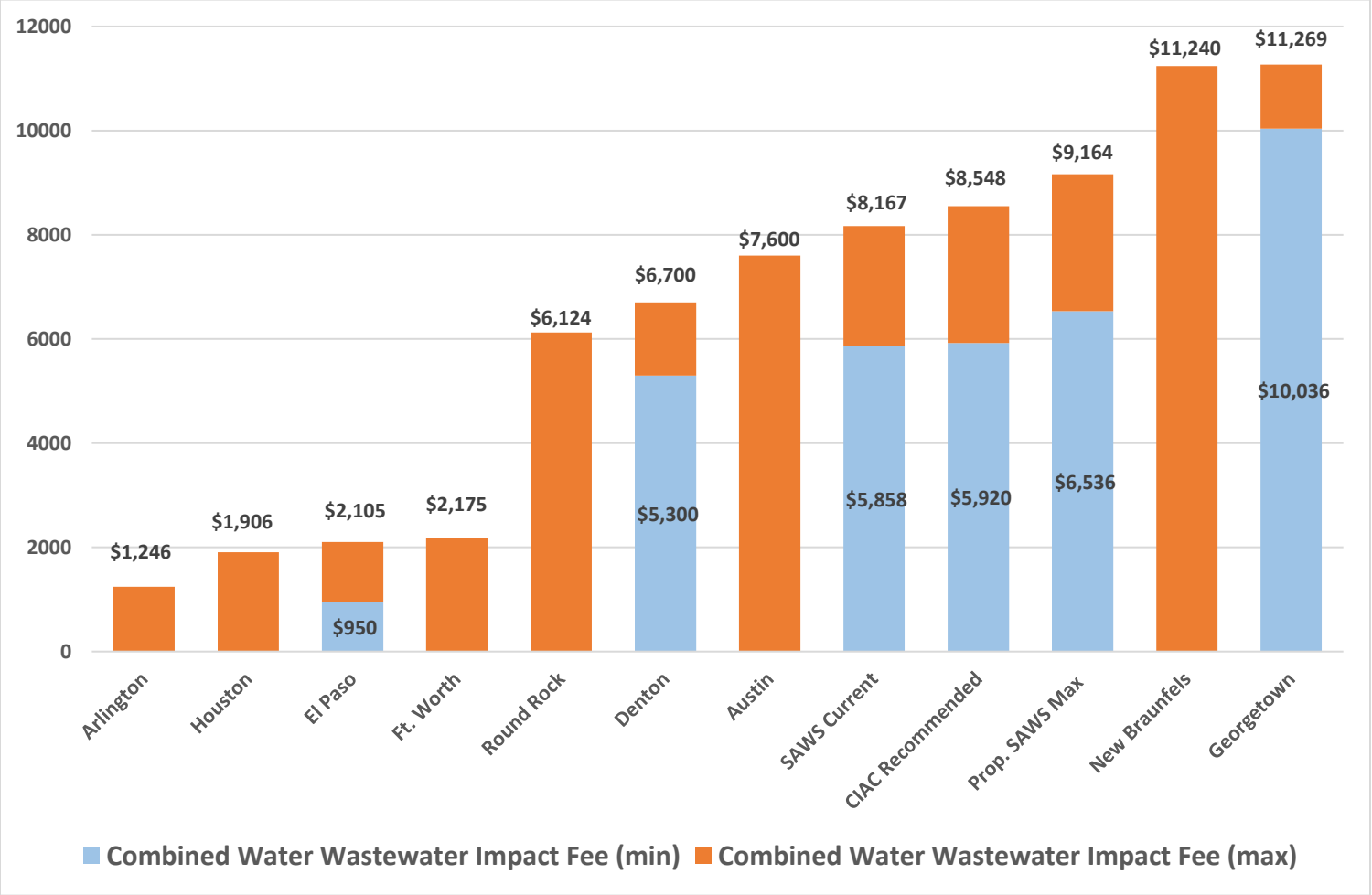
APPENDIX B: Impact Fee Survey of Texas Cities



Comparison to other Texas utilities – wastewater

SAWS Current represent the minimum and maximum wastewater impact fees in effect as of February 6, 2019. Proposed SAWS Maximum Allowable wastewater impact fees are also reflected in the above chart.

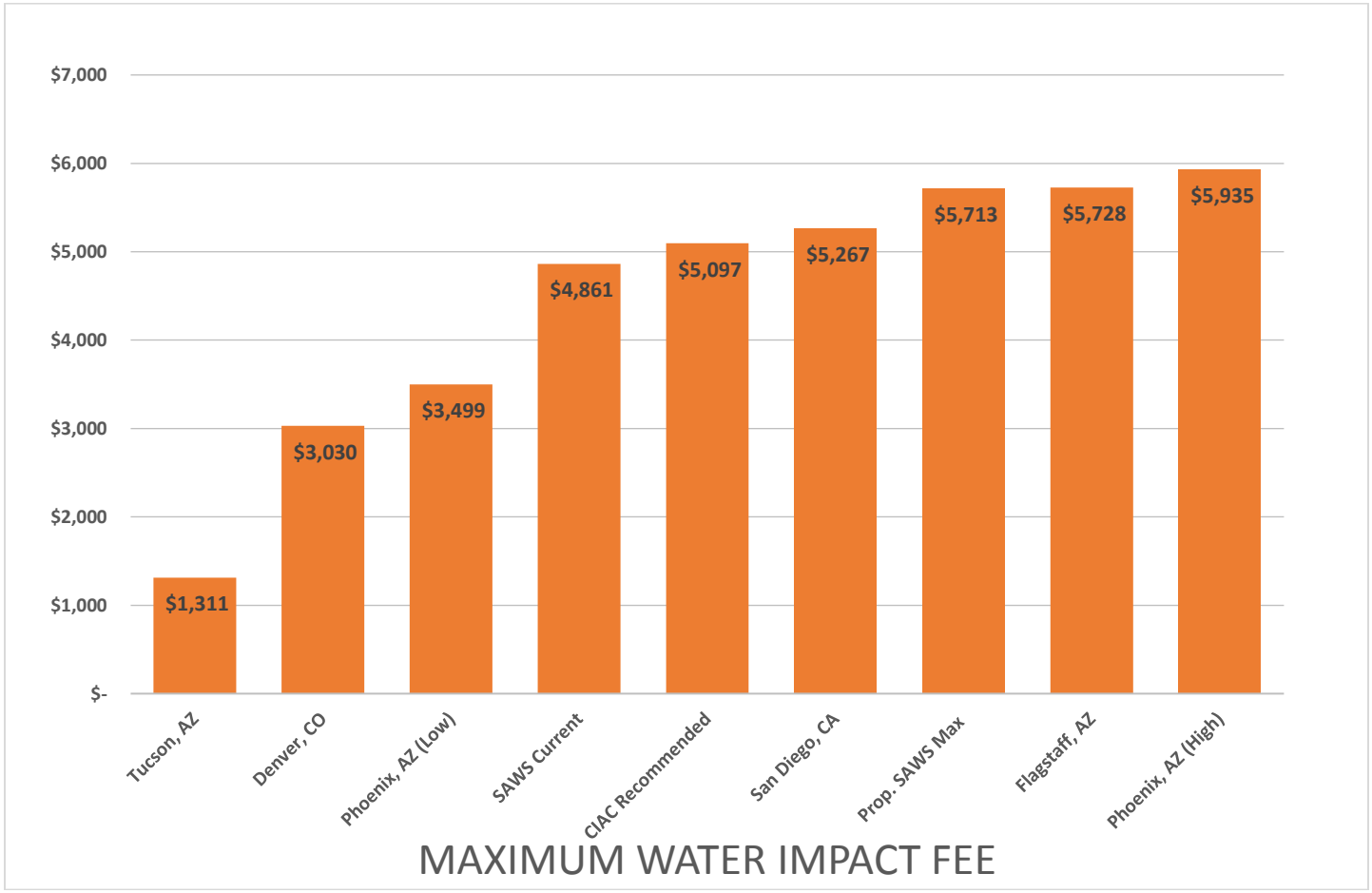
APPENDIX B: Impact Fee Survey of Texas Cities



Comparison to other Texas utilities – water and wastewater combined

SAWS Current represent the minimum and maximum combined water/wastewater impact fees in effect as of February 6, 2019. Proposed SAWS Maximum Allowable combined water/wastewater impact fees are also reflected in the above chart.

APPENDIX B: Impact Fee Survey of U.S. Cities



Comparison to other U.S. utilities – water

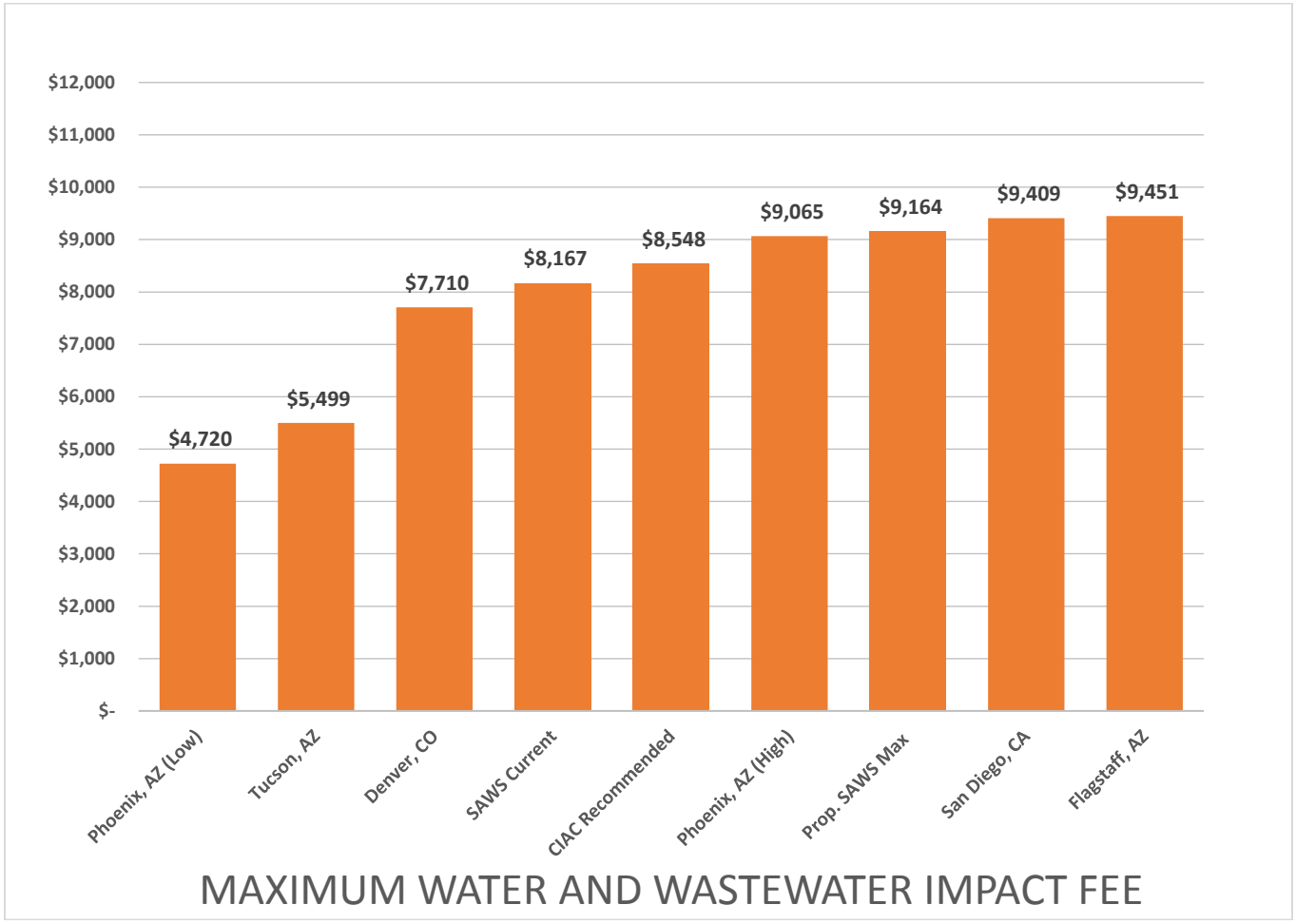
SAWS Current represent the maximum water impact fees in effect as of February 6, 2019. Proposed SAWS Maximum Allowable water impact fees are also reflected in the above chart.

APPENDIX B: Impact Fee Survey of U.S. Cities

Comparison to other U.S. utilities – wastewater

SAWS Current represent the maximum wastewater impact fees in effect as of February 6, 2019. Proposed SAWS Maximum Allowable wastewater impact fees are also reflected in the above chart.

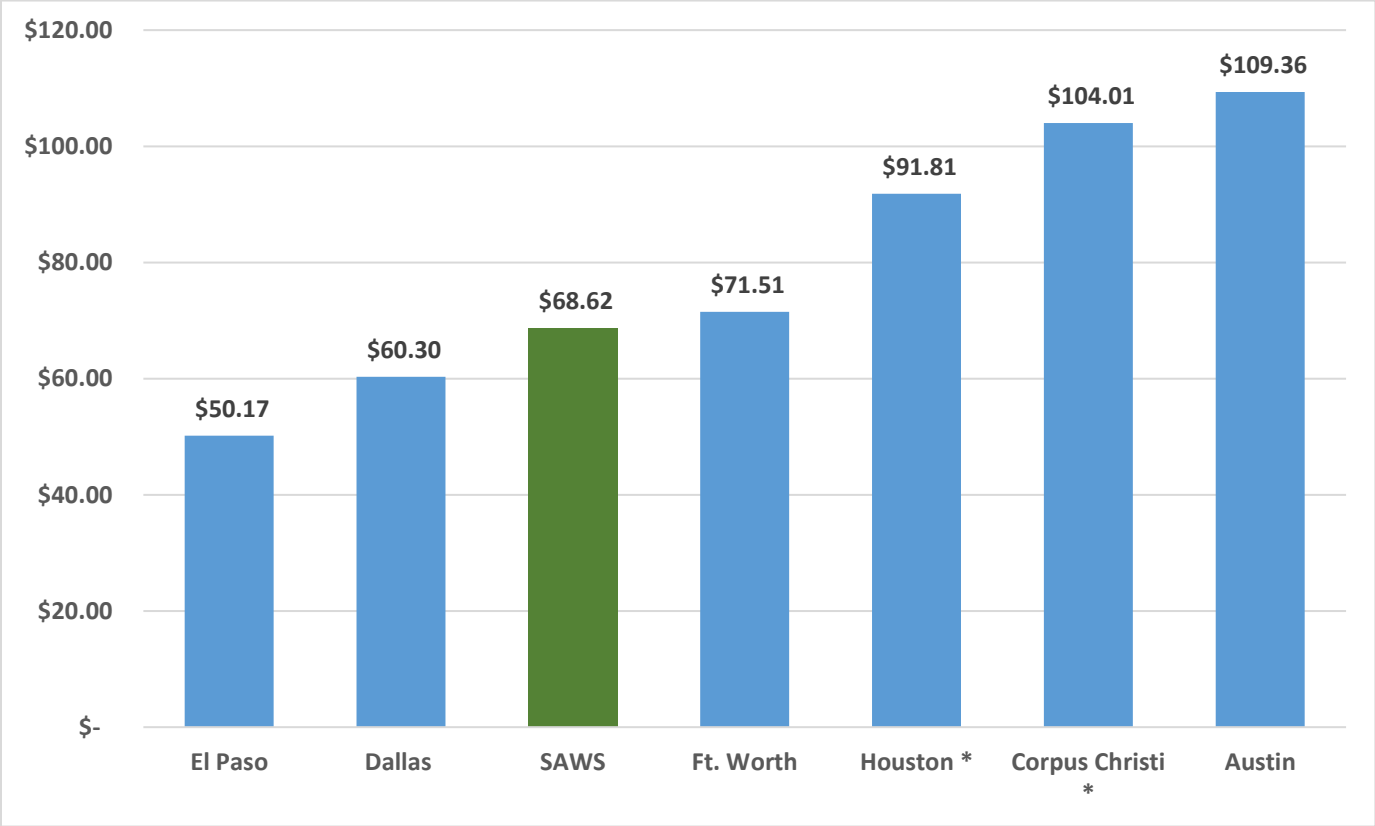
APPENDIX B: Impact Fee Survey of U.S. Cities



Comparison to other U.S. utilities – water and wastewater combined

SAWS Current represent the maximum combined water/wastewater impact fees in effect as of February 6, 2019. Proposed SAWS Maximum Allowable combined water/wastewater impact fees are also reflected in the above chart.

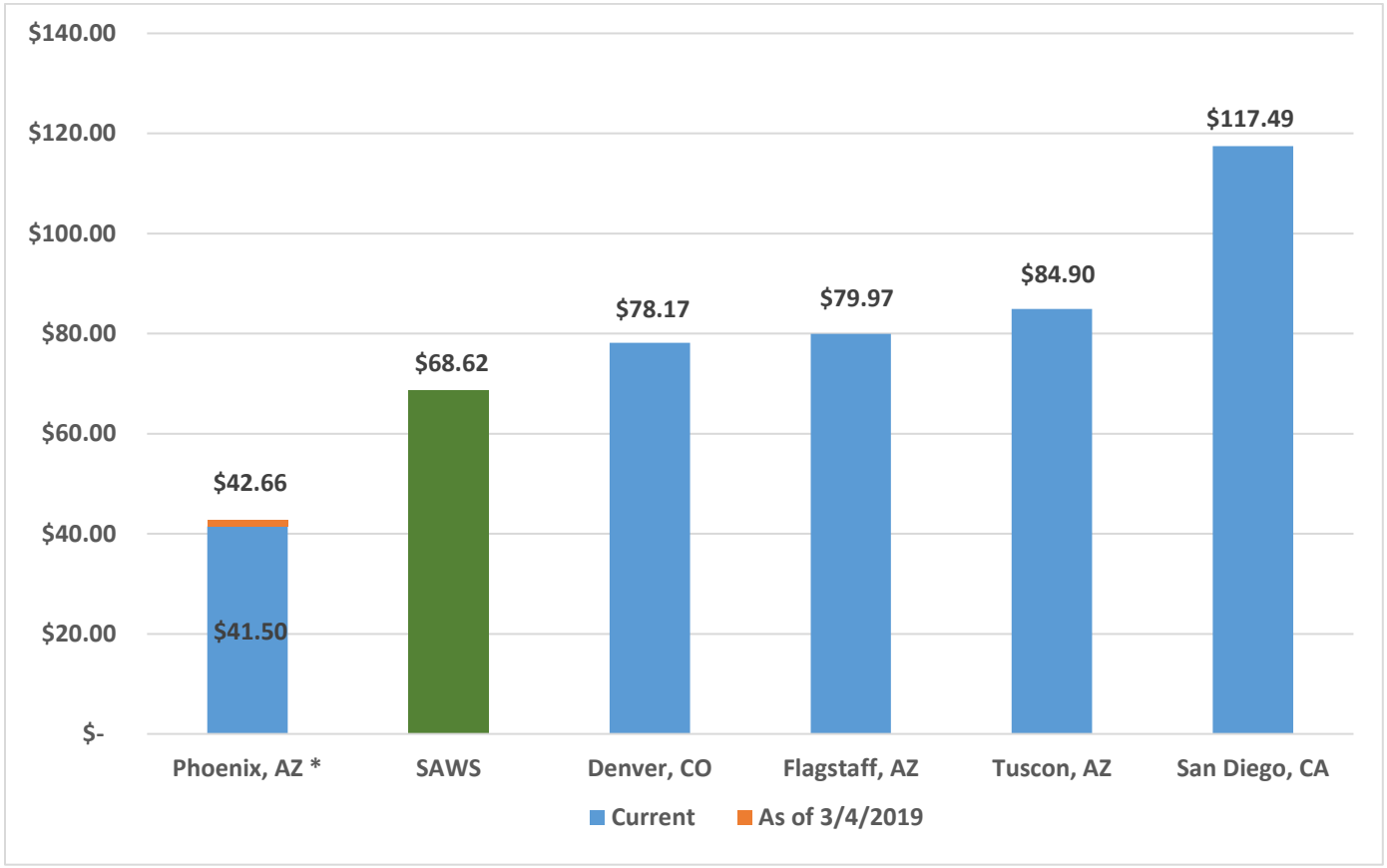
APPENDIX C: SAWS Average Residential Bills Compared to Major Texas Cities



Monthly charges as of January 2019. Based on 7,092 gallons per month water usage and 5,668 gallons per month wastewater usage. Includes EAA and TCEQ Fees.

* Houston and Corpus Christi wastewater charges based solely on water usage.

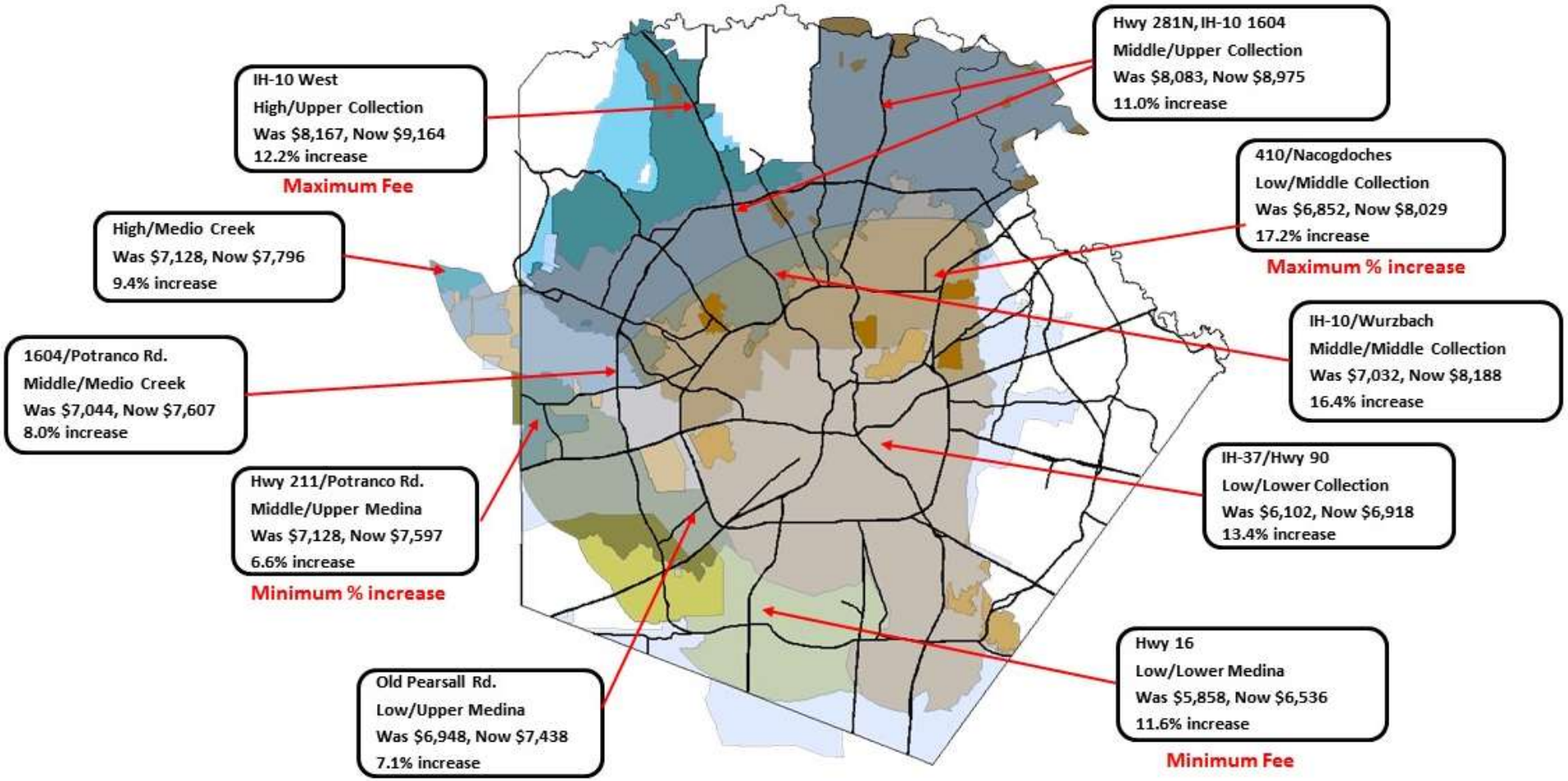
APPENDIX C: SAWS Average Residential Bills Compared to U.S. Cities Charging Impact Fees



Monthly charges as of January 2019. Based on 7,092 gallons per month water usage and 5,668 gallons per month wastewater usage. Includes EAA and TCEQ Fees.

* Phoenix applies different rates during three different times a year; charges shown are the highest and cover April, May, Oct. & November.

APPENDIX D: Maximum Calculated Impact Fees by Service Level



APPENDIX D: CIAC Recommended Impact Fees by Service Level