

MINUTES
MEETING OF THE SAN ANTONIO WATER SYSTEM
CAPITAL IMPROVEMENTS ADVISORY COMMITTEE
Wednesday, December 15, 2010
8:30 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 8:42 a.m. on Wednesday, December 15, 2010 by Dan Kossl, Chairman, Capital Improvements Advisory Committee.

Committee Members Present:

Susan Wright, District 2
Jose Limon, District 3
Michael Cude, District 4
Michael Martinez, District 5
Michael Hogan, District 6
Robert Hahn, District 7
Dan Kossl, District 10

Committee Members Not Present:

Felix Alvarez, District 1
Mark Johnson, District 8
Keith Pyron, District 9

SAWS Staff Members Present:

Sam Mills, Director, Infrastructure Planning Dept.
Dan Crowley, Director of Financial Planning
Kat Price, Manager, Engineering
Keith Martin, Corporate Counsel
Lance Freeman, Planner IV
Felipe Martinez, Planner
Dwayne Rathburn, Manager of Program Planning
Mark Schnur, Planner IV
Tomas Cunanan, Project Engineer
Alla Korotshevsky, Graduate Engineer II

Samuel Johnson, Graduate Engineer II
Louis Lendman, Sr. Financial Analyst
Kelley Neumann, Sr. Vice President, Strategic Resources

Other Representatives Present:

Morris Harris, City of San Antonio
Alfred Chang, City of San Antonio
Pam Monroe, City of San Antonio
Gabriel Garza, Assistant City Attorney
Brad Regnier, Bexat Met

2. Citizens To Be Heard

There were no citizens to be heard.

3. Approval of the minutes of the CIAC regular meeting of December 8, 2010.

Dan Kossl noted a typographical error in the motion to approve the minutes from the previous meeting. The minutes should state that Susan Wright “made the motion to approve the minutes” rather than “mad the motion”. Mike Hogan also asked that the minutes clarify statements from Kelley Neumann relating to the number of acre feet of Edwards supply that SAWS would need to acquire in order to replace the current projects listed in the water supply impact fee. The committee asked that the recording from the December 8 meeting be reviewed and the clarification made in the revised minutes. Mike Hogan made the motion to approve the minutes with the changes and Mike Martinez made the second. The motion passed.

4. Questions proposed by the Capital Improvements Advisory Committee on the draft water, water supply, and wastewater capital improvements plans and maximum impact fees.

Mr. Schnur led the discussion on questions proposed by the CIAC.

Question #1 – Can SAWS staff provide a complete list of all proposed CIP projects with the associated cost for each project and the calculation to determine the percentage cost for existing and future customers?

The committee had been provided the spreadsheet of projects in tab #1 in the notebooks.

Question #2 – What cost estimating method was used to estimate the cost for each proposed CIP project?

An explanation of the methodology had been provided in tab #2. The committee discussed the allowances for construction contingency, engineering,

legal and administrative costs – the percentage for contingency seemed high. Mr. Mills explained that the total of the unit costs and other allowance percentages were very close to the actual bid tabs. Committee members expressed concern that the allowance percentages over construction costs were too high and could result in the 10 year costs for CIP projects being too high. The committee asked for additional clarification of the contingencies calculation and for example projects showing how the costs were all derived. Staff will provide the clarification and examples at future meetings. The committee also asked for a clarification on the different methods for calculation used for water and wastewater projects. Staff will provide the clarification at future meetings. The committee also asked for a clarification on how the calculation was made to determine the 10 year portion of the total cost of a project. Staff will provide the clarification and an example at future meetings.

Question #3 – What is the total amount of impact fees collected for the last 5 years and the CIP projects the impact fees were spent on?

The committee had been provided the information in tab #3.

Question #4 – Can SAWS provide a complete list of all CIP projects either added or removed from the proposed CIP approved in the last study?

The committee had been earlier provided a list in tab #4. Supplemental information was distributed to the committee showing projects that had been removed, constructed and not part of the 10 year plan (to be constructed in the period beyond the 10 year plan).

Question #5 – What is the possible impact of the EARIP on the water supply impact fee?

Mr. Charles Aherns, Vice President of Water Resources, explained that Senate Bill 3 had raised the pumping limit for the Edwards Aquifer. SB3 also initiated the Edwards Aquifer Recovery Implementation Plan. The ERIP is designed to study the recovery of endangered species and has a deadline of July 2012. So far, all study deadlines have been met and the final product will be a habitat conservation plan. Any impact to the water supply impact fee will not be known until the process is complete.

Question #6 – How was it determined to fund water delivery projects with cash and water supply and wastewater projects with debt?

The question had been discussed at previous meetings and a written answer provided in tab #6.

Question #7 – What impact will this added debt have on existing customers?

The question had been discussed at previous meeting and a written answer provided in tab #7.

Question #8 – Can SAWS provide an overall map of proposed CIP projects?

The map had been provided at the previous meeting.

Question #9 – Would like to understand how the value of existing utility lines was calculated and how that compares to the value used in 2006.

A presentation had been given to the committee in November and is also in tab #9. Mr. Kossl asked that the committee review the presentation and then possibly discuss again at a future meeting.

Question #10 – Referred to the significant increase in the water supply impact fee.

Since the question was originally written, the water supply impact fee has been significantly reduced and is now only \$323 more than the current fee.

Question #11 – On page 19, under the comparison of wastewater impact fee you will see increases of proposed over existing of 102.2%, 78.6% 145.4%, 165% and 179%. These seem a little strong in this economy.

The fees do have some large increases, but more recent calculations have reduced the fee some. Ms. Neumann explained that the increases are not due to higher costs. Recent bids for projects have been very good but there is a lot of new work that is being done which results in a higher CIP. The committee will later in the agenda discuss a possible phase-in of the fees.

Question #12 – The CIAC members were not participants in determining or calculating the “draft” sewer and water impact fees. The CIAC will need to better understand the assumptions and process used for the determination of the fees.

The consultant had reviewed the process in November and Ms. Price had reviewed the CIP at the previous meeting. Staff will continue to provide briefings as requested. Mr. Kossl encouraged the committee to review the draft report. Much of the information to answer committee questions can be found in the report.

The committee had also asked for examples of specific projects comparing estimates and final costs from the 2006 CIP. Mr. Schnur reviewed several projects showing the original estimate, final design estimates, board commitment and actual charges to date. Ms. Neumann pointed out that the design estimates were developed by the consulting engineer and are intended to indicate the likely bid not necessarily the lowest bid.

5. Briefing and deliberation on various scenarios to phase in the 2011 – 2020 updated impact fees.

Mr. Schnur distributed and reviewed a handout showing various scenarios for phasing in the updated impact fees. The committee discussed options where the CIAC could agree to a maximum impact fee but recommend to City Council and SAWS Board that a reduced impact fee be charged. Any reductions from reduced fees or phasing-in results in a lesser amount of fees collected. The fees not collected are made up by the ratepayers. If a phased in approach is considered, staff recommend option 2 where 50% of the increase in the wastewater impact fees is effective in year 1, 75% in year 2 and the full amount in year 3.

The committee discussed how impact fees are charged. The fees charged are based on the plat recordation date. Most developments defer payment of impact fees until the time the meter is set. If a development wants to pay prior to the plat being recorded, the plat must have been approved by the Planning Commission.

Mr. Mills explained that on December 20, at the SAWS Board Policy and Planning Committee meeting, there would be a briefing on the status of the impact fee update. The committee requested that they be notified of any briefings or actions pertaining to the CIAC.

Ms. Wright asked why so many new projects are being planned if the number of EDU's projected for 2011 – 2020 is less than the 2006 – 2015 projection? The large increase in projects results in the increase in impact fee. Mr. Mills explained that many of the projects have been planned for several years and the time for their construction has come. The system is reaching the limit of its existing capacity and new projects must be built to provide the needed additional capacity. The projects being built will have excess capacity to accommodate future growth. Only the portion of the costs needed for the 10 year growth is included in the impact fee calculation. The timing of the construction of the projects is driven by the land use assumptions projections. Ms. Neumann added that building the large infrastructure actually reduce the unit costs of the projects.

Mr. Kossl suggested that as we progress through the update process, a summary of the reasons for the increases would be helpful as the committee meets with the community and council members.

The committee discussed the political implications of the phase-in options. They also discussed other options that could include phasing-in the water supply impact fee.

Mr. Mills asked the committee if it were possible to calculate the impact of the increases on the number of homes to be built. The committee suggested that some information is available that shows the impact of cost increases on numbers of

qualified buyers. Other relevant information could also be available. Committee members will try to locate the information.

6. Discussion of the Next CIAC Meeting

The dates for the next meetings were set for January 7, 2011 and January 19, 2011 at 8:30.

7. Adjournment

The meeting was adjourned at 10:45 a.m.

APPROVAL:

CIAC Chairman