

**MINUTES**  
**MEETING OF THE SAN ANTONIO WATER SYSTEM**  
**CAPITAL IMPROVEMENTS ADVISORY COMMITTEE**  
**Thursday, January 9, 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 9:15 a.m. on Thursday, January 9, 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 Martinez, District 5  
Michael Hogan, District 6  
Mark Johnson, District 8  
James Garcia, District 9  
Dan Kossl, District 10  
Amy Hardberger, Mayor/ETJ

**Committee Members Not Present:**

Michael Cude, District 4  
Robert Hahn, District 7

**SAWS Staff Members Present:**

Sam Mills, Director, Engineering  
Kathleen Price, Manager, Engineering  
Jorge Monserrate, Manager, Engineering  
Keith Martin, Corporate Counsel  
Lou Lendman, Finance  
Carlos Mendoza, Finance  
Mark Schnur, Planner IV  
Felipe Martinez, Planner II  
Darren Thompson, Director, Water Resources  
Dan Crowley, Director, Innovation and Efficiency  
Mary Bailey, Controller  
Greg Flores, Vice President, Public Affairs

**Other Representatives Present:**

Jennifer Ivey, Red Oak/Arcadis

Carl Bain, Bain Medina Bain

Morris Harris, COSA

Alfred Chang, COSA

Pam Monroe, COSA

Jeff Pullin, COSA

**2. Citizens To Be Heard**

There were no citizens to be heard.

**3. Briefing and deliberation on SAWS Capital Improvement Impact Fees.**

Mr. Mills opened the meeting by presenting a review of the Water Supply Average Existing Supply calculations, the DSP integration impact on the water supply impact fee, the DSP only supplies and LUAP, and SAWS without DSP. The DSP integration adds \$472 to the Water Supply impact fee. Mr. Hogan clarified that Bexar Met was short of firm water supplies when the integration began. Mr. Mills stated that the cost of firm Edwards water is \$3,131 per EDU, while the proposed Water Supply impact fee is \$2,652 per EDU, a reduction of \$479 per EDU compared to a developer customer acquiring their own firm water supply.

Mr. Dugas stated that the Water Supply calculations assumed no benefit for existing customers from SAWS' diversification of water supplies, and that the more SAWS diversifies the lower the pro-rated costs and the less damage to the community so everyone benefits from water supply diversification. Mr. Dugas stated that SAWS assumptions are incorrect. Ms. Wright agreed with Mr. Dugas, and added that a portion of the costs are due to legislative changes. Mr. Mills pointed out that the impact fees do not include Operations and Maintenance costs or the Aquifer Storage and Recovery costs that are not borne by development, and that SAWS receives about \$100 million per year in Water Supply fees from rates, and only about \$10 million per year in Water Supply impact fees. The committee clarified that the rate credit pays financing costs for the life of the loan and is the net present value of the debt payment cost in rates, preventing a customer from paying twice for financing costs for a project.

Mr. Garcia asked about the value of non-capital costs, and Ms. Hardberger stated that it would be difficult to parse out the cost of diversification versus the increased quantity of water, and asked what would be the cost of diversification without growth. Ms. Bailey stated that most of the Water Supply fee from rates is O&M costs, not impact fees, and that impact fees are paying \$287 million of the \$714 million cost of the new water supplies over the next ten years. Mr. Mills

added that the Water Resources Integration Pipeline costs were apportioned at 39% for existing customers, and the rest for new customers, and reiterated that SAWS pays \$3,131 for one EDU of Edwards water. The committee asked about the Regional Water Project, and Mr. Mills replied that this project is not in the impact fees, and Mr. Thompson added that the project selection would be made soon, so the costs of the project are not yet known.

The committee discussed the philosophy on where to put capital costs, and Mr. Mills stated that new development is paying about 10% of the Water Supply costs, increasing to 20% with the impact fee update.

Ms. Ivey presented a survey of impact fees in Texas cities for water and wastewater impact fees. Mr. Garcia asked about the relationship of impact fees to growth in areas that might benefit from subsidizing growth. Mr. Dugas stated that impact fees might deter investment. Mr. Mills observed that SAWS' rates are lower than other Texas cities except El Paso. Ms. Hardberger observed that the other cities might charge impact fees for other infrastructure such as power, while San Antonio does not. Ms. Ivey stated that she did not believe any of the other cities on the chart supported their utilities with taxes. The committee asked for a chart of impact fees for cities outside of Texas. Ms. Wright stated that the affordable housing price point is being pushed up, and Mr. Mills stated that the according to the San Antonio Board or Realtors, the median home price in San Antonio is \$172,000. Mr. Dugas stated that it is now \$184,000 for new homes. Mr. Mills observed that the impact fees are about 4% of the median home cost, while a real estate agents fee is 6%. Ms. Hardberger added that other Texas cities don't have water challenges that San Antonio has, and that Austin can't guarantee a sustainable water supply, while San Antonio is increasing the diversity of its water supply and can guarantee future water supplies. Ms. Ivey stated that El Paso first charged impact fees in 2009 and their fees may go up. Ms. Hardberger added that El Paso has many restrictions such as limits on lawn watering that are not considered in the chart. Mr. Kossel asked that the SAWS bars in the chart be lumped together. Mr. Garcia asked what if the new water supplies were not considered in the impact fees? Ms. Ivey responded that rates would have to increase. The committee asked to see a chart on rates for Texas cities.

Mr. Mills presented a table summarizing the LUAP and CIP and impact fees for 2011 and 2014, and Mr. Kossel asked that this table be included in the findings. Mr. Mills told the committee that SAWS planned to take the impact fee update to SAWS Board in March, and to City Council Public Hearing in April, and ask for approval in May. Mr. Kossel asked that the findings include a note that the Regional Water Project was not included in the water supply impact fees.

#### **4. Approval of the minutes of the CIAC regular meeting of December 19, 2013.**

The committee approved the minutes from the December 19, 2013 meeting.

**5. Adjournment**

The committee agreed to meet on January 23<sup>rd</sup>, 2014 at 9:00 a.m. The meeting was adjourned at 10:47 a.m.

APPROVAL:

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CIAC Chairman