

**CAPITAL IMPROVEMENTS ADVISORY COMMITTEE**  
**DRAFT FINDINGS**  
**February 27, 2014**

**CAPITAL IMPROVEMENTS ADVISORY COMMITTEE**  
**REPORT TO THE SAN ANTONIO CITY COUNCIL ON THE UPDATE OF THE 2011 –**  
**2020 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.

Since May 2013, the CIAC has met approximately 16 times with SAWS staff and consultants. SAWS staff and consultants made many presentations and provided the CIAC with the opportunity to discuss and deliberate numerous aspects of the proposed impact fee program. Although the ultimate responsibility for calculating the Maximum Impact Fees based on the CIP and LUAP totals and formula prescribed by Chapter 395 rests with the professional staff and consultants, the CIAC provided direction and comments which were taken into consideration in compiling the final CIP, LUAP and Maximum Impact Fee calculations. The CIAC voted to make separate findings and comments to City Council to be incorporated into this report, which are specifically delineated as follows:

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## 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 CIP 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 2014-2023 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 2011. [The SAWS impact fees must be updated before June 2016.](#)
- b. The Bexar Met Water System updated impact fees in June 2009. [The Bexar Met impact fees must be updated before June 2014.](#)
- c. Senate Bill 341 set an election date for BexarMet ratepayers to vote on dissolving the utility. The measure passed by 74 percent of the vote, and the U.S. Department of Justice approved the results in late January 2012. SB 341 calls for full integration of BexarMet within five years.
- ~~d. The Bexar Met impact fees will expire in June 2014, requiring that they be updated prior to expiring.~~
- e.d. SAWS is updating the impact fees as an integrated system. The revised Water Supply, Water Flow, and Water System Development impact fees will be based on the combined water service areas.

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- ~~f.~~ In June 2013, SAWS approved a settlement agreement with the U.S. Environmental Protection Agency that will require additional work over the next 10 to 12 years to reduce sewer spills. SAWS will invest an additional \$492 million in its sewer system over 10-12 years. The additional capital cost is \$388.4 million.
- ~~g.~~e. SAWS updated its Water Management Plan in 2012 to address a changing population from the 2010 census, BexarMet integration, endangered species, integration, and increased underground water storage in the Twin Oaks ASR.
- ~~h.~~f. The changes to the water service areas from the 2011 impact fee update are largely due to the addition of five DSP service areas totaling 174,000 acres. In addition, SAWS driven changes located in the northwest portion of the county are due to a reduction in CCN application areas. One CCN application was reduced from 15,000 acres to 49 acres and a CCN application of 21,000 acres was withdrawn completely. SAWS was also granted a CCN application area that added 8,500 acres in the northeast portion of the SAWS service area. The net change in water service area is an increase of 146,549 acres.
- ~~i.~~g. The changes to the wastewater service areas from the 2011 impact fee update are in the northwest and southeast portions of the wastewater service area. The changes in the northwest were due to reduced CCN application areas. One application was reduced from 62,000 acres to 24,000 acres and another application was reduced from 50,000 acres to 9,000 acres. The southeast area was reduced due to a CCN application area being amended from 30,000 acres to 22,000 acres. The net change in wastewater service area is a reduction of 87,000 acres.
- ~~j.~~h. Chapter 395 of the L.G.C. allows for financing costs to be included in the calculation of impact fees.
- ~~k.~~i. Financing costs for existing projects were included in the impact fee calculations.
- ~~l.~~j. Financing costs for future projects were not included since SAWS reserves the option to fund growth projects with cash.
- ~~m.~~k. Financing costs for existing and future projects were not included in the water supply impact fee calculation.
- ~~n.~~l. Historically, the City of San Antonio has approved charging the maximum impact fee.
- ~~o.~~m. Many other cities charge an impact fee that is less than the maximum impact fee, possibly to stimulate economic activity. A comparison of other U.S. and Texas cities' impact fees is in Appendix B.
- ~~p.~~n. If less than the maximum impact fee is charged the difference ~~must~~ would be made up from ~~another~~ other sources.

### LAND USE ASSUMPTIONS PLAN

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

- a. 10 year water Land Use Assumptions Plan = 95,817 EDUs
- b. 10 year wastewater Land Use Assumptions Plan = 95,589 EDUs

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- c. A summary of the change in EDUs, CIP, and maximum calculated impact fees is in Appendix A.
- e.d. The committee recommended approval of the Land Use Assumptions Plan by a vote of 10 to 0.

### CAPITAL IMPROVEMENTS PLAN

#### 4. The water supply impact fee is based on the SAWS 50 Year Water Management Plan.

- a. 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.
- b. The existing water supply projects used in the calculation are the Average Existing Edwards Aquifer, Local Carrizo, Trinity-WECO, Oliver Ranch, BSR, GBRA-Western Canyon, and Medina System Surface Water.
- c. The 2014 to 2023 projects used in the calculation are the Average New Edwards Aquifer, Regional Carrizo/SSLGC, Brackish Groundwater Desalination Phases 1 and 2, Expanded Carrizo Phases 1 and 2, and the portion of the integration line needed for the local Carrizo and Brackish Desalination projects over the next ten years. The Regional Water Project is not included in the 2014 to ~~2013~~ 2023 impact fees.
- d. SAWS determined the total amount of Edwards Aquifer water available as the average during a repeat of a 10-year Drought of Record, or similar conditions. This total amount was calculated to be 215,477 AF (or 614,109 EDUs) for its existing Edwards supply, and 7,106 AF (or 20,253 EDUs) for its future Edwards supply. Of this total 222,583 AF (or 634,362 EDUs), 210,157 AF (or 598,948 EDUs) was used for existing customers, while 8,642 AF (or 24,629 EDUs) was used for customers 2014-2023. The remaining 3,784 AF (or 10,785 EDUs) was used for customers beyond the year 2023.
- e. ~~The \$2,796/EDU~~ maximum water supply impact fee calculation does not cause new customers to subsidize existing BexarMet customers.
- e.f. The consequence of the integration of existing and new BexarMet customers increased the maximum water supply impact fee by \$482/EDU, of which \$122/EDU was for existing BexarMet customers using existing SAWS supplies. The integration of the former Bexar Met Water System water supplies into SAWS water supplies reduced the amount of existing water supplies available for growth which increased the number of new EDUs using new supplies.
- g. SAWS staff changed the assumption for debt financing the future Water Supply CIP from 100% debt financing to 50% debt financing, matching SAWS multi-year financial plan. This reduced the Water Supply rate credit and increased the impact fee.
- h. The majority of the Committee determined that it was inappropriate to allocate 100% of the Capital Costs of new water supply 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

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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:

<u>Existing Water Supply Capital Funding</u>	<u>\$792,000,000</u>
<u>Pro-Rata Portion of New Water Supply Capital Costs</u>	<u>\$282,000,000</u>
<u>Total Capital Costs Allocated to Planning Period</u>	<u>\$1,074,000,000</u>

<u>Existing Firm Yield</u>	<u>204,000</u>	<u>Ac.Ft.</u>
<u>Projected New Consumption in Planning Period</u>	<u>33,000</u>	<u>Ac.Ft.</u>
	<u>237,000</u>	<u>Ac.Ft.</u>

$$\underline{\$1,074,000,000 \div 237,000 = \$4,531/\text{Ac.Ft.}}$$

$$\underline{\$4,531 \div 2.85 \text{ EDUs/Ac.Ft.} = \$1,590/\text{EDU}}$$

The reduction in the maximum calculated water supply impact fee to \$1,590 could potentially require an increase of 0.257% per year in the monthly charges for the average residential customer over the next 10 years, for a total rate increase of 2.57%. This equates to a 14 cent monthly increase incrementally each year in the average SAWS bill.

Other options to mitigate this reduction in the water supply impact fee could include adjusting the tiered rate structure to increase the impact on higher water users.

i. A summary of the change in EDUs, CIP, ~~and~~ maximum calculated, and CIAC recommended impact fees is in Appendix A.

f.j. The committee voted 8-1 to recommend approval of the \$1,590 Water Supply Impact Fee. There were two committee members absent, and Ms. Hardberger voted against the motion.

### **5. The Water Delivery Capital Improvements Plan has lower existing infrastructure values for Water Flow and System Development.**

a. Corrections made to underlying assumptions used in 2011 have contributed to changes in the valuation of Water Flow and System Development infrastructure such as:

- i. Exclusion of meters and services infrastructure values.
- ii. Distance of transmission pipelines no longer influenced by Aquifer Storage & Recovery (ASR) pipeline distance.
- iii. Impact Fee credits no longer included in infrastructure valuation.

iv. SAWS staff changed the assumption for debt financing the future Water Delivery CIP from 20% to 70 %, matching SAWS multi-year financial plan. This increased the rate credit and reduced the Flow and System Development impact fees.

b. A summary of the change in EDUs, CIP, maximum calculated, and CIAC recommended impact fees is in Appendix A.

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~~A summary of the change in EDUs, CIP, and maximum calculated impact fees is in Appendix A.~~

v. The committee recommended approval of the Water Delivery Capital Improvements Plan by a vote of 10 to 0.

### **6. The Wastewater Capital Improvements Plan has higher existing infrastructure values for Collection and Wastewater Treatment.**

- a. The methods used to determine the value of the existing infrastructure has evolved further to provide a more accurate valuation.
- b. Large wastewater projects undertaken since 2011 have increased Wastewater Collection values (e.g. Medina River Sewer Outfall, C-33 Broadway Corridor, and C-01 Central Watershed Sewer Relief Line). Large wastewater collection projects have also increased in construction costs. Bids are coming in higher than the original cost estimate used in the 2011 impact fee study. The percent increase of estimated to actual costs for several projects ranges from 8% to 55%. Therefore all cost estimates for the wastewater collection impact fee projects expected to be constructed in the next 10 years were adjusted to reflect recent bids.
- c. More precise allocations of Construction Work-in-Progress (CWIP) capital projects also contributed to higher valuation of existing wastewater related infrastructure.
- d. In the 2011 update, the value of the existing wastewater collection infrastructure was based on the diameter and length. Additionally, SAWS assumed the growth between year 2011 and year 2020 would use 10% of any available capacity in the system. This 10% was applied to the equity for each of the six wastewater collection impact fee areas.
- e. In the 2014 update, the value of the existing collection infrastructure was provided by Finance. Master Planning proportionately assigned the values by impact fee area using diameter and length. This did not change from the 2011 study. However, the capacity used in the system for each pipe was determined using the wastewater hydraulic model. The total capacity for each impact area was calculated and then the percent used by each service area over the next 10 years was calculated using the change in EDUs from the 2014 LUAP. The percent of available capacity used by the 10 year EDU projection for each impact fee area ranged from 8% to 28%. These percentages were applied to the value of the equity in each service area. The value of infrastructure that crossed service areas was proportionately assigned to the respective service areas using the diameter and length of pipe in each service area. The upper impact fee service areas paid for their proportionate use of available capacity in downstream infrastructure over the 10 year period. This caused the value of existing capacity used to increase from the 2011 study.
- f. SAWS staff changed the assumption for debt financing the future Wastewater CIP from 20% to 70 %, matching SAWS multi-year financial plan. This increased the rate credit and reduced the Collection and Treatment impact fees.
- g. For wastewater treatment, the 2014 LUAP population projections for the next 10 years were applied at a rate of 90 gallons per capita per day (gpcd) to calculate the 10 year capacity. The 90 gpcd rate equates to 215 gallons per EDU (gal/EDU),

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which is less than the 2011 value of 240 gal/EDU. The ratio of the 10 year capacity over the total capacity of the Water Recycling Centers was applied to the known value of the existing WRCs to determine the value of the eligible equity in the impact fees.

- h. Many of the treatment projects from the 2011 impact fee study have been completed and the value moved to equity, thereby increasing the value of available capacity. The cost of new projects has increased slightly and the available new capacity has been reduced. The net impact of these variables is an overall increase in the Treatment impact fee.
- i. A summary of the change in EDUs, CIP, maximum calculated, and CIAC recommended impact fees is in Appendix A.  
~~A summary of the change in EDUs, CIP, and maximum calculated impact fees is in Appendix A.~~
- j. The committee recommended approval of the Wastewater Capital Improvements Plan by a vote of 10 to 0.

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

- a. 10 year value of eligible water supply projects = \$282.4 million
- b. 10 year value of eligible water flow projects = \$121.5 million
- c. 10 year value of eligible water system development projects = \$73.7 million
- d. 10 year value of eligible wastewater treatment projects = \$86.7 million
- e. 10 year value of eligible wastewater collection projects = \$167.1 million
- f. Total 10 year value of all impact fee eligible projects = \$731.3 million

### MAXIMUM IMPACT FEES

### 8. The ~~CIAC accepts and recommends for City Council approval the~~ maximum calculated impact fees as are shown below:

a. Water supply impact fee =	\$2,796
b. Water flow impact fee =	\$1,182
c. Water System development impact fee	
High =	\$883
Middle =	\$799
Low =	\$619
d. Wastewater treatment	
Medio Creek =	\$1,429
Dos Rios/Leon Creek =	\$786
e. Wastewater collection	
Medio Creek =	\$838
Upper Medina =	\$1,565
Lower Medina =	\$475
Upper Collection =	\$2,520
Middle Collection =	\$1,469
Lower Collection =	\$719

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The percentage change and dollar amount of the maximum impact fees by service area are shown on Appendix D.

The percentage change and dollar amount of the maximum impact fees by the former Bexar Met (DSP) service area are shown on Appendix E.

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**CAPITAL IMPROVEMENTS ADVISORY COMMITTEE  
RECOMMENDATIONS**

**9. The CIAC accepts and recommends for City Council approval the maximum  
calculated impact fees except for the Water Supply impact fee as shown below:**

a. <u>Water supply impact fee =</u>	<u>\$1,590</u>
b. <u>Water flow impact fee =</u>	<u>\$1,182</u>
c. <u>Water System development impact fee</u>	
<u>High =</u>	<u>\$883</u>
<u>Middle =</u>	<u>\$799</u>
<u>Low =</u>	<u>\$619</u>
d. <u>Wastewater treatment</u>	
<u>Medio Creek =</u>	<u>\$1,429</u>
<u>Dos Rios/Leon Creek =</u>	<u>\$786</u>
e. <u>Wastewater collection</u>	
<u>Medio Creek =</u>	<u>\$838</u>
<u>Upper Medina =</u>	<u>\$1,565</u>
<u>Lower Medina =</u>	<u>\$475</u>
<u>Upper Collection =</u>	<u>\$2,520</u>
<u>Middle Collection =</u>	<u>\$1,469</u>
<u>Lower Collection =</u>	<u>\$719</u>

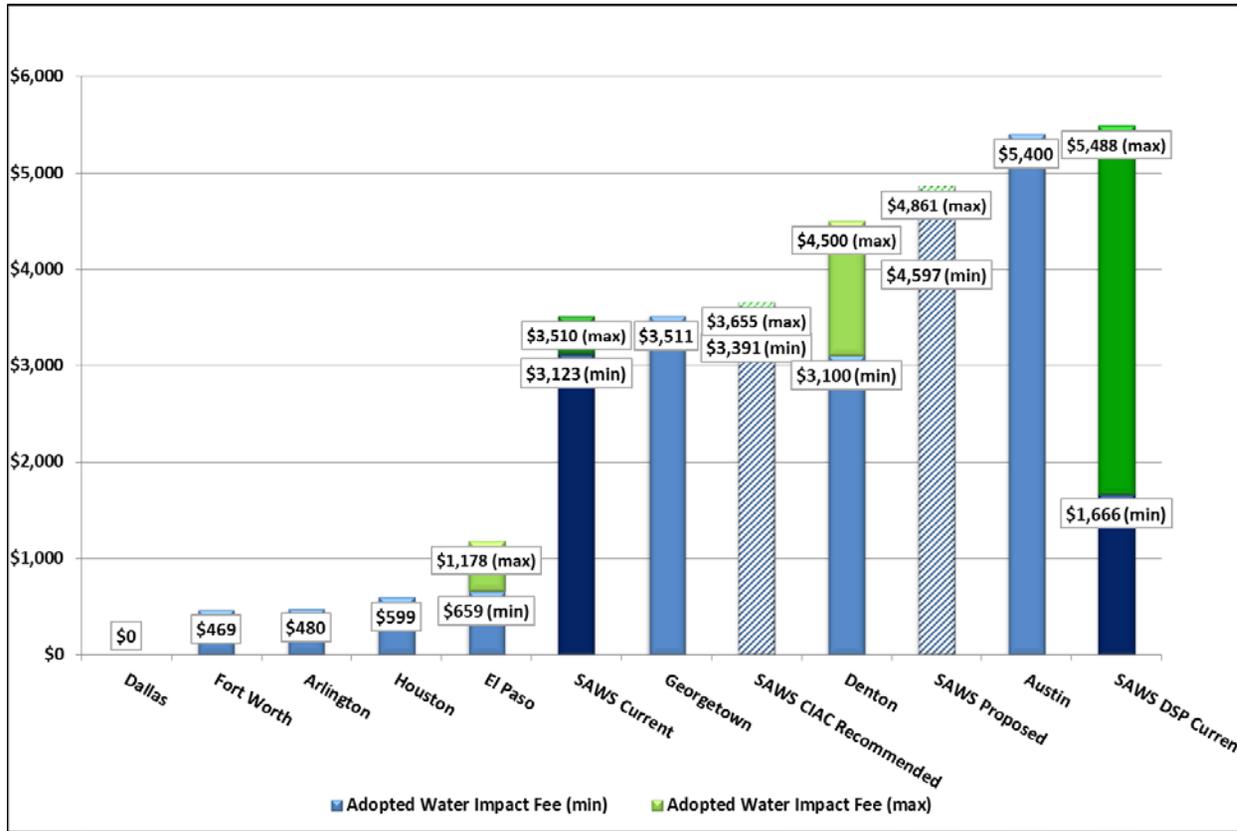
**APPENDIX A: LUAP, CIP, and Impact Fee Summary (DRAFT)**  
**As of 2/25/2014**

	LUAP (EDUs)		Eligible CIP (\$)		Impact Fee (\$/EDU)			Impact Fee (\$/EDU) CIAC Recommendation	
	2011	2014	2011	2014	2011	Maximum	% Change from 2011	2014	% Change from 2011
						Calculated			
Water Supply	80,343	95,817	\$ 115,660,971	\$ 282,391,017	\$ 1,297	\$2,796	116%	\$1,590	23%
Water Flow	80,343	95,817	\$ 107,071,131	\$ 121,466,247	\$ 1,247	\$1,182	-5%	\$1,182	-5%
Water System Development (total)	<u>80,343</u>	<u>95,817</u>	<u>\$ 64,278,453</u>	<u>\$ 73,696,321</u>					
High Elevation	18,818	8,783	\$ 18,749,685	\$ 6,574,789	\$ 966	\$883	-9%	\$883	-9%
Middle Elevation	41,501	45,265	\$ 33,332,491	\$ 34,596,341	\$ 774	\$799	3%	\$799	3%
Low Elevation	20,024	41,769	\$ 12,196,277	\$ 32,525,191	\$ 579	\$619	7%	\$619	7%
Wastewater Treatment (total)	<u>107,075</u>	<u>99,331</u>	<u>\$ 77,766,825</u>	<u>\$ 86,683,968</u>					
Medio Creek	17,234	9,184	\$ 25,542,728	\$ 13,385,880	\$ 1,379	\$1,429	4%	\$1,429	4%
Leon/Dos Rios Creeks	89,841	90,147	\$ 52,224,097	\$ 73,298,089	\$ 552	\$786	42%	\$786	42%
Wastewater Collection (total)	<u>107,075</u>	<u>99,331</u>	<u>\$ 139,872,333</u>	<u>\$ 167,093,734</u>					
Medio Creek	17,234	9,184	\$ 10,285,377	\$ 7,627,627	\$ 582	\$838	44%	\$838	44%
Upper Medina	14,224	19,478	\$ 6,705,155	\$ 21,475,227	\$ 1,053	\$1,565	49%	\$1,565	49%
Lower Medina	1,721	3,909	\$ 9,597,499	\$ 11,374,282	\$ 594	\$475	-20%	\$475	-20%
Upper Collection	50,727	37,085	\$ 34,328,678	\$ 39,431,580	\$ 1,795	\$2,520	40%	\$2,520	40%
Middle Collection	7,207	12,520	\$ 36,197,660	\$ 37,842,239	\$ 1,142	\$1,469	29%	\$1,469	29%
Lower Collection	15,962	17,155	\$ 42,757,964	\$ 49,342,780	\$ 552	\$719	30%	\$719	30%
Total			\$ 504,649,713	\$ 731,331,287					

Notes:

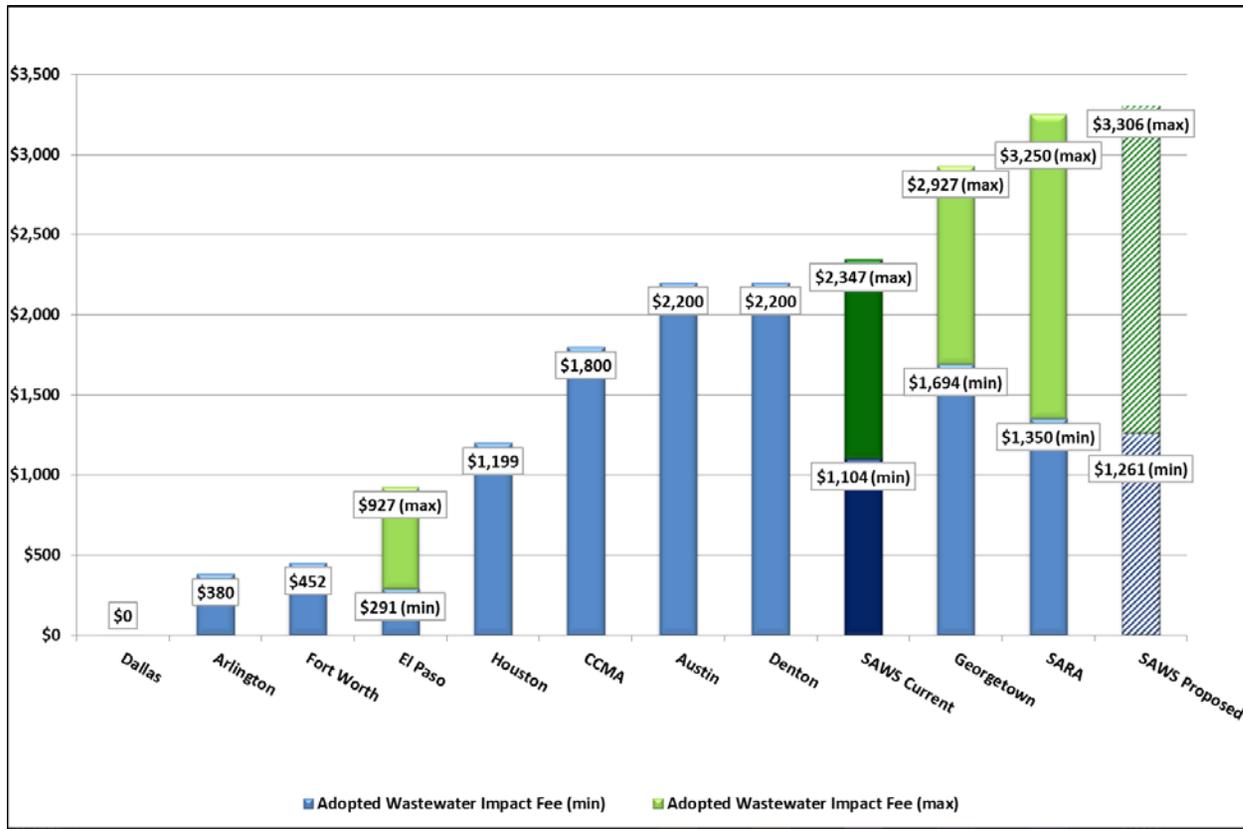
1. 2011 = Final Approved 2011 to 2020 impact fee program
2. 2014 = Draft Proposed to date 2014 to 2023 impact fee program
3. 2011 figures do not include BexarMet data.
4. Rate increase based on 1% per \$45 million new debt
5. Projected excess water supply capacity is 17,761 EDUs

## APPENDIX B: Impact Fee Survey of Texas Cities (DRAFT)



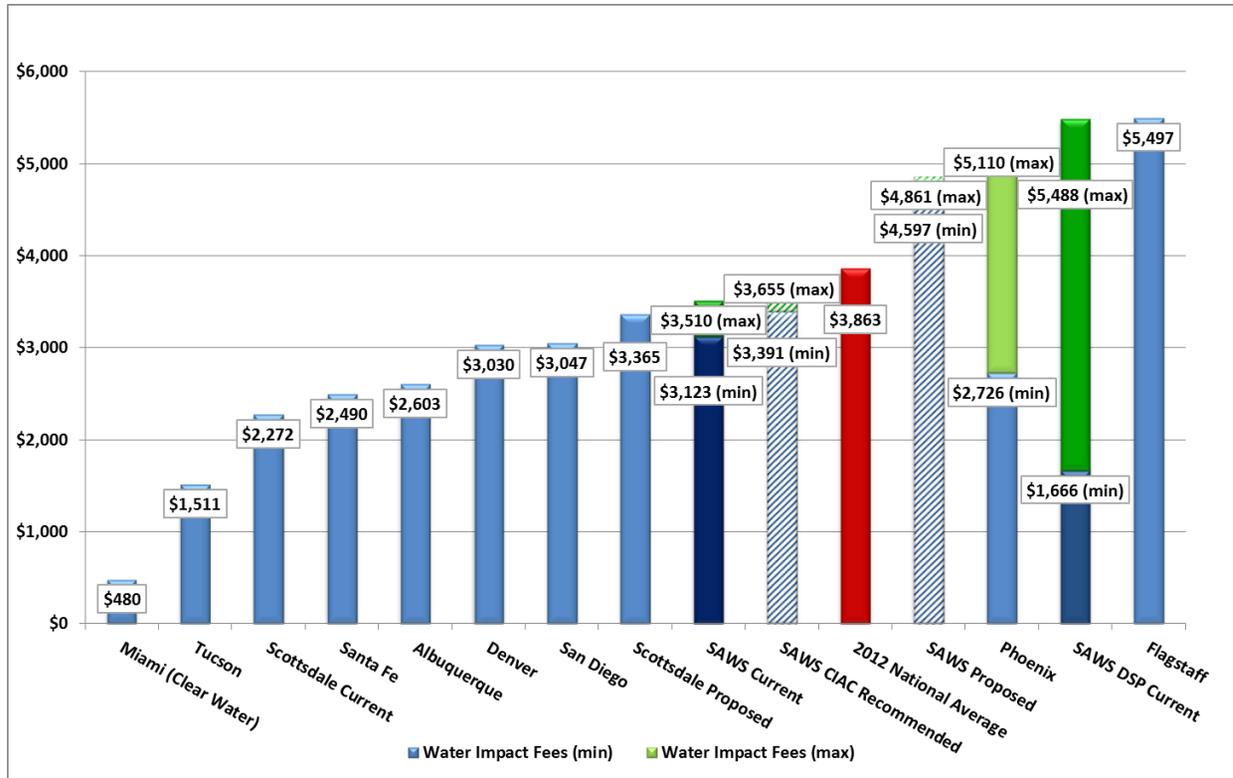
Comparison to other Texas utilities – water

## APPENDIX B: Impact Fee Survey of Texas Cities (DRAFT)



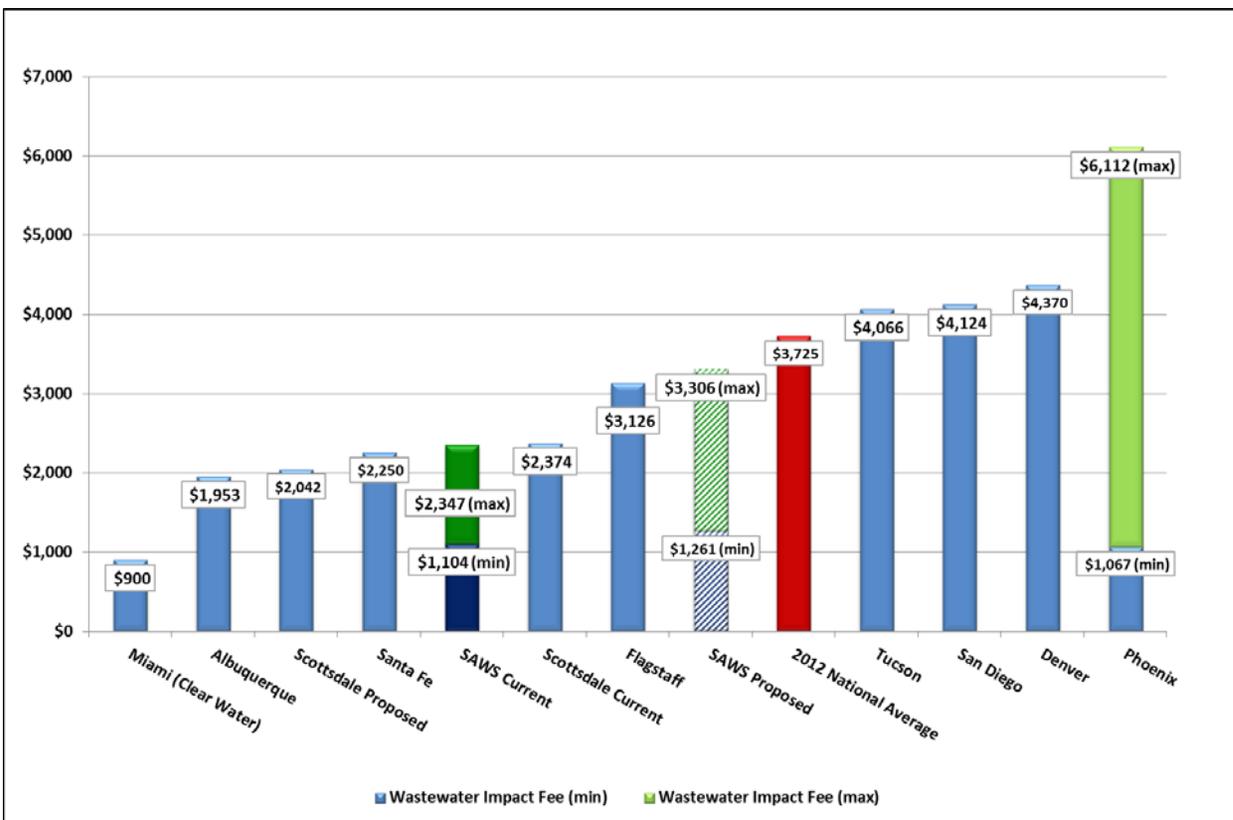
Comparison to other Texas utilities – wastewater

## APPENDIX B: Impact Fee Survey of U.S. Cities (DRAFT)



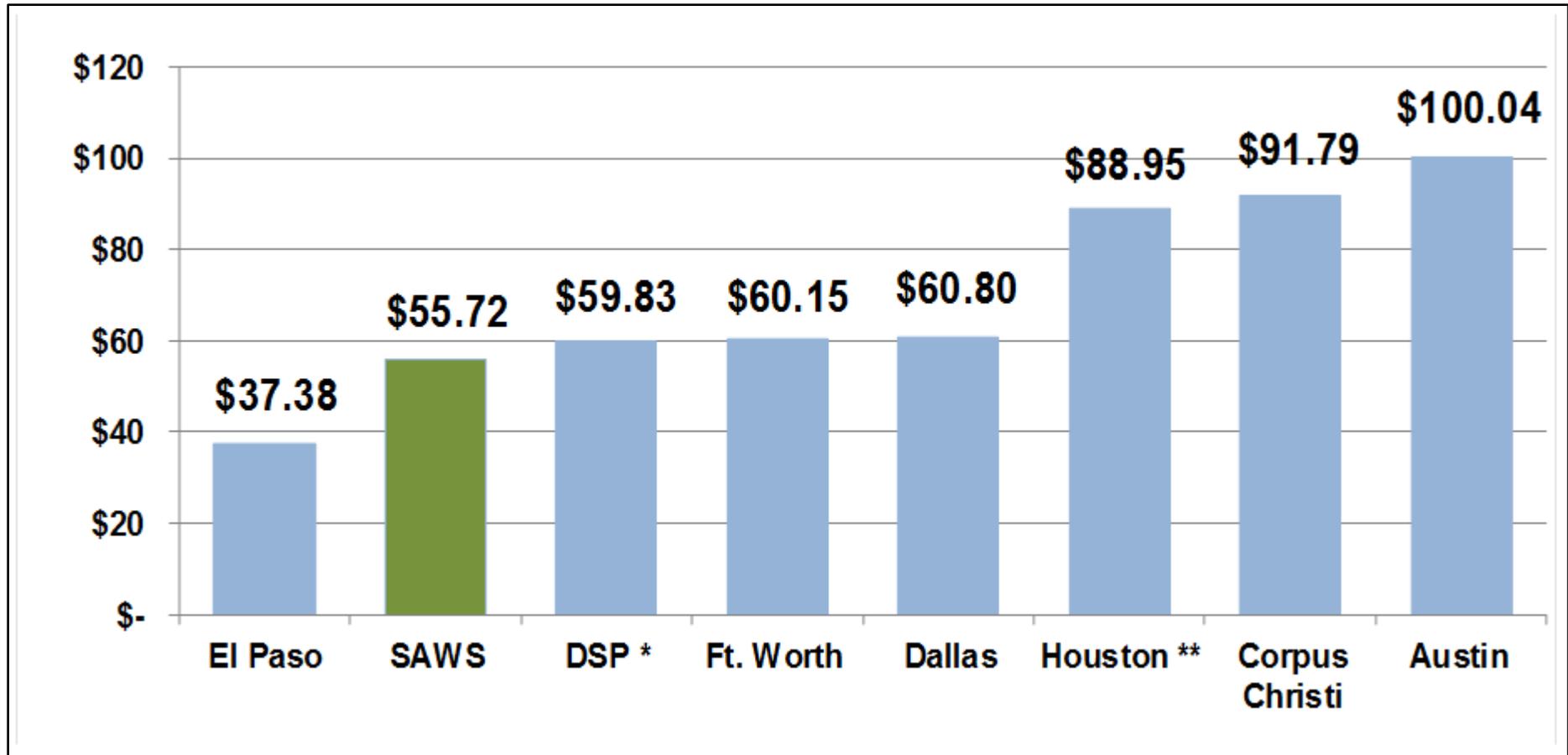
Comparison to other U.S. utilities – water

## APPENDIX B: Impact Fee Survey of U.S. Cities (DRAFT)



Comparison to other U.S. utilities – wastewater

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



Monthly charges as of January 2014, Based on 7,788 Gal. Water (Standard)/6,178 Gal. Wastewater. Includes EAA and TCEQ Fees.

\* DSP monthly charge total includes \$33.03 in DSP water charges and \$26.80 in SAWS sewer charges

\*\* Houston wastewater charges based solely on water usage