A QUEST FOR OPENNESS, TRANSPARENCY, AND ACCOUNTABILITY AT SAWS
SHALL WE BEGIN OUR QUEST?
SAWS AND CPS ARE **PUBLIC UTILITIES**

The public must have:

1. Access to information, especially related to rates
2. Meaningful and impactful participation
3. Oversight by our elected representatives
4. Accountability

*Today we focus on SAWS*
PROBLEMS AT SAWS

IDEALS

- Openness
- Transparency
- Accountability

SAWS

- Vested Interests
- Policy decisions made without City Council
- Poor Management Decisions
- Secrecy
VISTA RIDGE
DISCLAIMER

- We do not claim to be experts on the Project but we have taken measures to ensure that our information is accurate

- More information and most citations found at novistaridge.org

- The information we have is limited to what has been released to the public (We’ll get into this)

- Our intent is to educate and inform only
• Billions of dollars for an unnecessary water source over 140 miles away
• Most expensive water in Texas
• Abengoa bankruptcy
• Loan in return for nothing likely factored into price
• Negative effects on ratepayers
• Lack of openness and transparency
• Unsustainable in neighboring communities and the Edwards
• Negative effects on public policy
VISTA RIDGE: THE PROJECT

- Initial estimated cost of $3.4 billion
- **Additional 50,000 Acre Feet per year = 16.3 Billion Gallons per year** for San Antonio growth and sprawl, enough for 30,000 people per year
- Water Source over 140 miles away
- The most expensive water in Texas
VISTA RIDGE – SAWS – ABENGOA - HOW DID IT COME ABOUT?

• 2014 - Following more than 3 years of discussions and negotiations with vendors, the project was rejected by the SAWS

• Rejection was accompanied by dedication to incremental brackish desalination on an “as needed” basis and use of existing supplies

• “Because of successful water management, proactive planning, and additional water supplies being added, SAWS now has enough water supplies and management tools to last until 2027.” - Greg Flores, SAWS Vice President of Communications

However, within a short time following rejection, a deal was struck, and Approval Secured
THE DEAL - INITIAL STRUCTURE – ENTER ABENGOA
INTERESTING TIMELINE

2011 – Abengoa and other vendors enter negotiations with SAWS

2014 – after 3 years of discussions it is reported that all negotiations were rejected

2014 – Sept – Deal between Abengoa & SAWS unanimously approved by SAWS Trustees

2014 – Sept 15 - Abengoa Vista Ridge LLC (Delaware ) filed – operates as subsidiary of Abengoa SA

2014 - Sept 25 – Texas Non-Profit Created – Central Texas Regional Water Supply Corp.
PROBLEM - MANAGEMENT DECISIONS
“TAKE AND PAY” CONTRACT

• 700 page contract that includes hundreds of pages of quickly added amendments

• San Antonio must pay for all water delivered

• Above is true whether the water is needed or not (it’s not)

• Incentive to send the maximum amount possible

• SAWS takes ownership of the project after 30-year term
Numerous protests against the Vista Ridge project were lodged, along with public testimony by qualified individuals.

Perhaps the most succinct was that of Michelle McFaddin, atty at law, just prior to City Council approval.

Michelle, between 2007 and 2013 was employed by the Texas Water Development Board as lead attorney for the federal and state water and wastewater infrastructure loan programs.
• Michelle noted that all risks had not been transferred to Abengoa.

• She also stated lower project interest rates were available to SAWS than Abengoa’s 6.04%.

• Warned Abengoa was financially unstable

• Conclusion: “There is no reason for SAWS or the City of San Antonio to rush forward to commit to a 581-page contract that was only released late last week - not with the questions, concerns and issues that you no doubt had when you reviewed the draft contract over the weekend as well as those that have been raised during the public comment period this morning.”
• SAWS was warned

• Knew about the problem – SAWS CEO stated that the city-owned utility knew things could go south with Abengoa from the very beginning, so it included protections in its contract including a $2 million early termination fee
A FEW MONTHS LATER

SAWS

BANKRUPT

20%

ABENGOA

$120,000,000.00

BANKS

BLUE
WATER

BONDS

GARNEY

SUB-CONTRACTORS
REALLY INTERESTING TIMELINE – WHERE DID $120 MILLION GO?

2014 - Oct 30 – Vista Ridge approved by City Council

1. $128,398,000 borrowed by Abengoa from banks and Merrill-Lynch by Abengoa Vista Ridge LLC

2. $124,000,000 TRANSFERRED TO (NP) CTRWSC

3. $119 MILLION Transferred to Abeinsa Abeima Teyma, G.P. (Abengoa Subsidiary)

2015 – Nov 25 – Abengoa files for Bankruptcy (16 plus billion)

13 MONTHS – CONTRACT TO BANKRUPTCY
SAWS DOES NOT NEED THE WATER

- Informed professionals estimated the 50 thousand acre feet per year (16.3 Billion Gallons) to be overstated - excessive by approximately 15 thousand acre feet or 4.89 BILLION GALLONS.

- SAWS’ own projections show that under normal rainfall conditions, the City will not need any additional water for many decades.

- Really just here to have abundant water, not adequate water during a drought of record (evergreen St. Augustine lawns)

- Not just a San Antonio project, a regional project
WHAT WILL SAWS DO WITH EXCESS WATER?

- Pipeline is managed and operated by third party entities
- **Companies invested** in the project
- Third party companies are about making a profit, not losing money
- Common Sense says they will pump and deliver the **maximum permitted**
• SAWS indicated they could become a regional water supplier to cities and governmental entities in proximity of the delivery pipeline, and sell the excess water.

• Enormous policy decision without direct approval of City Council
PROBLEM: VESTED INTERESTS

- Letter from business interests
- Reversal of the decision to reject Abengoa’s offer
- Conflicts of interest
- Engineering business owner and lobbyist assists SAWS with contract negotiations with Abengoa, his company becomes beneficiary of the project.
Lack of Economic Impact study, including \( \frac{1}{2} \) of Bexar households within federal poverty guidelines and United Way’s ALICE (Asset-Limited, Income Constrained, Employed) demographic
"....The CAPITAL IMPROVEMENTS ADVISORY COMMITTEE (CIAC) does not recommend the maximum calculated Supply Impact Fee.

The CIAC recommends assessing a prorated Supply Impact Fee of $2,706 per EQUIVALENT DWELLING UNIT, which is a weighted average of 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 in operation and become a component of the equity calculation. The Vista Ridge Project is expected to be completed in 2020....."
REMINDER!

The most expensive water in Texas!
Feb 2018, SAWS revealed it had only requested $\frac{1}{3}$ of the rate increases directly attributable to Vista Ridge.
<table>
<thead>
<tr>
<th>Year</th>
<th>Increase Percentage</th>
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<tbody>
<tr>
<td>2014</td>
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<tr>
<td>2015</td>
<td>5.3%</td>
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<tr>
<td>2016</td>
<td>7.5%</td>
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<tr>
<td>2017</td>
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<tr>
<td>2018</td>
<td>5.8%</td>
</tr>
<tr>
<td>2019</td>
<td>4.7%</td>
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## San Antonio Water System
### Effective 7-Year Water Rate Increase

<table>
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<th>Year</th>
<th>Calculated</th>
<th>Compounded</th>
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<tbody>
<tr>
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<td>Annual Rate Increase %</td>
<td>(Effective) Increase Index</td>
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<tr>
<td>Base</td>
<td>100.00</td>
<td>100.00</td>
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<tr>
<td>2012</td>
<td>6.500%</td>
<td>106.50</td>
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<tr>
<td>2013</td>
<td>7.906%</td>
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<tr>
<td>2014</td>
<td>8.397%</td>
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<tr>
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<td>5.098%</td>
<td>130.92</td>
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<td>2016</td>
<td>5.301%</td>
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<tr>
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<td>7.500%</td>
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<tr>
<td>2018</td>
<td>6.802%</td>
<td>158.28</td>
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<td></td>
<td>47.50%</td>
<td>47.50%</td>
</tr>
</tbody>
</table>

### Compounded Value of Rate Increases

58.28%
RATE INCREASES AND REVENUE – WHAT HAPPENS TO THE MONEY

- Between 2013 and 2017 the additional revenue to SAWS exceeded $400 million dollars.

- Add 2018 and 2019 and that figure more than doubles.

- Did all of it go to water and sewer – NO

- Millions went into the City General Fund based on the 1992 ordinance which created SAWS
THE COMMON CITIZEN MIGHT ASK

HOW DID THIS PROJECT GET SO CONVOLUTED?

IS THIS JUST AN EXAMPLE OF “THE GOOD OLE BOY” METHOD OF DOING BUSINESS AT THE UTILITY?

-OR-

JUST POOR REPRESENTATION AND LACK OF DUE DILIGENCE?
PROBLEM: LACK OF OPENNESS AND TRANSPARENCY

• Manufacturing consent by means of self appointed advisory committees and out of state consultants.

• Conducting policy making activities at the local, regional, and state levels out of sight of elected officials

• Poor Open Records Policies
1. What is the rate payer *really* obligated to pay for?

2. What actually factors into the price of Vista Ridge water?
   • What about the bridge loan
   • Many public information requests submitted

3. How does this allow us to be good neighbors?
PROBLEM: EFFECT ON OUR NEIGHBORS AND STATE POLICY

Using our own water resources

vs.

Going after water resources located in other communities
ENVIRONMENTAL IMPACT – WILL WE FORCE OUR NEIGHBORS TO BECOME LIKE CALIFORNIA?
VISTA RIDGE “RESPONSIBLE WATER POLICY”

Permitted Pumping Allowances (acre-feet) Groundwater from Lee, Burleson Counties NOT Counting LOCAL Inhabitant Use OR GROWTH OF POPULATION IN THAT AREA OF THE STATE!

- Forestar - 28,500
- SH130 Project (Blue Water) - 20,000
- End Op/Recharge - 46,000
- LCRA (Sim Gideon Power Plant) - 10,000
- Vista Ridge LLC (San Antonio) 35,000 (Simsboro)
- Alcoa - 44,000

- San Antonio Claims an additional 15,000 from Lea & Bastrop

- Applied for: LCRA 25,000

183,000 - 223,500 ACRE FEET PER YEAR

59.658 - 72.861 Billion Gallons
PUMPING EFFECTS

Effects of Overpumping Groundwater

Before overpumping

After pumping: cone of depression
This research shows that combined pumping in the Simsboro formation is predicted to cause **900 to 1200 feet of drawdown in Burleson and Lee counties by the year 2060** according to groundwater modeling conducted by professional hydrologist George Rice.

It includes baseline pumping - which includes LCRA’s power plant site - as well as permits granted in the Simsboro formation for Vista Ridge, End OP and Forestar. It predates LCRA’s Griffith League Ranch application which therefore is not included.

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**George Rice**

Mr. Rice is a groundwater hydrologist with over 20 years’ experience in hazardous waste investigations. He has designed and installed monitoring wells, performed aquifer flow tests, sampled for contaminants, simulated aquifers’ behavior in computer models, and provided third-party review of environmental documents. In Texas, much of his work has been focused on understanding and mitigating any solvent and radionuclide contamination that might have entered the Ogallala aquifer from the Pantex weapons plant outside Amarillo, on tracking and recovering solvents spilled at the Kelly Air Force Base in San Antonio, on monitoring uranium in-situ mine effects on groundwater near Kingsville, and on characterizing and modeling the effects of the Alcoa strip mine’s dewatering on the Carrizo-Wilcox aquifer near Bastrop.
YOU DO THE MATH........

ESTIMATED ANNUAL RECHARGE AVAILABLE:

20 BILLION GALLONS

PUMPING 59.6 – 72.8 BILLION GALLONS
• Gary Westbrook, General Manager of the Post Oak District estimated that in 10 to 15 years, the district would have to “curtail” pumping, which could impact the availability of water to San Antonio.

• What will San Antonio do?
WHAT ABOUT EFFECTS ON THE EDWARDS AQUIFER?

- Incentivizes urban sprawl which exacerbates the problems caused by climate change and pollutes the aquifer

“[H]igh susceptibility and exposure to climate change is a major challenge for managing the Edwards Aquifer as a resource. The probable impacts of climate change for the Edwards Aquifer include a decrease of water supply during droughts, a degradation of habitat for species of concern, economic effects, and the interconnectivity of these impacts. These climate change impacts will be exacerbated in central Texas's rapidly urbanizing regions, as increasing impervious cover will affect water quality and rates of runoff and recharge.”

WHAT DO WE DO?

PRUDENCE WOULD SUGGEST
CITY COUNCIL APPOINT A
QUALIFIED THIRD PARTY AUDITOR
WITH THE POWER
TO INVESTIGATE &
REPORT THE RESULTS
WHEREAS, SAWS, led by its Chairman of the Board, its Trustees, and its CEO, has exceeded its authority by making City water policy decisions independent of City Council direction and in direct contradiction with Section 32 of the Ordinance; and"

WHEREAS, SAWS has become improperly influenced by vested interests, seeking to profit both directly and indirectly from its management and policy decisions; and”

WHEREAS, SAWS’s management decisions have eroded the public trust in the utility’s commitment to prudent management of the City’s water supply portfolio; and”

WHEREAS, SAWS does not conduct its business on behalf of ratepayers with the utmost openness and transparency; and”

WHEREAS, the actions of the utility surrounding the Vista Ridge Project (“Project”) are emblematic of the problems stated above;”
• “with assistance from the Financial Advisor, conduct a management review of how the Vista Ridge Project came to be and was managed from 2010 to the current date, including when and how SAWS senior staff, advisors and consultants, internal and external lobbyists, or individual Trustees may have blocked or waived opportunities to withdraw from the Project”

• “The Inspector General shall draft a publicly available report containing the review described above and recommendations to the City Council as to necessary reforms, including, but not limited to, how the City should proceed in light of any identified legal or financial liabilities.”

• “Tasked to issue and present the above---described report to the City Council and the public no later than December 31, 2019, to allow for the public to comment in at least two public hearings prior to the City Council election in May of 2021”
VACANCIES ON THE SAWS BOARD OF TRUSTEES

• Resolution starts the process now!

• Full description open to all qualified applicants
PURPOSE

• Due diligence

• Moving forward with openness and transparency (new records policy)

• Accountability for our public utility

• Stepping stone towards other needed reforms
THANK YOU FOR YOUR TIME!

ENJOY YOUR NEW WATER RATES FOR WATER YOU MAY NOT NEED OR RECEIVE.