

**State of Texas  
County of Bexar  
City of San Antonio**



**FINAL  
Meeting Minutes  
City Council B Session**

City Hall Complex  
114 W. Commerce  
San Antonio, Texas 78205

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Wednesday, October 15, 2014

2:00 PM

Municipal Plaza Building

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The City Council of San Antonio convened in the “B” Room of the Municipal Plaza Building at 2:00 pm. City Clerk Leticia Vacek took the Roll Call with the following Councilmembers present:

**Present** 11 - Mayor Taylor, Bernal, Toney, Viagran, Saldaña, Gonzales, Lopez, Medina, Nirenberg, Krier, and Gallagher

1. A Briefing of recent military related activities to include Joint Base San Antonio Installation Support Budget Reductions and the Community Partnership Initiative. [Carlos Contreras, Assistant City Manager; Robert Murdock, Office of Military Affairs Director; Brigadier General Robert D. LaBrutta, Commander of Joint Base San Antonio]

Bob Murdock reported on the fiscal challenges for the Department of Defense and spoke of the potential for a future Base Realignment and Closure (BRAC). He highlighted State and Local Initiatives, noting that the last Legislative Session had established the Texas Military Value Task Force to identify projects to increase the value of installations. He stated that they would provide their recommendations to the Texas Military Preparedness Commission, Legislature, and Office of the Governor. He stated that the Mayors of Military Communities Legislative Initiative discussed strategies for influencing the Texas

Legislature to appropriate funds to Military Installations. He noted that they had met four times and have agreed to request an appropriation of \$150 Million at the upcoming Legislative Session. He mentioned that they had also agreed to hire a Lobbyist and that each community would provide three projects that would enhance the Military Value of their Installation. He noted the three projects for San Antonio: 1) New Dining Facility at Camp Bullis; 2) New Air Traffic Control Tower at Lackland Air Force Base; and 3) New Commercial Gate at Randolph Air Force Base. He introduced Brigadier General Bob La Brutta, Commander of Joint Base San Antonio.

Brigadier General La Brutta played a video providing an overview of Joint Base San Antonio (JBSA). He stated that he was the Commander of JBSA which was the largest Joint Base in the Department of Defense. He explained that JBSA encompassed Fort Sam Houston, Lackland, Randolph, Camp Bullis, and 11 other sites. He noted a Total Workforce of 84,000 and 250,000 Retirees in the area that depend on their services. He spoke of the great economic value of JBSA to the City of San Antonio and State of Texas. He mentioned the challenges that affected JBSA due to Sequestration that occurred in 2013. He presented a graph of Support Funding for Fiscal Years 2011-2015 and stated that his greatest concern was Year 2016 and beyond. He spoke of the risk of encroachment noting that they were closely monitoring Camp Bullis and Randolph. He expressed concern with Energy and stated that they had the largest energy footprint in San Antonio. He indicated that they had been in Stage IV Water Restrictions since May and spoke of the JBSA P4 Community Partnership Initiatives to achieve operational efficiencies and effectiveness. He added that there would be continued discussion and that a Business Office had been established in the 502nd Air Base Wing.

Mayor Taylor thanked all for the presentation and asked of the role of the Military Transformation Task Force (MTTF). Brigadier General La Brutta replied that the MTTF was his hub to the community and to the City of San Antonio. Mayor Taylor asked of encroachment issues. Brigadier General La Brutta stated that the most critical encroachment issue was at Randolph Air Force Base (AFB) and he would be creating an Encroachment Hub to address same.

Councilmember Gallagher stated that encroachment was a serious matter and that it was something that needed to be closely monitored. He thanked Messrs. Murdock and La Brutta for their presentations.

Councilmember Saldaña spoke of the collaboration on stray animal issues on Lackland AFB and asked of other services that could be provided on Base to City Residents. Brigadier General La Brutta spoke of the use of golf courses and noted that they could work through security issues. Councilmember Saldaña spoke of the potential to access the Libraries on Military Bases and asked of the reduction to annual custodial services.

Brigadier General La Brutta explained that with the exception of those that needed higher credentials; trash pickup and cleaning was reduced to one time per week. He spoke of their Stage IV water restrictions since their only source of water is the Edwards Aquifer.

Councilmember Lopez asked of the individuals that are re-entering the workforce and need training. Brigadier General La Brutta stated that they had created the Texas Information Program to provide education and training and they were working to make it more robust. Councilmember Lopez stated that it had a lot of merit and asked of how it fit in with the BRAC Discussions. Brigadier General La Brutta spoke of the Military Members and Civilians that would be a part of their Cyber Environment housed at the Medina Annex. He stated that there would be some transition from the Military Environment that would work well on the Civilian Side.

Councilmember Medina thanked Brigadier General La Brutta for his service to the community and asked how the City could support the Military Missions. Brigadier General La Brutta stated that the P4 Partnership was the catalyst for moving forward and would appreciate the City's continued support.

Councilmember Toney expressed his support for the Military and stated that he was in favor of replacing the Dining Facility at Camp Bullis. He commended JBSA for their voluntary Stage IV Water Restrictions.

Councilmember Gonzales asked of the P4 Partnership. Brigadier General La Brutta replied that this was the first time that all of the partners had formally come together and that the partnership was open to other entities. Councilmember Gonzales asked of the Total Economic Impact. Brigadier General La Brutta stated that their \$15 Billion Impact was attributed to the 84,000 Individuals that were living in the community and spending money.

Councilmember Krier asked if JBSA could reduce their water restrictions if San Antonio secured Non-Edwards Water which would reduce restrictions on the Edwards Aquifer. Brigadier General La Brutta replied that it would seem feasible for them to do. Councilmember Krier asked of the P4 Partnership. Brigadier General La Brutta stated that they were looking to identify efficiencies and concentrating on Installation Support Issues. Mr. Murdock added that a community could not be BRAC-Proofed and that it was important for a community to have a good relationship with its Military Installations. Councilmember Krier asked of the importance of Camp Bullis. Brigadier General La Brutta stated that it was a strategic imperative to preserve Camp Bullis for the Department of Defense. He noted that Medical Training Students received training at Camp Bullis and noted that they have the largest ranges for Soldiers to train on.

Councilmember Bernal asked if enough resources were being allocated toward preparing

for a BRAC Process. Brigadier General La Brutta replied that they were doing everything they could at this point and that there would be a significant decision made in two months on whether there would be a BRAC in 2017.

Councilmember Gallagher spoke of the importance of having an efficient water supply and stated that they should find a way to get JBSA out of Stage IV Restrictions.

Mayor Taylor thanked Messrs. Murdock and La Brutta for the presentations.

2. A Briefing regarding the San Antonio Water System's Vista Ridge Water Supply Agreement. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Director, Finance]

Ben Gorzell presented information on the Vista Ridge Water Supply Agreement noting that the water sources for the project were the Carrizo-Wilcox and Simsboro Aquifers in Bureson County. He stated that SAWS would receive 50,000 acre-feet of water per year by 2020. He noted that the initial contract term was 30 years with an option for an additional 30-year term. He indicated that SAWS would only pay for the water it received. He showed a map of the 142-mile pipeline from Bureson to Bexar County. He outlined the Project Timeline in which Development would occur for 30 months and Construction would take 42 months. He highlighted key contract terms noting that SAWS would invest \$100 Million and Vista Ridge would invest \$844 Million in Infrastructure. He mentioned that a 5-Member Operations and Maintenance (O&M) Budget Panel would determine the Annual O&M Expense Budget. He stated that SAWS would acquire the pipeline at the end of the initial contract and that the Interest Rate was capped at 6.04%. He spoke of the proposal costs noting that the Total Estimated Annual Cost in 2020 was between \$111.8 Million – \$117.2 Million. He stated that they projected a System-Wide Rate Increase of 18-19% in 2020.

Robbie Greenblum outlined the City Responsibilities noting that the City Council must approve the Vista Ridge Contract by Ordinance. He stated that the City was not obligated to perform SAWS Duties and had Indemnification Protection. He highlighted Risk Allocation noting the Vista Ridge had the responsibility to demonstrate project viability. He noted that Vista Ridge would reimburse SAWS Expenses up to \$2 Million for breach of contract or termination for convenience. He spoke of the SAWS Convenience Termination and indicated that if Vista Ridge met the Financial Close; SAWS must reimburse expenses up to \$40.1 Million. He stated that SAWS would receive ownership of development documents and that Vista Ridge would pay a \$10 Million Assumption Fee if SAWS pursues a similar project within five years. He mentioned that State and Federal Courts of Bexar County have jurisdiction over contractual disputes. He reported that SAWS and Vista Ridge agreed to waive jury trial and that legal disputes over contractual provisions were

subject to non-binding mediation.

Mr. Gorzell stated that his professional recommendation was to approve the Vista Ridge Agreement and that the Rate Advisory Committee should continue to review the Rate Structures. He recommended that SAWS continue to pursue appropriate wholesale opportunities and create a Lifeline Rate for customers that use a small amount of water.

Robert Puente, President and CEO of SAWS stated that the Vista Ridge Water Supply Project would provide a Long Term Non-Edwards Water Supply for San Antonio. He spoke of the importance of protecting the Edwards Aquifer and ensuring a lifeline supply of water for Ratepayers. He stated that SAWS would continue to be a Nationwide Leader in Conservation Efforts.

Mr. Puente spoke of SAWS Infrastructure Needs, noting that they would spend \$100 Million to implement the Project. He mentioned that the budget for Affordability Programs had increased 75%. He noted that the Tiered Rate Structure and Lifeline Supply Rate were being reviewed by the Rate Advisory Committee.

Mr. Puente stated that SAWS would only pay for water made available and that the Project would allow SAWS to shift risks away from Ratepayers. He noted that there was ability in the contract to purchase Vista Ridge Bonds and that the Interest Rate would be capped. He indicated that the water was needed to address population growth and would allow SAWS to develop regional wholesale customers. He spoke of Local Environmental Benefits noting that it would support the Edwards Aquifer Habitat Conservation Plan and allow for more Aquifer Storage and Recovery (ASR). He mentioned the benefits for Regional Neighbors and noted that Local Landowners were in support of the Project through 3,400 leases. He thanked the City Council for their support.

Mayor Taylor thanked staff for the presentation and stated that she had already approved the Project as she served on the SAWS Board. She spoke of the importance of identifying an additional source of water and addressing future growth. She asked if a review of Abengoa had been performed. Mr. Gorzell replied that they did not review Abengoa's Finances or Balance Sheet. Mr. Puente stated that they had performed due diligence at the negotiation table in which SAWS' Financial Advisors and Abengoa's Lenders were present. He reported that Abengoa had built over 100 Projects throughout the world and none of them had been stopped or failed for financial reasons. Mr. Greenblum added that the Bond Counsel for SAWS performed due diligence and concluded that Abengoa was a suitable partner financially. Mayor Taylor asked of the Tiered Rate Structure. Mr. Puente replied that the Rate Advisory Committee was responsible for reviewing the process for charging rates and would likely recommend a Fifth Tier which was essentially the Lifeline Supply Rate.

Councilmember Saldaña asked of the Financial Risk. Mr. Gorzell replied that there was an option to terminate for convenience within the first 30 months of the contract. Mr. Greenblum confirmed that SAWS would only be responsible for paying for water that is delivered. Councilmember Saldaña asked of the excess water and related risks. Mr. Reed Williams stated that an additional water supply was necessary and that the Project would provide another option. He noted that nothing was guaranteed but hoped that this Project would help protect other Aquifers. Councilmember Saldaña asked when the rate increases would be effective. Mr. Puente replied that they were projected to come online in 2019 or 2020 but noted that there could be an increase prior to that time due to the Infrastructure Needs.

Councilmember Viagran asked if the Project had to be approved by the Attorney General (AG). Mr. Clay Binford explained that the AG's Office was the approving body for public debt. He stated that he had prepared a letter informing them the nuances of the Project so that they were familiar with SAWS' Commitments. He noted that he had submitted the letter the third week of September and spoken with the Division Chief of the Public Finance Office who was in agreement with the letter. Councilmember Viagran referenced Slide 16 of the SAWS Presentation and asked how long they had been working on the permits issued by the Local District. Mr. Puente replied that the permits had been obtained by Blue Water and that leases sometimes took many years to secure. Mr. Williams added that the leases had been place for several years and were already producing and delivering water to Maynard. Councilmember Viagran noted the importance of a diversified water supply and continuing Conservation Efforts.

Councilmember Lopez stated that many of his questions were centered on risk and felt they had been answered. He noted that the resource was worth the amount that was going to be spent and that the risk could be mitigated.

Councilmember Nirenberg thanked SAWS for answering difficult questions. He noted that there was one element of risk that he was struggling with and asked of Year 31. Mr. Williams stated that it could take a little longer than 30 years and that there could be an excusable event that would extend the length of the original period for Abengoa to capture their return. He noted that after the original term; SAWS had the opportunity to buy the water directly from Blue Water instead of buying it from Abengoa. Councilmember Nirenberg stated that it was important to continue to protect the Edwards Aquifer and asked of the City Discriminatory Action. Mr. Greenblum replied that if the city was receiving water; they would be responsible for paying for it and would not be Discriminatory to Vista Ridge. Ms. Nancy Belinsky, General Counsel of SAWS concurred with Mr. Greenblum. She stated that the Discriminatory Action Clause provided protection to the Project Company if an action uniquely addressed to impact them has a financial impact.

Councilmember Nirenberg commended everyone for their work on the negotiation and stated that it was critically important to make a good decision regarding water.

Councilmember Gonzales asked of excess water. Mr. Puente replied that SAWS would have the opportunity to sell water that they did not need. Mr. Williams added that they had an obligation to purchase water that was provided to them. Councilmember Gonzales expressed concern that excess water would lead to growth outside Loop 410. Mr. Puente stated that SAWS would follow the City's growth philosophy. Councilmember Gonzales asked of the 16% rate increase. Mr. Williams replied that the rate increase covered the water, moving it, operating the pipeline, power, principal, and interest costs.

Mayor Taylor stated that there were many factors related to sprawl and that the project provided the city with an opportunity to focus on Infill Development within Loop 410.

Councilmember Toney commended SAWS for their transparency and asked if other cities may want to purchase the water. Mr. Williams responded that there was a lot of growth along IH-35 and felt that water would be needed in the future. Councilmember Toney stated that they should not miss this opportunity and make the right decision for the future.

Councilmember Gallagher complimented SAWS Staff and stated that it was important to take advantage of the opportunity at this time. He noted that this was one of the most important decisions that the City Council would make.

Councilmember Krier asked if the City Council would have a Lifeline Rate to approve prior to approving rate increases related to delivering Vista Ridge Water. Mr. Puente replied that the Rate Advisory Committee was waiting for approval of this Project to complete their recommendations. Councilmember Krier asked if there had been a more publicly negotiated contract than this one. Mr. Puente replied that he was not aware of one. Councilmember Krier asked SAWS Chairman Berto Guerra of the importance of a long-term water supply for economic development. Mr. Guerra replied that water was essential to the City's growth and important for attracting businesses to San Antonio. Councilmember Krier stated that there had been a great amount of discussion regarding risk and asked of delaying the Project. Mr. Guerra replied that delaying the Project would ensure failure and failure was not an option. He stated that everyone was watching SAWS and noted that they had the best Conservation Record in the world. Councilmember Krier thanked SAWS for their negotiations and stated that he had a great deal of confidence in the Project.

Mayor Taylor thanked everyone for the presentation.

**EXECUTIVE SESSION**

Mayor Taylor recessed the meeting into Executive Session at 5:40 pm to discuss the following:

- A. Deliberations regarding economic development negotiations and discuss related legal issues pursuant to Texas Government Code Sections 551.087 (economic development) and 551.071 (consultation with attorney).
- B. Deliberate the purchase, exchange, lease or value of real property and discuss related legal issues pursuant to Texas Government Code Sections 551.072 (real property) and 551.071 (consultation with attorney).
- C. Discuss legal issues related to collective bargaining pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- D. Discuss legal issues related to 2012-2017 General Obligation Bond Funded Projects pursuant to Texas Government Code Section 551.071 (consultation with attorney).

**RECONVENED**

Mayor Taylor reconvened the meeting at 6:07 pm and announced that no action had been taken in Executive Session. She addressed Citizens to be Heard.

**CITIZENS TO BE HEARD**

Mayor Taylor called upon the individuals registered to speak.

Margaret Day, Terry Burns and Gay Wright representing the Alamo Sierra Club addressed the City Council. Ms. Day stated that they were opposed to the SAWS Vista Ridge Project and expressed concern with the lack of transparency. She requested that the vote on the Project be delayed until risks and costs can be vetted. She noted that there was not a water crisis at this time as was being communicated.

James Spickard stated that he was opposed to the SAWS Vista Ridge Project due to the great increase in water rates. He expressed concern that current Ratepayers would be funding water for future users.

Meredith McGuire addressed the City Council in opposition to the Vista Ridge Project. She

stated that rising costs have caused housing in San Antonio to become unaffordable. She expressed concern with the 16% rate increase and asked that Ratepayers not be overburdened.

Steve Hixon stated that he had been a San Antonio Resident for 46 years and was opposed to the Vista Ridge Project. He expressed concern with the massive changes that had been made to the contract and asked that it be more closely reviewed prior to approval.

Mark Perez addressed the City Council and expressed concern with the businesses operating without the proper permits. He noted concerns with the AGE Refinery Building which had not been properly zoned.

Nazirite Ruben Flores Perez expressed concern with the celebration of Halloween and referenced various Bible Scriptures.

David Klar addressed the City Council in opposition to the Vista Ridge Project. He stated that the water supply had already been diversified and that a pipeline was not necessary. He expressed concern with changes made to the contract and stated that there were too many unanswered questions.

Faris Hodge, Jr. submitted written testimony noting that the city needed more Police Officers. He expressed concern that Fire Inspections were not being conducted in a timely manner and that some businesses were not required to pay taxes. He requested that the City's Nutrition Program and Meals on Wheels be combined. He asked why Board Members were not interviewed on television.

#### ADJOURNMENT

There being no further discussion, Mayor Taylor adjourned the meeting at 6:35 pm.

APPROVED



IVY R. TAYLOR  
MAYOR

ATTEST:



LETICIA M. VACEK, TRMC/MMC  
CITY CLERK