

# EDWARDS AQUIFER PROTECTION PROGRAM FUNDING ALTERNATIVE

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September 17, 2020



Photo: Seco Sinkhole, Hammond Ranch, Medina County

# BACKGROUND ON THE EDWARDS AQUIFER

- Most of San Antonio's drinking water comes from the Edwards Aquifer, a massive underground limestone formation
- The Edwards Aquifer receives water from rainfall on the Edwards Plateau, known as the Hill Country to the north and west of Bexar County
- Runoff from the Drainage Area flows into the ground through natural formations along the Recharge Zone



# EDWARDS AQUIFER PROTECTION PROGRAM

- Protects the Quality and Quantity of Water Recharging into the Edwards Aquifer
  - Land Purchase
  - Conservation Easements
  - Water Quality Projects
- Scientific Evaluation Team



**EAPP Partners**



# EAPP PROPERTY EVALUATION PROCESS



## PROPERTY MODELING & RANKING

GIS model ranks properties based on geological features, such as size and location



## BOARD REVIEW

Conservation Advisory Board (CAB) considers properties



## STAGE (1) DUE DILIGENCE

Geological assessment and property appraisal



## STAGE (2) DUE DILIGENCE

Phase I Environmental Site Assessment completed and property negotiations



## FINAL APPROVAL

Final CAB approval & City Council consideration

# CONSERVATION ADVISORY BOARD (CAB)

- Created in April 2000
- Provides input and advice to City Council on the Program
- 9 City Council-Appointed Members

## CAB Representatives

- Edwards Aquifer Authority
- Parks and Recreation Board
- Parks and Recreation Department Director
- San Antonio River Authority
- San Antonio Water System
- San Antonio Economic Development Foundation
- Texas Parks and Wildlife Department
- Medina County
- Uvalde County

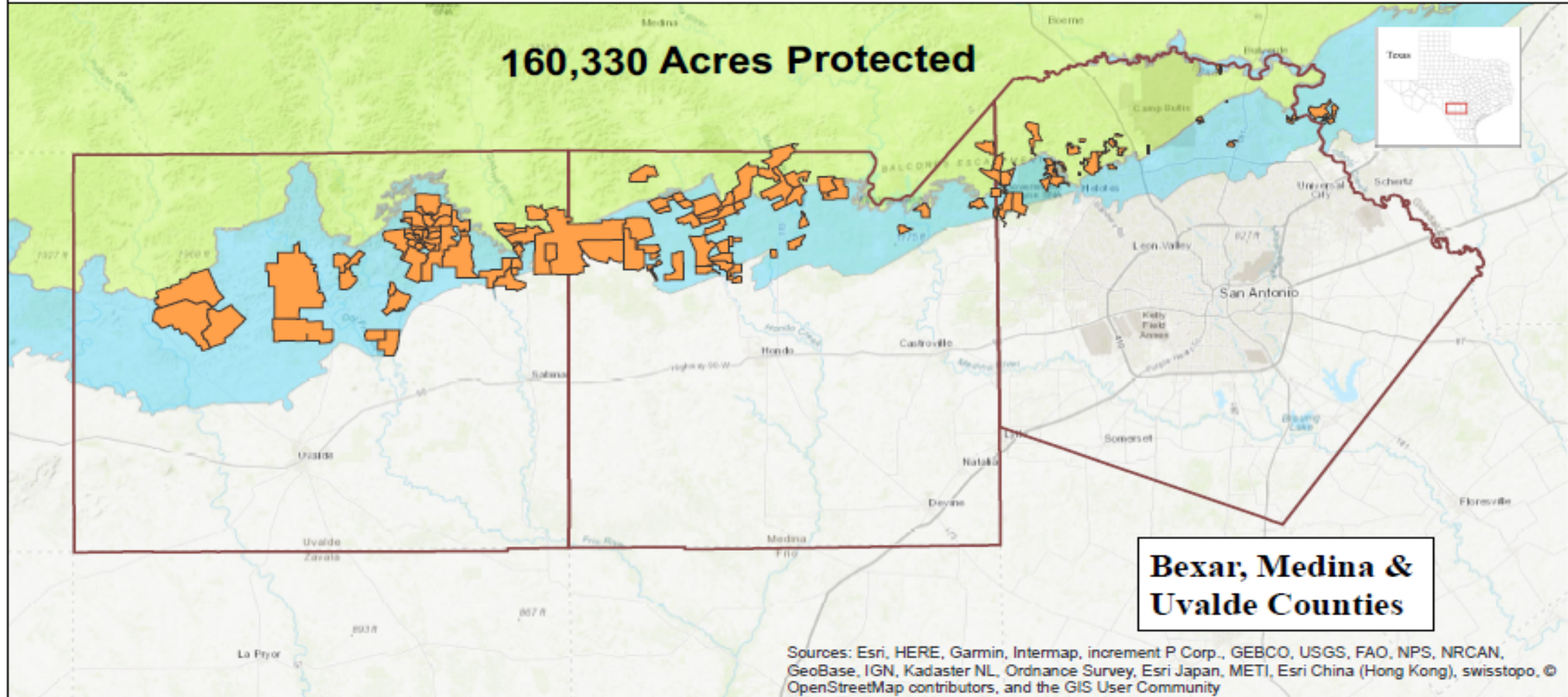
# EAPP FUNDING PROPOSITION HISTORY

Year	Proposition	Tax Rate	Proceeds
2000	Prop. 3	1/8 cent	\$45 million
2005	Prop. 1	1/8 cent	\$90 million
2010	Prop. 1	1/8 cent	\$90 million
2015	Prop. 1	1/8 cent	\$100 million*
<b>TOTAL</b>			<b>\$325 million</b>

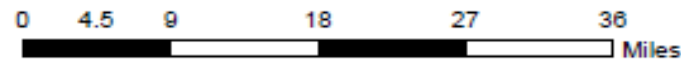
\*Includes \$10 million for Demonstration (Water Quality) Projects

*Funds expended to date have been used to protect over 160,000 acres located across the Contributing and Recharge Zones*

# City of San Antonio Edwards Aquifer Protection Program



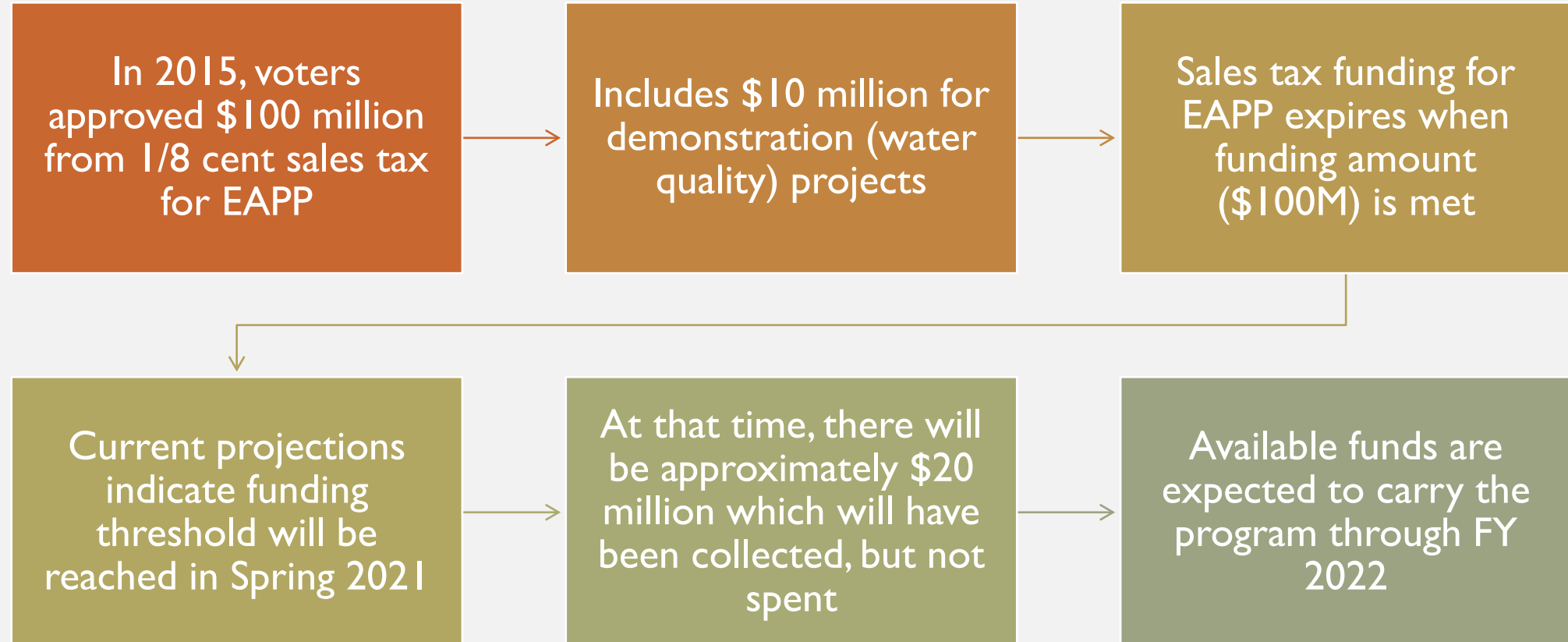
- Proposition 1 & 3 Properties
- Edwards Aquifer Contributing Zone
- Edwards Aquifer Recharge Zone



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# 2015 PROPOSITION FUNDING STATUS





City staff evaluated other funding options, in conjunction with outside bond counsel, to continue the EAPP

Goals:

- Provide the next iteration of funding for the EAPP
- Keep program under administration of the City
- Maintain current operational structure including CAB

- City Charter limitations on general obligation debt for “public works”
- Developed option through ownership of SAWS and local government statutes
- Utilizes existing Municipal Facilities Corporation (MFC)

- City contracts with MFC to carry out the EAPP on City’s behalf
- Mayor & Council are MFC Board of Directors
- Debt service and cash funding requirements come from anticipated future growth in City’s General Fund
- Financing recognizes unique nature of EAPP

## DEVELOPING ALTERNATIVE FUNDING OPTION

# KEY TERMS OF MFC AGREEMENT

## Total Commitment: \$100 million

- Program funding up to 10 years
- Excludes interest costs, financing costs, & maintenance and support costs
- Program objective: same as current program
- Begins in City's FY 2023

## Annual Program Funding

- Approximately equal amounts over program term
- Can be adjusted based on:
  - EAPP needs
  - Financial capacity of City taking into consideration other budget needs

## Conservation Advisory Board

- Will continue to advise on EAPP
- Collaborative process outlined to determine annual program amount with input from CAB
- Current Parks Dept. staff will continue to support EAPP

# KEY TERMS OF MFC AGREEMENT

## Program Funding

- Funded through the issuance of debt:
  - Short-term commercial paper (\$30M capacity)
  - Long-term fixed rate debt (20-25 year amortization)
- Cash funding at City's discretion from other sources
- Can be used to leverage grant funds
- Any lawful available revenues can be used to pay for debt or cash fund

## Debt Security

- City pledges a portion of City payment from SAWS (City's General Fund)
- No approval or coordination from SAWS required
- Security to bondholders
- Creates ability to issue debt for EAPP

## City Operating Budget

- Through Annual Budget, City provides funding to MFC
  - Debt service
  - Cash funding for program
- Program expenses such as monitoring or SET model update funded from City Operating Budget

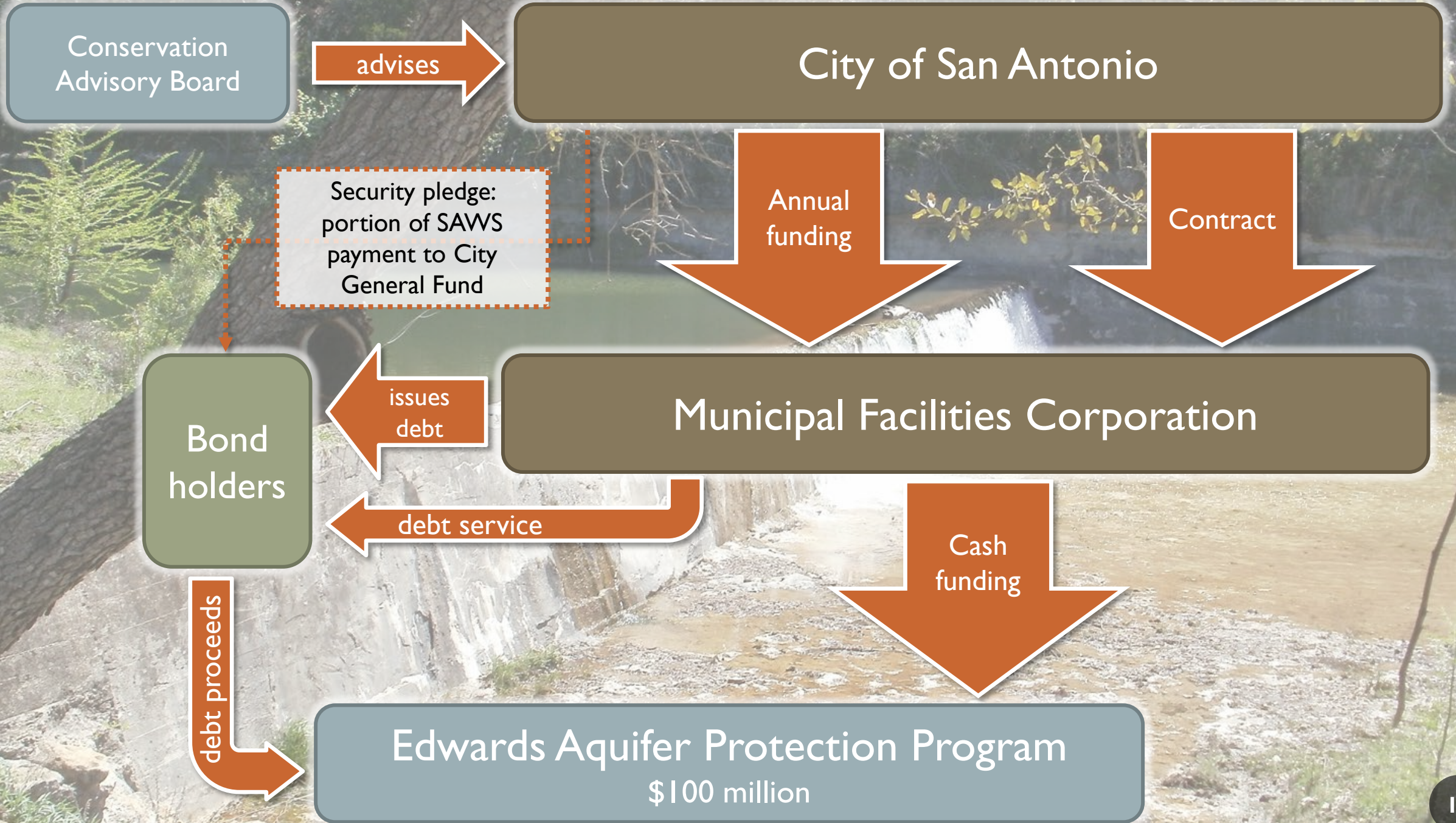
# KEY TERMS OF MFC AGREEMENT

## Third Party Assistance

- Allows continued partnership with other entities, i.e. :
  - monitoring for compliance,
  - technical assistance
- Costs can be allocated as program costs or expense based on type

## Material Change in Program

- Material change cannot be made through budget process
- Ordinance & financing agreement would need to be amended by City Council action
- Would occur only after two public hearings at least 30 days apart



# PRELIMINARY FINANCE PLAN ASSUMPTIONS

Pledge of portion of City's payment from SAWVS

- Security to bondholders
- Establishes ability to issue debt for EAPP

No cash funding

Projection of short- and long-term interest rates

\$30 million commercial paper program

25-year amortization of long-term debt

Funding of \$10 million per year over 10 years

Requirements funded from anticipated future growth in City's General Fund

*Actual impact to the General Fund will vary based on the conditions present at that time and the management of the Program and Finance Plan from year to year*

# PRELIMINARY PROJECTED IMPACT

## O&M Costs

- O&M Costs for existing acreage become mandate to City budget
- Growth consistent with General Fund operating expenses

## Debt Service

- Beyond 2027, increases gradually to \$7.1 million annually
- Remains constant through FY 2050
- Gradually declines to final maturity in FY 2057

No SAWS rate increase required for Program  
Paid from lawful available revenues in General Fund

Fiscal Year	Estimated O&M	Estimated Debt Service	Total Estimated General Fund Cost
2023	\$380 K	\$200 K	\$580 K
2024	\$395 K	\$440 K	\$835 K
2025	\$405 K	\$720 K	\$1.125 M
2026	\$420 K	\$2 M	\$2.420 M
2027	\$430 K	\$2.7 M	\$3.130 M



## NEXT STEPS

- Approval of ordinance and financing agreement with MFC
  - These documents establish the financing structure
- Other financing documents to support financing structure to be approved in FY 2022
- Program funding begins in FY 2023