



# City of San Antonio

## Agenda Memorandum

**File Number:**16-2403

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**Agenda Item Number:** 4.

**Agenda Date:** 4/7/2016

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Ben Gorzell, Chief Financial Officer

**COUNCIL DISTRICT(S) IMPACTED:** City Wide

### **SUBJECT:**

Briefing from the San Antonio Water System (SAWS) on a change in control on the Vista Ridge Project

### **SUMMARY:**

This item will be a briefing from SAWS on a change in control to Garney Construction in the Vista Ridge Project.

### **BACKGROUND INFORMATION:**

The San Antonio Water System (SAWS) is a city-owned utility. The complete management and control of the System is vested in a Board of Trustees, consisting of the Mayor of San Antonio as an ex-officio member and six residents appointed by the City Council. Under the System Ordinance, only the City Council can fix rates and charges for service rendered by the System. State law provides that only the City Council can authorize the sale of revenue bonds or other securities, exercise the use of condemnation for the acquisition of real property, and select and appoint members of the Board.

On September 29, 2014, the SAWS Board of Trustees authorized execution and approval of the proposed Vista Ridge Regional Supply Project Water Transmission and Purchase Agreement in substantially final form. Subsequently, on October 15, 2014, they approved various clarifying and conforming modifications to the contract.

The City Council voted to approve the Vista Ridge Water Transmission and Purchase Agreement on October 30, 2014. With this approval, City Council delegated the approval of changes to the contract to the SAWS Board of Trustees so long as the amendments do not involve an increase in the amount of water to be delivered or the manner in which the System's payment for delivered water is calculated. Amendments to terms and

provisions of the contract not attributed to an increase in the water received or the calculation of payment for water delivered were reserved to the sole discretion of the Board without further action or approval by the City Council.

On November 19, 2015, the City Council approved a rate plan to provide support for both water and sewer infrastructure improvements for 2016 - 2017 and the development of water supply projects for 2016 - 2020, including Vista Ridge. Rate adjustments for water and sewer system improvements for 2018 - 2020 will be presented to Council at a later date.

The Council approved rate plan for 2016 - 2020 is summarized in the table below along with the total projected system rate adjustments for those same years, including projected adjustments to water and sewer rates for 2018 - 2020.

	<b>Council Approved Rate Adjustment/Rate Plan</b>	<b>Total Projected System Rate Adjustment</b>
<b>2016</b>	7.5%	7.5%
<b>2017</b>	7.9%	7.9%
<b>2018</b>	1.3%	6.2%
<b>2019</b>	4.5%	8.7%
<b>2020</b>	9.9%	13.7%
Rate adjustments reflect the impact to the average residential customer's monthly water and sewer bill.		

On November 25, 2015, Abengoa Sociedad Anónima (S.A.), Abengoa Vista Ridge LLC's parent company, began pre-bankruptcy proceedings, entering into "pre-insolvency," which allowed the company four months to reach agreements with its creditors to avoid entering full bankruptcy. The four month period ended March 28, 2016 with Abengoa SA receiving support from 75% of its creditors to allow for more time to approve debt restructuring to avoid insolvency.

On March 23, 2016, it was announced that Garney Construction is set to purchase 80% of the Vista Ridge Project equity, reducing Abengoa's role to a silent 20% equity partner, creating a change in control of the project. The agreement would allow for project continuity by allowing Garney, the project construction firm listed in the Vista Ridge contract, to take primary ownership in the project. This change in control would require consent of the SAWS Board of Trustees to be effective.

Under the proposed agreement, Garney will construct the Vista Ridge project, and upon payment to Abengoa for the operations, SAWS would retain an option to assign a new project operator at Financial Close, or at a later date. The timing constraints of the project remain unchanged, with Financial Close anticipated in Fall 2016 and delivery of water by 2020.

If approved by SAWS, Garney will retain 100% decision-making authority. This is not considered a material change to the contract provisions. This agreement does not alter the risk profile under the existing contract. SAWS has expressed publicly that any partners on the Vista Ridge project must abide by existing covenants in the original contract. This change in control will not affect SAWS customer water rates or the price SAWS will pay for water from the Vista Ridge project.

While this change does not require Council approval, SAWS and City staff are committed to keeping the City

Council fully informed on any changes. The SAWS Board is expected to consider this proposed change in control in late April or early May 2016.

**ISSUE:**

This item is a briefing from the San Antonio Water System (SAWS) on a change in control on the Vista Ridge Project.

**ALTERNATIVES:**

This item is for briefing purposes only.

**FISCAL IMPACT:**

This item is for briefing purposes only.

**RECOMMENDATION:**

This item is for briefing purposes only.