

INFORMAL MEETING OF THE CITY COUNCIL  
OF THE CITY OF SAN ANTONIO HELD ON  
FRIDAY, OCTOBER 5, 1973, IN THE  
COUNCIL CHAMBER AT CITY HALL AT  
9:30 A. M.

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The meeting was called to order at 9:30 A. M. by the presiding officer, Mayor Charles L. Becker, with the following members present: Cockrell, San Martin, Becker, Black, Morton, Beckmann, Padilla, Mendoza; ABSENT: Lacy.

The following discussion took place:

MAYOR CHARLES L. BECKER: The first thing on the agenda is Presentation of Summary of Reports by Jack H. Kaufmann, Chairman. Is this the report you're going to summarize, Jack?

MR. JACK KAUFMANN: My name is Jack H. Kaufmann. I am Chairman of the City Water Board, and having given you a report the size that would choke a horse and I think it's appropriate that I tell you somebody told me it's a good time one time to tell them what you're going to tell them then tell them and then tell them what you told them. This is, I understand, an informal meeting. The purpose of the meeting is to hear the information and the input we have to transmit to you so that you can exercise your responsibility and your judgement in determining what use, if any, you choose to make of it.

The report that you have is quite sizable. I'd like to take some of the sting out of it if I can at first and introduce you to it, and then I'll summarize it. In the first page of it there's a letter to the Council from Van Dyke summarizing the report, telling you, really it's a cover letter to come with the report. Then the report page and table of contents, and I refer that to you because in the event of any specific problems which you may want to look to or any experts that you may choose to have look at this report, is the information there. Then I asked that the report be bound in such a way, I've sat where you are and I know the reams of paperwork that you get thrown at you and you say "yes, this is all here, but I don't know when I can schedule the two hours to read this. What if I've just got fifteen minutes time to get to it." Well, if you've got fifteen minutes time, the yellow pages right there in the beginning of the book, they are printed on yellow, that constitutes the introduction, the purpose, the scope of the study, and a summary of the conclusion. Now, this is a summary of the conclusion and then the conclusion is a little further back in Section V, is also a yellow page. Those conclusions are more expanded on. The rest of the book follows Section II, has to do a review of past and present City Water Board regulations and refunding policy. Section III is a market analysis. Section IV is general considerations on main extension policies. Section V again are these conclusions we talked about. Here are the Appendix A in the back. These appendixes are just past history sort of thing, but it occurred to us that there are several different kinds of people going to be looking at this report. First of all, there is Council, your staff, your utility people, and if you choose to have some other expert look at it, we think they ought to have all of the background in one place where it's convenient to them.

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Historical review of past extension policies and pro forma projections of alternative policies. Now these projections are rather important and there are some charts there and diagrams that will be referred to. That section incidentally is on the letter head of Carneiro-Chumney, and they did some financial review of what the rates would be in the event we had maintained a 100% refund policy, what the rates would be in 1980, if we established, I think that's in here, what the rates would have to be if now we went to 100% refund policy, and what those rates would be. Appendix B you've received before, I'm not sure really this has any business in here, but it's in there anyway. This is the chronology of events leading up to the revision. These are the various steps as to what was done and how we got to the March 20th regulations. Appendix C in the back is a reprint of the National Association of Home Builders Journal Scope dated October 1, 1973, and this has to do with part of the problem-"financing crisis won't ease until early 1974", and it's a reprint we think is appropriate to highlighting some of the reasons why there is a crunch in the building business today, and some of the causes of it. Our procedure here will be for me simply to go over findings we have made. I've got some charts here to use as examples and then I'll call on Mr. Van Dyke to go into more detail with the report, then when he concludes we'll all of us be available for any questions that you may have or any input or any requests for additional answers or more information, and then at that time Mr. Van Dyke will present to you what he has come up with as a possible area that the Council may want to consider. It is not one that the Board has considered, nor does the Board recommend it, but this is in line with the injunction received from the Mayor to come up with something different and imaginative. Well, .....

MAYOR BECKER: I wonder, Jack, if I may interrupt here for just a minute, and if it wouldn't be well to start with that.

MR. KAUFMANN: No, because we've done a lot of work, and we think it's appropriate that you know what the facts are rather than... I recognize you're busy, and I recognize the pressures on your time and the inclination in a matter like this is to say, "yeh, we know all that. We've heard all that before, but what have you got that's going to work out this deal? Have you got something that so-and-so will buy?" And really what we're saying here is that this is a matter that will affect the city of San Antonio for a long time, decades to come. In 1990 the people in San Antonio are going to look back and say, "what did the Water Board do? What facts did they present? What presentation did they make? What was their prognosis?" I think we have a responsibility of putting that into the records and making known what we said in 1973 was going to be a prognosis for 1990.

MAYOR BECKER: May I offer this as a rebuttal to that remark, and it's along the same lines? I think if when 1990 came, this town was enjoying such a degree of prosperity on the part of everyone, that they wouldn't even care to question what happened in 1973. You know what I mean? And the reason I'm saying this, Jack, and I don't like to interrupt your presentation this morning, but I went over to Houston last night for the announcement of a shopping center I'm going to be in, and at that meeting was Bernard Sakowitz. He's President of the Chamber of Commerce over there this year. He was telling me that they took a plane load of people from Houston, forty-some odd, and went to New York City and had meetings, one meeting, with I think it was a 169 corporations at one time, in one room to talk to them about moving to Houston,

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Texas. Their prosperity is such that I don't think anybody's worrying what is going on over there right at the moment, you know? Everybody is enjoying the activity, everybody's making money, and everybody's got good wages, and that's the only reason I suggested that in that light. I was hopeful that we could possibly summarize some of the other things that perhaps lead up to this conclusion, because the conclusion that we are certainly interested in, not that we're not interested in the steps leading up it and how you arrived at it, but also at the same time I have to leave here this afternoon to tend to something that I have to attend to before I leave the Country, and I was hopeful of being able to arrive at the conclusion sometime this morning, if you think that's possible.

MR. KAUFMANN: Oh, our presentation won't run beyond this morning. It won't take that long at all.

MAYOR BECKER: Okay.

MR. KAUFMANN: We're going to summarize, because we assume that you'll want to study this, and people who are concerned would want to study it, they'll want to have theirs. This is really an information delivering session, and we don't look at it as a hearing to determine what we are going to do, and so for that reason, we don't want to get into the details of it, because you'd lose the thrust of what we have to say. We can summarize it and tell you in broad thoughts what we've found and what we conclude, then we can have somebody check our figures and check our homework to see if we agree. The report that we have here was requested. We asked for the opportunity to present this information to you, and we were given that opportunity. I want to review some of the more pertinent facts of it. I want to say in advance that this is not a City Water Board or Board of Trustees document, this is a staff document that I worked together with Van Dyke and the staff on and this document has not even been presented to the Board yet. Time was rather a problem with it. I think it represents some basic data and knowledge, but as far as any policy is contained in it, it doesn't represent anything we will do or won't do or have talked about.

We start out by saying the Water Board Main Extension policies are virtually identical with the City's Sewer Main policy, both in regard to the on-site facilities and the sole purveyor concept. If anything, the sewer policies are more stringent than the Water Board regulations. This fact somehow seems to have been overlooked in prior discussions, and I think this Council has heard this medicine show so many times that some of this is not necessary. I think what we have to understand to get an idea of terms. Here is the present system we have. The people in the audience are familiar with these terms. This is the Water Board system now. The red is the approach main just by definition. Here is the subdivision in the green. There are water mains on the edge of the subdivision, while the approach main is on the way to another subdivision. On-site mains that we are going to talk about are the local benefit mains that serve the homeowner in that subdivision and the service line is referred to as the line that goes from the public property the Water Board made to the homeowner's house.

MAYOR BECKER: Jack, while you're trying to find a long enough cord over there, I'd like to recognize State Representative Ron Berg, who is in the audience today. Ron, would you care to stand? Thank you for coming to our meeting today.

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MR. KAUFMANN: The comparison with the sewer policies--the approach main. The reason first on the approach mains here, the on-site mains are identical of the sewer policy and the Water Board policy. They require dedication by the subdivider.

MAYOR BECKER: Jack, may I ask you something? I'm not a homebuilder, but I'm trying to find the rationale in that analogy. Does anyone really want to get into the sewer business? I wonder if it's not a little of an imbalance to try to compare the sewer business and the water business in the same light, you see? Does anyone really want to get into the sewer business? I'm just asking the question to see if you agree with me that there might be some reason for doubting the premise of comparing if not apples and apples, oranges and oranges. Well, I won't say what I could say, but is that a proper premise to start with? In your own mind do you feel it is?

MR. KAUFMANN: We believe it represents costs that go into the home and, of course, you or any other member of the Council may tend to give more or less weight to it than anybody else, but we would appreciate the opportunity of giving the report.

MAYOR BECKER: All right. I'm just merely asking that question to see what you think about it as you go along. I won't interrupt you anymore than I have to.

MR. KAUFMANN: The approach mains in the City Water Board are provided by the Board. On the in city limit mains of the sewer system, the developer pays \$50.00 a lot, or \$150.00 an acre with no refund. Outside the city limits the Water Board on the water mains is 100 feet of main extension for each platted area, and there is a refund to his financed portion of the main. As to the sewer system developer pays \$250.00 a lot, or \$750.00 an acre, there is no footage allowance and no refund if not annexed.

MAYOR BECKER: Where's that chart in this book: Could you tell me where that is, Jack?

MR. KAUFMANN: These charts are made in connection with my--the information is in the book, but the chart is not.

MAYOR BECKER: I see. Okay.

MR. KAUFMANN: It seems to me that if the Water Board regulations are unfair by requiring this, then this answers your question you just asked, that the sewer policies would be equally unfair because they are similar. You have given a point of view saying, "well, who wants to be in the sewer business, and since there is incentive in interest in being in the water business, then maybe we should treat them differently." That's for you to make the decision. We're talking in terms of the cost to the developer, the builder, and the homeowner, which really brings up the heart of the matter, and it is, "who should pay the cost of the mains, the on-site mains?" It's the Board's contention that since the on-site mains directly benefit the property owner in the new subdivision, the developer, and ultimately the new homeowner should bear the costs. As a matter of fact, the new homeowner does bear the costs, which is included by the developer in the sale of the lot. Therefore, a 100% refund policy by the Water Board would mean the developer would be paid twice for the installation of the on-site main--once by the homeowner

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and again by the Water Board. This is neither fair nor just. The reports shows that a cost of \$300.00 per connection, the total annual on-site main cost in 1972 amounted to \$3,600,000. This is the windfall that the developers, who have already recovered their costs by the sale of the lots, are demanding. Keep in mind this figure is for one year. Over a ten year period, this refund would amount to a gift to the developers of between \$35-\$45,000,000 based on the 1972 rate of home construction.

City Water Board--I think when you talk about who pays, the purpose of this chart is to say there is a certain cost in this, there is a certain cost in these mains, and I'm not unmindful of the arguments that the developers have given. I'm not unmindful of the force and strength and the sincerity of their conviction that there ought to be a different system. I'm merely pointing out some of the other facts that somebody has to speak for. The mains are either going to be paid, blue area shows the citizen rate payer, which is the Water Board, the green area is the developer, the black area is the homebuilder, the yellow area is the home buyer, and the red area is the City. In other words, there is a certain amount of cost in construction of the main, and that cost is there. Somebody has got to pay for it. The question is who's it going to be. When you start saying some of the cost should be taken away from one of the parties, and I'm not at this point being contentious, I'm not at this point being an advocate, I'm trying to be objective here. At this point somebody is going to pay when you take away the cost that one of the parties, whoever it is, bears, you throw that cost on another party, and when you do so you ordinarily would do it because you feel like there is a necessity, there are reasons, there are justifications for taking the cost of one party on another, and I ask that it be put in this form, because it's rather dramatic. You can either decide based on the facts or you can spin a dial, and you can say "well, so-and-so said this and so-and-so said that" and you can shoot from the hip.

MAYOR BECKER: Did you have to call it a homebuilders line? The Water Board's blue and the homebuilders are black.

MR. KAUFMANN: But, anyway, the point is, and I appreciate your lightness of it, it was intended that way, to somehow dramatize the serious fact that whatever the cost is, as you business people know, the cost is there and you've got to make a decision on where it goes. You can either make the decision on chance, you can make the decision on casual conversation, you can make the decision because one of the groups, whether it's the Water Board, the developer, the homebuilders, the home buyer comes to you and says, "look I've got a problem. I should have to pay less", but you as the City Council representing all of these people are obligated, really, to look at the whole picture, and that is what we are trying to show you, and we're trying to show you some of the thoughts we have.

You've been advised the the City Water Board's policies are destroying the homebuilding industries. The facts in the reports indicate otherwise. They show these policies are neither a major or a minor factor in the present homebuilding crisis. Tight money and high interest rates are the real culprits here as well as across the nation.

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Here is the percentage of change. Now, these figures are explained in part by the annexation that San Antonio took in last year. They took in a large area, but this resulted from the failure to have adequate annexation over a long period of time. Simply stated, we wanted to see what the percentage of change was between the other cities, there's Austin, Dallas, Houston, and San Antonio, in the number of dwelling units, either single family, duplex, or apartments. Austin, you can see is down; Dallas is down; Houston is down; San Antonio is up in two categories and down in another category. One of the questions raised was of the Water Board assuming the obligation of taking care of the additional cost that we talked about. Let's see the next chart....

MR. CLIFFORD MORTON: Let me ask you a question before you leave this. When you talk about Austin, are you talking about Travis County or are you talking about within the city limits of Austin?

MR. KAUFMANN: Within the city limits of Austin.

MR. MORTON: Is this true as far as Dallas is concerned? And Houston? And San Antonio? So we're not, do you have anything that would show us what is happening in, say in a five county area that comprises metro Houston, and in the cast of Austin, Travis? What I'm getting at is you've indicated that housing is down across the country, and yet, we note, for instance in Dallas there is very little activity that you can do inside the city limits with the exception of commercial, (portions inaudible) and so, you know, it would probably be down from now on. There is no more left. You made the statement that housing was down everywhere....

MR. KAUFMANN: Within the city limits....

MR. MORTON: Well, no, you stated across the country it's down, and this is what (inaudible), and I just wondered if you had something that would show us in those four markets once we get beyond the city limits, because we know what Houston's policy is, and we know what Dallas' limitations are as far as geography, and so it will always be that way. Do you have something that would show us that picture?

MR. KAUFMANN: No, sir.

MAYOR BECKER: Jack, I really have to agree with Cliff. I doubt the value of that chart right there. Irving, Richardson, all those places up around Dallas are growing like crazy. Houston is the same thing. Austin, I know what's going on, well, I know what's going on in most of those towns. I don't pose to be an authority or an expert on it, but it's part of my business to know what's going on, and I can't buy that chart there as a true representation of what we're trying to talk about here today.

MR. KAUFMANN: Let me make one thing clear to you, to all of you, and I think it needs to be said. Our purpose in being here is not to ask the Council or try and persuade the Council to do anything that they would be uncomfortable in doing. Our position in being here is to give you the facts as we see them, as we view them, and really, I don't think it's necessary, I don't mean this, you know, to answer Cliff or to answer you, Mr. Mayor, to say, "well, Jack, but did you consider" because really it's you that has to consider and we are simply giving you information which you may choose to listen to or you may choose to, as

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Cliff said, say, "oh, well, that can be explained this way and..." no matter what we say this is the whole thing of advocacy, this is court room position, one side gives facts, another side gives the position in facts and somebody has to make a decision and answer, and you have the responsibility for the decision. We don't have it.

MAYOR BECKER: Jack, I think what we're trying to say is we'd rather not be placed in the position of having to serve as a sieve to separate the wheat from the chaff or the extraneous from the unimportant or the part that's not applicable to the part that is pertinent, and all that sort of thing, see? I just must make mention of the fact that the chart to me has no value.

MR. MORTON: What are you trying to say with that chart, that's really what I'm getting at, Jack? What are you trying to tell us?

MR. KAUFMANN: That San Antonio has not had a slow down as a result of the ordinances that were passed in March, 1973.

MAYOR BECKER: You're using this chart to prove that? Well, let me say this to you, Jack, and I hate to keep interrupting you, but I think it's the only way we're going to weave this cloth here today is to discuss it as we go along. You made a statement that the Water Board policies are not destroying the homebuilders. It's never been my contention that the Water Board policies were destroying the homebuilders. Quite honestly, I think the homebuilders are capable of taking care of themselves. The thing that I personally have always had a very definite interest in is what the Water Board policies, how it's affecting the city of San Antonio by driving the homebuilders from the city limits and out beyond the ETJ, and the consequent results that San Antonio will never, at least it would be a long time probably, have any opportunity to put any of that development on the tax roll. That's always been my premise. I've never been an advocate for the homebuilders, as such. I've been trying to represent the city of San Antonio in the fashion that I thought was best, and I am concerned about how all the development continues to be committed to outside the city limits and now outside the ETJ. It doesn't do the city one bit of good when it's on that basis. It's just the same thing you're trying to retain, customers for your Water Board. Now, if you were constantly losing customers for your Water Board, and I've seen charts to even show that this is the case, it would begin to alarm you. We down here at the City Council, and I can say myself in particular, and I won't include the rest of them, because they may not care to be, I'm alarmed with what's taking place because it's not benefiting the city from the tax revenue standpoint, and I'd just like to make that clarification, if I may, so that you'll understand more clearly I think at least my position in this thing and maybe others, you know, maybe they've never voiced their own opinions on this subject.

REV. CLAUDE BLACK: Mr. Mayor, I would like to respond to this, because it seems to me that in the last discussion that I heard that one of the contentions for the homebuilders was that as a result of the City Water Board policy that building was down in the city of San Antonio. Now, I understood them to make that claim. It seems to me that if that claim has been made, then we have a responsibility of having the Water Board then say to us by whatever method they select, whether or not this is true. Now, if this does not affect the total picture of what we're really talking about, then that's another area that we must examine,

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but I do think that the Water Board has the responsibility of establishing whether or not in relationship to other cities that there was a trend in San Antonio in reduction of building that could be accounted for by the policies passed by this city in connection with water, and for that reason I see this not as an explanation of the total problem, no, but I do see it addressing that limited question and dealing with that limited question, and on that score certainly I would not make my whole decision based upon that particular one chart, but I would see it as addressing that particular issue that seems to have been raised the last time we were here.

MAYOR BECKER: I understand what you are saying, Reverend, the only thing I'm trying to say is that you can't take a street where two way traffic is authorized and suddenly put one way traffic only on it.

MR. ALVIN G. PADILLA, JR.: Let me try to clarify that just a bit because your understanding of it was not mine, Rev. Black, and I'd like to know whether mine is erroneous or perhaps yours is or what, and perhaps it should be clarified at this time. I don't recall the homebuilders saying that building was down in San Antonio. I think the point that they made was that last year before we had control of platting and so forth in the ETJ that, and we did have it in the city of San Antonio within the city limits, that some 65%, and I don't recall the figure exactly, of the building in this community took place in the ETJ as opposed to the city of San Antonio. In other words where controls were not as opposed to where they were. I think their concern was not that building is down at the present time, but that the plats that they cannot break loose because of a present policy of because they do not comply with it or will not or what have you, that these plats will have an adverse effect on employment and on the building industry some few months down the trail, down the way. I think that was the point that they made. I did not understand them to say that building in San Antonio was down, per se, but that their concern was four, five, six, eight months from now because of the platting problem. Is that about right?

MR. KAUFMANN: Well, I think what we've done is we've spent this much time and this much effort and this much time going into all of the questions that you've raised, and you've heard smatterings and really there is a tendency on the part of an individual councilman to summarize it into one sentence and get it down to one fact. The question that you've raised is here and I propose to comment on it. Some of the very things you talked about and without in any way infringing upon responsibility, I would suggest that you hear what we have to say, and some of it, we're not putting this information on in order to tell you why we're going to do something and then have you determine whether or not you agree with us. We're putting this information on to inform you, so that you can make an intelligent judgement and a judgement primarily that you're going to be comfortable with. You know, this business of comfort, I experience it, too, when people were talking to me in front of this dias like I am here. Well, this guy wants we to do this and this guy wants me to do that, and I want to get down to the heart of it just like some of these questions, I think, and sometimes it's very difficult to make a presentation when we may be giving you facts that may be inconsistent with information that you've received before. It may be uncomfortable to receive this information, but I think that the point that I'm making is to receive it. What you do with it, we have no control over.....

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MR. PADILLA: Jack, I don't think there's any question but that we're going to receive it. I, as the Mayor said, can't speak for anyone but myself, but I like to feel that I'm keeping my finger on just exactly what the questions were that have been raised by you and by others, and I don't believe that the point was made, and I spoke only because others did, and we heard a little different view point from two people that did speak previous to myself, and as I recall it, the case wasn't either as one man or the other outlined it. I don't think the point was made by the homebuilders that building was down per se, so if you're making the point that building is up in San Antonio, you know, perhaps we can accept that, and if they do insist that building is down and you insist that building is up, then, you know, it is a point that has to be cleared. I'm looking for answers as well, but I'd like to identify the questions first as we go along, and if I did not understand a question that has been raised previously or properly, then I would like to be- cause it would help me in receiving the information that you are trying to give us.

MR. KAUFMANN: From January to August, 1973, there was 136% more dwelling units built in San Antonio than there were in the prior year, and that's on the tax roll. That's what the chart is designed to show and that's what it says. Now, Cliff may and others who present in- formation, knowledge, to you, may point out to you that there are other reasons for that, that that's an insignificant figure, but all we can do is present the facts. It's pretty hard to present a report that doesn't say something that somebody doesn't want to hear.

MR. MORTON: I'm not here to present facts and I'm not, and I'm not going to advocate. I think really if you were trying to get to the real picture on it to where we had equals and equals, you would have to take those building permits that were issued in the newly annexed areas out of the picture. Now, if you took those out and if you were looking at the same geographical area for this year versus last year, then you would be able to say, "look here is a big increase". I know yesterday we received a report from the Chamber of Commerce that was talking about Bexar County, and on Bexar County, I don't know how they got their figures, because I've never been able to get this kind of in- formation, but they were talking about Bexar County as a whole is up 89% for the first six months of this year on residential construction. For Bexar County as a whole I would find that figure very hard to be- lieve. Maybe people were more active than I realized they were, but in order to be able to compare apples to apples here, wouldn't you have to do that, because you are talking about the areas that were not annexed prior to December 26, and there was an awful lot of activity in there. As Mr. Padilla said, roughly two-thirds of the activity last year took place outside the city. Well, of that two-thirds, how much of that two-thirds took place in those newly annexed areas. Probably better than half of it. I think that really in trying to get down to given facts, pure facts, to where we're looking at it without distortions in it, I think that's what is being asked for. I'm not trying to advocate it one way or the other.

MR. ALFRED BECKMAN: Mr. Mayor, I'm not a homebuilder, and I would appreciate the opportunity to hear this out and then let's have ques- tions. I get a little bit confused not having my finger on the situ- ation, but I'd like to hear the report out, and I'm sure you have time in there some time for questions.

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MR. KAUFMANN: You've got a schedule right there in front of you, Mr. Beckman, with a question and answer period, and we'd like, the Mayor said he had a function, and I said we could get through this morning, but I can only control what goes on on this side of the microphone.

MAYOR BECKER: It's one reason why I asked for the answer first, you see, if you want to know. Because.....

MR. KAUFMANN: Let me ask this of you in all candor. Let us go ahead and put our report on and let us make our report to you. Those areas where you have doubts about or that you think are inappropriate or do not fairly express the true situation, if you'll make notes after I speak then comes Van Dyke, then a question and answer period, and I think that we can do it quicker and I think it will cover the story.

MAYOR BECKER: Then we acknowledge the fact that just by our silence is no indication of acceptance of certain of these premises that you are operating from.

MR. KAUFMANN: As we say in the courtroom, Mr. Mayor, I'll stipulate for the record by reason of your fact, your silence, or your failure to reply it doesn't constitute a consent or agreement with what we have to say, but simply you are listening to data.

MAYOR BECKER: Right. Fine. Or admission of guilt.

MR. KAUFMANN: Fair enough. Here is the building for the single family residential building permit issued January 1, 1971 through August 31, 1973. The group here on the left in green, or the building permits by month single family residence within the city limits in the city of San Antonio, 1972 building permits, 1973 building permits. Obviously a portion, a goodly number of the building permits in 1973 are, as Mr. Morton pointed out, resulted from the city annexing an area where there had been no consistent annexation policy for the last number of years during part of which I was on the City Council, and I'll take my share of the blame, along with everybody else.

MAYOR BECKER: Let me ask you one thing, Jack, and I'm not going to interrupt you anymore. One good thing.....

MR. KAUFMANN: Is that a promise?

MAYOR BECKER: That's almost a promise. Almost a promise. One of the things that I regret is that you're dealing with information that we don't have an identical copy of. Now, if we had exactly the same type of charts that you have.....

MR. KAUFMANN: We'll leave them here with you.

MAYOR BECKER: ....furnished us and you know, that would be helpful also.

MR. KAUFMANN: We'll leave these charts here with you.

MAYOR BECKER: Fine. Okay. Mighty good. Would you have copies made of them please, Mr. Granata and return them to the Water Board?

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MR. KAUFMANN: We'll have small letter size copies made up. The purpose of this chart is to indicate the City Water Board policies have not hampered the local homebuilding industry. You will recall the Ordinance 42718 was passed at the end of August as an emergency measure. Despite the alledged urgency only three developers have requested plat approvals under the provisions of this new ordinance, Ray Ellison, Cliff Morton, and Shepherd was the third one, only three. The passage of this ordinance instead of encouraging homebuilding within the city limits and increasing the city's tax roll, has provided an incentive to developers to go outside of the city to build. Regrettably, this permissive ordinance allows developers to continue construction of private water systems in the city's extra territorial jurisdiction, thus circumventing the City Water Board's on-site main regulations as denying the utility expanded customer base and new customer revenues so essential to the sole purveyor concept. The proliferation of private water systems within the city limits extra territorial jurisdiction is creating an impediment in the orderly growth and development of San Antonio the future City Councils will have to face. You know we talk about the city limits and the ETJ and we use those terms so often that it's hard sometimes to realize that this place is on the ground. Here's the city of San Antonio in the big map. I think the legend--the legend is not accurate. We didn't get a chance to have it reprinted. Or is this one corrected now? Okay. Orange is the city limit line. The green on the outside is the five mile ETJ we talk about. The blue represents the existing private water companies. The purple represents military installations. The purpose of this map is to simply show the facts as they exist on the ground, and you can see when the city is up against a private water company in an area where the city is blocked, this in instances, requires or creates a situation when the city system then goes around or through a private system to serve areas outside of the city system. This, oversimplified, is the problem of the orderly growth. The City Water Board sole purveyor concept has been attached as being a monopolistic, which, in concept, it is. It tends to go towards a monopoly. It certainly isn't a monopoly now when you look at that map and see the number of other water systems. The yellow is primarily Bexar Metropolitan. The green is the City Water Board, and the other yellow are other private systems. Bexar Met Southwest, Bexar Met North Central, Alamo Heights now has its own system, and there are other private municipal systems.

MAYOR BECKER: What's that blue zone marked B? The one marked B? What does that zone stand for?

MR. KAUFMANN: The A, B, C, and D is the areas of water. A is good water area, B when you go down in the Edwards. As you can see, south of that diagonal line between A and D, south of that line there's no good water. That's sulphur water, south and east of the line. People talk about why isn't there development on southside and eastside down there. One of the problems is there's no good water down there. So water that serves that area has to be piped from the area up in A, where there is good water. B is the area where there's questionable water, sort of a transverse zone, and C, questionable quality and questionable quantity. In one of the later maps you'll see that C does constitute part of the Edwards system up in there. This is where the AACOG committees are working on trying to develop some sort of regulation and some sort of protection for construction that goes up in that area. I think it should be said though that even though the City Water Board's plan or desire to be a sole purveyor may make it a monopoly.

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It is still a monopoly. It's a municipal monopoly established and governed under the laws of Texas, and really it's more desirable from the people's point of view of the people who are being served from a private water company's monopoly of a (inaudible) of a new subdivision, which is not regulated by any governmental authority and one that benefits only the private owner of the company. The question of who should bear the cost of the \$300.00 per lot, this is the developer's figure of the on-site mains is the crux of this study, and the cost is insignificant when compared to the cost of the completed home and lot. Now, we had some difficulty in getting some meaningful figures here, but this figure represents a breakdown of what portion of a person's payment who buys a \$20,000. house, and we used 7½%, which, remember the good old days when you could still get 7½%, and this is a 100 foot lot. So a person who buys a \$20,000 house and whether he's in or outside the city limits, this portion down here, the water main, the \$25.40 a year is that portion of his payment that would go to amortize the cost of a 100 foot main from his house, \$300.00. In other words the cost of amortizing the \$300.00 over a thirty year period at 7½% interest would come down to \$25.40 a year. The cost of amortizing the sewer main that he's paying for is a part of the cost of his lot would amount to \$33.87. The cost of amortizing that part of his lot cost which is applied to the street in front of his house amounts to \$84.67. Now these specific figures and how they're arrived at, Van Dyke and Shields can answer those questions. The taxes that he pays a year on his \$20,000. house-the city of San Antonio taxes alone are \$170.10, and the purpose of the chart is to not say that the on-site mains are not a factor, but to say that there are other factors that considerably outweigh and considerably overshadow the effect of on-site water mains in determining whether a person will buy within the city limits or outside of the limits, city limits, and therefore, where the homebuilders want to build. We did a market study to point up just this fact and one of the things that we did was we took advertisements, and it's in your brochure here, in other words where do people buy and what inducements do they give people to buy the lots. Well, we took some of the ads of some of the homebuilders and the ads began about on page 33 in Section III, right in the middle "no city taxes", page 34 "convenience with no city taxes", page 36 "all utilities, no city taxes", page 37 "no high city taxes", page 38, "one of the lowest tax rates in the county" referring to small Live Oak Village. In other words, by taking a sample, and I think they're representative, of the things that the homebuyer is being asked to consider, in none of these does it say "your house is cheaper because you don't have to pay for your on-site main, because we're going to refund it". It may be facetious to say that. The point that I'm making is this column on the right that determines whether people build inside or outside of the city limits, and to blame it on this column on the left is just not supported by the comparison of those two costs. I don't blame them. I'm not criticizing them, but I'm saying that they give us some insight into what motivates people as to where they buy, and that the guy with the buck is what it's aimed at, how to get his dollar as opposed to the guy with the shop across the street who wants his buck, too. We raised the question-the desire to escape city taxes is the reason rather than utility regulations.

The hard facts are, as the report brings out, the tax rates are lower in our satellite communities, which account for their continued growth. Universal City, for example, has a tax rate of \$1.60 a hundred based on 25 per cent of market value. The tax on a \$20,000. house there would be \$80.00 compared to \$170.00 in San Antonio. The

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Council should be aware that the City Water Board regulations evolved over a long period of time and were not, as some critics maintain, were not dreamed up over night. This evolution began in the late 1950's, and continued till last year, and the resulting policies were adopted only after long and careful study in the Zachry committee, composed of the city's leading business and civic leaders, recommended these policies as being in the city's best interest.

I think this chart that you have before you here is appropriate because here is the area 1960-1980. What the whole complaint about is that in 1960 the Water Board abandoned the refund policy and required the developers that, as a condition of development, to dedicate their on-site mains. This is the policy that is being urged as being in the best interests of the city, but had that policy not been changed in 1960, here's where we were in 1960. The orange line is the revenue expenditures for construction. This is the construction paid for out of revenue. The construction fund balance is the green line. Here is the present policy, where the green line is. The blue line at the bottom is 100% refund policy, and this is all, this is part of Careiro and Chumney. They took what the income was from the systems, or part of the rates that they had at that time, what the payments were, these are the expenditures of the system, and they added on the cost of what-a million dollars a year. Now, when this study was made, it was based on using as an example, donation or dedication of a million dollars a year. And this is why in 1980, the deficiency would be 10½ million dollars had not this 100% refund policy been changed. As it is now in 1973, the line there, the present policy, the money available is, what, between 3-and 4 million dollars. Where the line is would of been had we had a 100% refund policy, as down here with that amount of deficit. I think this is really--I can't stress on you--this is programmed at a million dollars a year, and last year, 1972, the amount of dedications was 3.6 million dollars. What I'm saying is if you multiply the amount of the deficiency by 3.6, you're not talking about 10½ million, you're talking about close to 40 million dollars deficiency. Now, I don't mean to stand here and tell you that the system is going to go bankrupt because there is a forty million dollar deficiency, but I do mean to tell you that it has to come from somewhere else, and the only place the system has is the rates have to be raised enough to make up for the deficiency. We're talking about now a system in 1960 that was inaugurated to solve just the problem you looked at. Somebody could've done a (inaudible) in 1960, and they could've said "well, if you don't stop this 100% refund, here is the way we're going now. We're now in deficit 2½ million dollars under this policy", and this is the policy as it was then. By 1973 here we are in 1973, this system is going to be deficient by 4 million dollars, but we're sitting here today saying "well thank goodness they didn't. It's not deficient by 4, it's over 3½ million to the good." Now then, I'm going to close by just ticking off a summary of the summaries. It expanded--it's reiterated as concisely as possible the benefits of these policies. An expanded customer base to support the surface water acquisition program both from a cost and a political standpoint. We'll explain what we mean by a political later. It is the right and ability of this entity to talk with other area agencies in bargaining for and getting surface water; more effective management of the combined ground and surface water resources of the area; elimination of dual payments to the property developers for on-site main costs; (4) no discrimination to present customers for the benefit of new customers; and last it rosters growth within and immediately adjacent to the city limits because of the approach main policy, which enhances the potential

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of an orderly annexation program. We will get into the reasons and explanations and say how we got there when Van Dyke talks. All of these benefits are intended to serve the vast majority of San Antonio citizens and water customers as opposed to the select few who would benefit by changes sought in the regulations. With your permission, I now call on Mr. Van Dyke, the General Manager, to elaborate on the staff's report.

MAYOR BECKER: Fine, Jack. I'd just like to make one comment on that chart that you have there. When you speak of the deficiency of the City Water Board, I have to ask myself what deficiencies have there been to the City of San Antonio in the loss of tax revenues. There must be two sides to every story. The reason I say that is because one reporter just walked out of the room, and I want to make that point before the other one leaves the room, you see? You attorneys have a very telling way of striking home, you know, and it's a trained mind. How are you, Bob?

MR. ROBERT VAN DYKE: Good morning, sir. I am Robert Van Dyke, the General Manager of the City Water Board. I think our chairman told you what you were going to hear, and then he told you about it, and now I'm going to tell you again. We recognize that what you have in front of you is a document that contains a great many facts, and we don't expect you to have had an opportunity to have any knowledge of the report other than what we tell you this morning. And it is being presented to you this morning so that you will have an insight and that you then may go into the detail if you wish to find out the facts that supported the conclusions and the various things that we are presenting to you. I think that Mr. Kaufmann has pointed out to you we are not here to argue in any way, shape, or form with anyone. We have prepared a study based on the best information that we could find, and that facts as we found them are presented in this report and others may have other opinions based on the same data to come up with a conclusion that would be different than we do. But, yet, the conclusions that we have arrived on were based upon the facts that we have gathered. I think that it's, or goes without saying that Council asked us to prepare this report and to go into a number of areas that we pointed out to you that we had insufficient information when we appeared before you in August. Go over the scope of our study just a little bit, so that you will understand the depth to which we went into this matter. We made a complete review of extension policies, water and sewer rates, and operating costs for water and sewer services in the major southwestern city. I think it's important that we look at these things, although the facts as we see them, of course, must be worked out here in San Antonio. We can't necessarily say just because another city does something, then we should. We have to do the things on our own that affect our people and our government, but we present these facts about these things, because we do think that they are indicative of what the industry is doing in other areas in the southwest. We compared the rates that were in effect for the city of San Antonio Public Works Department and the City Water Board. We thoroughly looked into the alternate extension policies that are used in different areas. We made a very thorough study of land acquisitions in Bexar and surrounding counties from August, 1972 to August, 1973 by known San Antonio developers. This information was gathered to give you an insight as to where people are buying land, and in doing so we hope to come up with some reasons why they are doing this. And it's obvious that if people are buying land in certain areas, they have a reason for that. A market

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study was made using available printed data from the National Association of Homebuilders, the Urban Land Institute, periodicals, newspaper reports, and local advertising. We tried to get some help from our local universities, but they all felt that because of the crunch of time they could not enter into this, so our own staff had to make the market studies as best we could. The study is appraised and analyzed data to determine to economic factors influencing land development and home purchase. We sent out questionnaires to the developers and to the private water companies asking them for information. They presented their case to this council and made their business a matter of public interest, and if you recall at our meeting here both Mayor Becker and Councilman Morton felt that this was a good plan and to get the information from the industry so that that could be an input into the study that we could consider. We made an analysis of the report of the greater San Antonio Homebuilders Association, which was presented to you on the 21st of August. As I said at the opening, we believe that the information contained in the report presents facts, and we are not here to argue those facts, but we feel that this is its (inaudible) that Chairman Kaufmann spoke to you about when we were last before you. That we can look at the facts and if we can agree that facts are facts, then we can utilize the information and go on to make the proper decisions that will affect our city. (Inaudible) conclusions that were derived from the development of the facts are included in the report, and as Chairman Kaufmann has pointed out to you, they are printed on yellow paper with a summary of the conclusions in the front of the report and more detailed conclusions in the back with references to the text if you might care to turn to that particular part of the report. The data and facts collected, analyzed and presented in the report we feel fail to support the developers' contentions that the City Water Board main extension and on-site main policies are pairing the homebuilding industry either in the city or in the city's extra territorial jurisdiction. Many other economic, physical, and political reasons have a greater influence on the development location in or out of the city limits. Table 6, which is on page 43 accentuates....page 43.....oh, I'm sorry 47, and this table accentuates the fact and indicates clearly that water service is not the cause of the homebuilders' problem. The National monetary crisis is the crux of the present situation, and as we pointed out in Appendix C, we have an elaborate presentation by the National Homebuilders that points the facts. As we look at the data contained here on the chart, which is the same as Table 6, you will see that we have a number of categories here. We have subdivisions with no construction initiated, and there were 54 of them for a total acreage of 1,599 acres, 3,094 lots, and as of 1 September, 1973 there were 3,094 lots that didn't have any building on them. Then we went to the subdivision with water and sewer and streets only under construction, both I.C.L. and O.C.L. 36 subdivisions and they had 2,480 lots and there were 2,480 that didn't have any houses on them. Then we go into the subdivisions with housing under construction, and there were 65 subdivisions in that category. There were 6,001 lots, but there were 2,930 lots that didn't have any construction started on them as of 1 September. Coming down to a grand total of these various categories, we're talking about 155 subdivisions with a total of 11,575 lots in them, but with 8,504 empty lots in those 155 subdivisions, and that amounts to 73.5% of the total lots that are available that did not have construction on them. And so, it would certainly indicate that there is plenty, there are plenty of lots available that have been approved by the Water Board, they've been approved by the Planning Commission, and so forth, and but yet the building is not taking place, and again it goes back to the monetary crisis. The revolving community water development fund, which was created by the

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City Water Board, has in fact encouraged development inside the city limits and in areas closely to the city, because of its provisions. And I would point out that in Table #1, on page 17, showing the amount of the commitments, that we have committed \$2,342,956.00 for mains under the provisions of the community water development fund policy, and inside the city limits there have been 32 projects with some \$773,000.00 expended and in the outside of the city limits there have been eleven projects with an expenditure of \$1,659,000. Map number 1 here, which is also contained in your report, but we had accentuated the location on this map that is before you with the red dots to show you where the funds from the community water development fund are being utilized, and it is quite obvious that we are getting growth in the northern area of the city and look at the shotgun pattern the predominance of the projects are in that area although there are some to the central part of the city and to the southeast....

MAYOR BECKER: Where would we find map number 1 in this report?

MR. VAN DYKE: Map number 1, should be about page, following page 21. It's identical to the one you have there on the board, Mr. Mayor. The passing of Ordinance 42718 on the 30th of August, 1973, has provided an incentive for developers to develop outside of San Antonio instead of encouraging development inside the city limits. This permissive ordinance allows developers to continue construction of private water systems in the city's extra territorial jurisdiction, and thus avoiding for an indefinite period adherence to the City Water Board's on-site main regulation. And it denies to the City Water Board the expanded customer base and new customer revenues that were the focus of this whole purveyor concept. As of 1 September, 1973, there was no shortage of approved lots upon which housing construction could be initiated in full compliance with all requirements and regulations and the requirements of Ordinance number 42018 dated 29 March, 1973, and we've looked at Table 6 and discussed that. The sole purveyor concept is in the best long range interest of the citizens of San Antonio from an economic, political and of water management development. I'm sure that you are aware that the sole purveyor concept was looked at and considered by a great number of very prominent people in and about San Antonio before it was finally adopted, and as it's been pointed out by Chairman Kaufmann our sewer policy is in essence a sole purveyor concept and it is analogous to what we are talking about here for the water. The Zachry committee as you know, recommended the sole purveyor concept because they felt that it was in the city's best interest and they didn't do it lightly, but they did it after a great number of meetings and an awful lot of consideration, as is pointed out in the chronology contained in Appendix B. Another finding of our study is that land is being purchased by developers in the San Antonio's extra territorial jurisdiction for development and predominantly over the Edwards Aquifer where the water is readily available and Map number 2, which is shown on the right here, and Mr. Mayor, which is, follows page 53 in your book, shows where land purchases are being made. We also show in Tables 8 and 9 on pages 51 through 55 who is buying the land and the amount of acres and so forth. And you can conceive from the pattern that is shown on the Map number 2 where this vast majority of land purchases is taking place. And, again, it is in the area that is predominantly over the Edwards Aquifer and if I may elude to the Mayor's thought about Houston and the building following the pine trees, I believe that this area where the land is being purchased is predominantly in the area of San Antonio, where there are hills and where we do have a great many trees,

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so it is a desirable area. Land cost is critical in projecting development and the high cost of land within the city limits is forcing development into the less urbanized areas outside of the city limits where large tracts of undeveloped land are available at a lower cost. The Community Builders' Handbook emphasized this fact and stated that because of the Interstate Highway Program developers could avoid the high cost of land inside of the cities and yet have easy access to their subdivisions. I believe we have together discussed that particular aspect in the past, and of course, it is happening to every major city in the United States, because of the fine highway systems that we are building we do find that people do want to get out of the city and they want to be in an area that they can have a little more elbow room, and yet have access to their job in the central city. Land purchases by San Antonio developers shows concrete evidence of this trend by the purchases along Highway 90 West, IH 10 to the Northwest, IH 35 to the Northeast. And again it is shown on Map 2 and we can readily see this. The developments in the city's extra territorial jurisdiction would not have a detrimental effect on the city's tax revenues if we had an orderly annual annexation program. And I think that you are all aware that the Water Board has no control over annexation. This is a matter that is, must be taken up by the Council, and we have known that through the years that San Antonio did not annex a great deal of territory. In the past I have presented charts to you to show you the population dip..... We'll point that out. This is a chart showing the population growth in the major cities in Texas: Austin, San Antonio, Dallas, and Houston. And I merely point out that on the blue curve here that we see a lot of flat area in the population curve for San Antonio, starting in 1960 when we did not annex, and then suddenly when we finally got our annexation in December 26, of 1972, we do see an upsurge and if we would connect these two lines we would see a growth pattern that would very closely follow the pattern that San Antonio has enjoyed through the years since 1940, and so, annexation as far as our population is concerned is very important if we're talking about the population inside the city limits. And so if we have a gradual and a uniform annexation policy, it would seem that these areas that are developing immediately outside of the city limits that have people living in the subdivisions that earn their living in the central city and enjoy the many public facilities that we have, then if they were annexed into the area they would be then paying some tax revenues to the city and to help support the things that they enjoy. Again, this is not a matter that the City Water Board has any control over, but we merely point this out to the council. The City Water Board's current on-site main policy was adopted at the insistence of the City Council in the late 1950's, and Chairman Kaufmann has commented on this particular chart, if you will recall, at one time in the mid'50's we had a 100% refund policy for on-site mains. Later this was changed to a 50% refund, and in 1960, the current regulation requirements were adopted, where we had a zero refund policy. And this particular chart, as Chairman Kaufmann has pointed out, is based on the historical contribution of mains to the City Water Board in the amount of a million dollars per year, and that was the case back in those days and up until the 1960's. But since that time, of course the growth and the development of San Antonio has greatly increased, and if we can use the figures of \$300.00 per lot as the cost of putting in an on-site main, and I think that's a reasonable figure that has been developed by the developers and that we can generally concur in and we have some 12,000 housing starts in our area, we're talking about something that has a worth or a value of some \$3,600,000. So, we're talking about

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then in comparison with this chart of 3.6 times that, and so, if we had that policy, and if we had not had water rate increases to support the payment of those policies through the years we would have been in a very poor financial situation at the Water Board. Now, the Water Board's current rate structure is based upon having a no refund policy, and as was pointed out to you before when I appeared, the amount of refund that could be given to anyone is a matter of dollars. The revenues that we have available today and that the Council in its wisdom has granted to us in the way of establishing rates provide the monies to carry out the programs that have been included in our master plan, and this long range master plan, of course, it is trying to project our current needs up to the year 1995, so that we can stay abreast of the growth of San Antonio. I would point out that since we have had our master plan that San Antonio has experienced no difficulty in providing water for its citizens. We have a system that is second to none in the state of Texas, and if we are able to proceed with the construction of capital improvements as outlined in our master plan, which has been approved by the Council and by our Board adopted by the Planning Commission, I can see that we would have no future water problems as far as our distribution lines and taking care of the needs of our citizens. Now, if we had to take that 3.6 million dollar value and suddenly adopt that as the policy of the Water Board right this very second, or let's say, let's go back to the first of 1972, we would have to have \$3,600,000. in revenue or money from someplace in offer to turn around and make the refunds. That amount of money is equivalent to a 30% increase in rates based on our present rate structure, or it is equivalent to a 21¢ ad valorem tax increase on your present tax base if the city was going to provide this money. Now, there are many alternative policies that are available that will pass the cost of on-site mains on to all customers. There are policies that can pass it on to only those customers who benefit and those policies would include a surcharge on a rate, perhaps, to pay for the mains, and I can think of one of our suburbs that did have a surcharge applied to their rate to pay for some capital improvements, which was Balcones Heights and they requested this some years back. They since have paid the amount off and so that surcharge isn't required, but that's a way. And, I think that we have pointed out to you before that the City Water Board provides water to only approximately 79% of our citizens, and so, any refund policy that we have that would require of the payment of money for a refund would, therefore, have to come from only 79% of the people who are our customers. And, if it is good for the development of San Antonio, perhaps 100% of our citizens should be entitled to share in that contribution. Now, I think that the crux of our dilemma that you and the developers and we are faced with is money, and who should pay for the extensions. Because the on-site mains directly benefits the owners, the property owners, in a new subdivision with present Board policy, requires the developers and ultimately the new home owner to bear the cost of these mains. The facts indicate that water rates in most communities are generally higher when a water utility has a generous on-site main policy. Table 11, on pages 73 and 74, show the rates that are charges, and so forth, and I think that Oklahoma City and Tulsa are pretty good examples of the higher rates that are charged because they do have a very liberal policy.

MAYOR BECKER : Van, what's the availability of water in those two areas, generally speaking? Is water as easily available to the water companies up there as it is in San Antonio?

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MR. VAN DYKE: No. No, Mayor. There's no city in the United States that has a better and more available water supply than San Antonio, and as a consequence when we are talking about various rates and various policies, I think it is extremely important not to just generalize but we have to look at the situation in total, and I think your point is well taken. Do they have ground water, do they have ground and surface water, or what treatment is required, how far do they have to bring the water--there are a great many things and so, I don't mean to in any way detract from that, but we have to look at that in detail. Now, the current City Water Board regulations are the result of extensive study over an extended period of time by the City Water Board, the developers, and prominent citizens, and it has been pointed out in Appendix B, is the chronology and you have been sent copies of that chronology before, so we have included in here merely as a part of the basis data. But numerous changes were made in the 1970 regulations to arrive at the current regulations. And these changes were made by the City Water Board to alleviate real problems being experienced by the developers and to try to work out an acceptable working relationship with the developers to resolve the problems that were brought about by the 1972 annexation, and if you'll remember when the annexation was passed, we had a very serious problem because of our indenture and because of the Council's inability legally to grant franchises to the developer or to the private water companies that are operating inside the city limits, and we had some very serious problems, and so in an effort to work out the problems the regulations and the change in the subdivision ordinance that the Council ultimately passed on the 29th of March were put in to solve some of these problems because the alternative was so bad that there was just no way to go. On page 24 there are listed a number of the positive steps that the Water Board took to alleviate developer problems that were caused by the annexation, and I won't take time to go into them. There are a number of them, but I think it's important to point out to you that they are there. During the period of 30 August, 1973, to 28 September 1973, following the passage of your Ordinance 42718, only three developers have required, requested, plat approvals under the provisions of the new ordinance, and Table 12, on page 89 is a listing of those people who have brought in plats for approval. There were seventeen plats involved, that have come in since that time. Our response to our questionnaires sent to developers and to private water companies was minimal; however, there was no factual data presented in any of the questionnaires, publications, or data collected, that indicated the cost of on-site water mains was a major or even a minor factor in the decision to develop and it indicated that the City Water Board's policies are creating or have created an economic crisis in the homebuilding business in or about San Antonio, and I think that is extremely interesting and we were glad to see that in the questionnaires. Out of the 92 questionnaires that were sent out to developers, we only had answer from 23, and out of the 73 questionnaires that were sent to the water companies, only 18 sent in replies. We again go back to the chart that is before you about the annual homeowners cost, and we repeat that the \$300. per lot cost of on-site mains is insignificant when compared to the finished cost of the house and the lot and it has an inconsequential effect on the mortgage of payments as compared to the effect of city taxes or no city taxes. And as Chairman Kaufmann pointed out in the newspaper articles, this seems to be very important to the people who are selling homes and they are very quick to include that in their ads, because apparently this is a reason that they can sell houses. Development in the San Antonio area is thriving under the City Water Board policies, and is far above the average of other major cities. The homebuilding business and developing

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business in San Antonio was never better, and I wanted to go back to the chart that you talked to Chairman Kaufmann about because this chart is very relevant, and it is comparing apples with apples and oranges and oranges and was not developed by the City Water Board, but was put together by the Bureau of Business Research of the University of Texas, and they are making studies over the state and checking on building, and when they were contacted they were amazed and they said, "what are you doing in San Antonio to keep the building up so high, because the trend elsewhere is down". In Austin the single family units are off 24%, duplexes are off 44%, apartments are off 1%, again as portrayed in the chart. In Dallas the single family units are off 27%, duplexes are off 64%, and apartments are off 30%. Houston, single family dwellings are off 19%, duplexes are off 49%, apartments are off 41%. Now, these figures are the percent change in the number of dwelling units for the period January through August, 1973, as compared to January through August, 1972, and again, they're not our figures, these are from the Bureau of Business Research. In San Antonio our single family dwellings are up 39%, our duplexes are off 26%, and apartments are up an amazing 130%. If I recall the figures in the first two quarters of this year that I presented to you on the 28th day of August, the apartments were up 178% at that time, so there has been a little slackening in this other quarter, but nevertheless it indicates that the housing starts and construction business in the city of San Antonio is leading the league of the major cities in Texas and it is taking place with or without taking cognizance of the City Water Board's policy. Building permits for single family residences through the first eight months of 1973 exceed in dollar volume the total permits for the full years of 1971 and 1972, and the number of permits through August, 1973, exceeds those for all of 1972. Again, as shown in the chart this is certainly indicative of a very healthy and prosperous homebuilding industry in San Antonio, and we think it's wonderful because when we compare this with what's happening in other cities, we think that we're very lucky to have this industry being as prosperous as it is. The City Water Board, as an agency of the City of San Antonio and decisions that affect the expenditure of funds of the City Water Board, have a direct effect on the municipal equity of these citizen stockholders. Because of the scope and complexity of the subject matter presented in this report and its importance to the future of San Antonio and all of its citizens, it is recommended to the Council that the report be studied in its entirety before any final judgement is made that will affect San Antonio's future water system, its water requirements, and its water rates. And, we again have presented the report to you in a rather summary form recognizing that you have not had an opportunity to delve into the detail of the facts that are here, but to give you a broad picture and so that you may then read the detail and understand what we believe are the facts in the matter and on which you can then make some decisions. At this time, I have Chairman Kaufmann, our controller, John Shields, our attorney, Bob Sawtelle, present here and I will be happy to answer any questions that you may have and they will also be happy to respond to any questions that you might have that we have touched on in our report.

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DR. JOSE SAN MARTIN: I have a question, Mr. Mayor. Mr. Van Dyke mentioned on August 28 that if we suspended temporarily for 28 days a section of the March ordinance that there would be a proliferation of water wells starting all over the place. How many have been drilled since then? This comment was made not only here in the Council, but by some of the news media away from the Council, I mean, later on?

MR. VAN DYKE: Dr. San Martin, the Council, in its wisdom, included a provision in that ordinance that prohibited that from happening -- that there could not be a proliferation of them and that they...

DR. SAN MARTIN: I remember that distinctly, but just the same, how many...

MR. VAN DYKE: Let me ask my staff... (Turns and asks staff -- inaudible) Could you hear them? Four wells that there has been action on.

DR. SAN MARTIN: Yes. Actually drilled.

MR. VAN DYKE: Yes, that's correct.

DR. SAN MARTIN: How long will it take to drill four wells, I mean, in other words, how long will it take for instance, this will delay, as I understand it, there's no way that we can digest all of this information this morning and I'm sure that the development industry will want to come back in a couple of weeks or something like that. Say, we delay final action, say, for another four weeks -- do you contemplate a great number of wells being drilled?

MR. VAN DYKE: No, doctor. Again, there are safeguards in your ordinance, so I don't see it.

DR. SAN MARTIN: I recall the safeguards, I'm just trying to establish the point that there's not going to be a wild spree of well drilling in this area. Is that correct?

MR. VAN DYKE: I don't contemplate that there would be, sir.

DR. SAN MARTIN: Okay, thank you.

MRS. LILA COCKRELL: What is the average cost of a well?

MR. VAN DYKE: Mrs. Cockrell, it will depend upon the size of the well, the depth of the well, the lift of the water inside the well, as you will realize, our water is under the artesian pressure and, for example, if we drilled a well at our Mission Pump Station, we don't even have to have a pump -- the water just comes out of the surface of the ground. Whereas if it were on the north side, then there would be a lift of two hundred or a hundred feet. It could vary. I don't believe that I can give you a good answer to your question without having specific data. Now, if we're talking about a well for the City Water Board, we're probably looking at somewhere between \$60,000 to \$120,000. But, our well would be...

MRS. COCKRELL: Would that range be the same for a private developer or would it be less or more or would it be...

MR. VAN DYKE: Well, the private developer would be extremely low compared to our wells because of the size of the.

MR. BECKMANN: Mrs. Cockrell, we budgeted \$40,000 at Methodist Hospital. It'll cost about that for emergency water system for the hospital.

MR. VAN DYKE: Councilman Morton, perhaps, could give an answer that would be...

MR. MORTON: I'll give you a quick answer. You can get the best one for \$100,000 to \$150,000 -- well, storage tanks and all the things it takes to pump with and that'll take care of 800 homes.

MR. VAN DYKE: Eight hundred homes?

MR. MORTON: Yes.

MRS. COCKRELL: Within the City limits of San Antonio, the present City limits, are there areas where there are many homes that do not have service either from the City Water Board or from a private system?

MR. VAN DYKE: I am not aware of any that did not have water service prior to the annexation in 1972. Since that time, and our annexation, I would suspect that there probably are some. If you will recall, Mrs. Cockrell, the Board for many years had a policy of extending mains to the area and it was our goal and aim that we would serve water to every home in San Antonio as a basic need for our people but with that large an annexation, I'm sure there are some.

MRS. COCKRELL: What is your relationship now to other existing systems within the San Antonio City limits? Do you plan to try to buy them out, or to negotiate with them or what will be your relationship to these?

MR. VAN DYKE: Yes, mam. It is the stated policy of the City Water Board that we will attempt to purchase private water systems in the City limits and in the ETJ at a fair market value. We have negotiations going on at the present time for the purchase of them.

DR. SAN MARTIN: How much money do you have available for that, Bob?

MR. VAN DYKE: We have 2.3 million that is available at the present time.

DR. SAN MARTIN: How much of that would be required to purchase every system -- every independent about 10% of what you need or...

MR. VAN DYKE: I wouldn't attempt to answer that...

DR. SAN MARTIN: A ball park figure...

MR. VAN DYKE: That depends on the man that wants to sell the system and some want more than others. I just don't know.

DR. SAN MARTIN: Well, would you say if you tried to purchase all, it wouldn't be a very adequate amount?

MR. VAN DYKE: It would be a very inadequate amount.

DR. SAN MARTIN: Okay.

MR. PADILLA: Mr. Van Dyke, may I ask you a couple of questions, sir?

MR. VAN DYKE: Yes, sir.

MR. PADILLA: I noted with interest that you mentioned that questionnaires were sent to the developers. While I don't remember the figure that you cited as the number of answers, it struck me as a point that I find with some curiosity. I was wondering why more of them didn't answer. Now, it seems that if they didn't answer, this could point to the lack of interest on their part which is not our impression that they have no interest in this area. The next thing that occurs to me is that perhaps certain things that were asked were for one reason or another they would not care to reply to such questions. Can you tell me what was asked of the developers in general, or specifically as you care to respond in this

questionnaire?

MR. VAN DYKE: Yes, sir. Actually, there were two letters that were sent out. One was sent to the developer and homebuilders, and the other to the private water companies.

MR. PADILLA: Will you state again what the response was from developers?

MR. VAN DYKE: Yes, sir. From the developers, we sent out 92 inquiries and had 23 responses. And from the water companies there were 73 sent out and 18 responses.

MR. PADILLA: Do we have 73 water companies in this area?

MR. VAN DYKE: In the peripheral area.

MR. PADILLA: There are 73?

MR. VAN DYKE: Yes. If you'll look at the map here, there's an awful lot of them. They just ring us and -- I'll be happy to read the questionnaire in detail if you would like, sir.

MR. PADILLA: I think I would prefer a general answer and perhaps to this point, at some point in time, we might question the developers. Now, the questions wouldn't necessarily mean a whole lot to me, but I know, being a businessman myself, that occasionally I receive a questionnaire that contains questions that I don't particularly care to answer. It occurred to me that this could be one of the reasons why you didn't get a better response than you did.

MR. VAN DYKE: The information that was requested from the developers and homebuilders pertained 1) to the undeveloped acreage owned, and this was covered inside, outside, and so forth, then the 2) covered the undeveloped acreage on which they had an option to purchase in the various areas, 3) the master development planned time phasing for one and two above, 4) list of factors influencing your decision to purchase and develop land in particular locations by order of overall importance. Most important being listed first. 5) Cost included in lot development cost. Under there, there were a number of items dedicated land area, as were school and park, streets and curbs and gutters, storm drains, sanitary sewer systems, on-site water mains, water service line connections, approach main cost. 6) copies of all contracts for water service with private water companies. 7) copies of all contracts for water main extensions with private water companies, 8) average cost per lot for on-site water and sewer mains 9) average cost per acre of land purchased in the last three years inside the City and outside the City, 10) residential construction starts and sales within the City limits during 1972 or during the period January 1, 1973 to March 31, 1973 and from April 1, 1973 to August 31, 1973, 11) residential construction starts and sales inside of San Antonio's ETJ during those same time frames and last the number of residential lots shown on approved plats as of August 31, 1973 on which no home construction has started inside and outside the City limits. Now, for the water companies, the information that we requested of them. 1) rate schedules for water and sewer, 2) extension policies regarding on-site and approach mains 3) copies of contracts for sale or purchase of water or sewer service 4) revenue and expense and a number of items that are included to go into a very detailed operation of the business. In other words, if they are a public utility, this information is available and should be readily given, 5) Certified balance sheet, 6) the feet of main by size and type, 7) the number of customers by meter or service line size and by category, residential, commercial, apartment, industrial, number of fire hydrants, number of wells and size and depth, and capacity, high service pump capacity, storage, type and capacity. Florination, yes or no? Annual water pumpage and annual water usage.

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I would say, Mr. Padilla, that no one was required to answer the questionnaire, but it seemed that if we were to put a report together in the public interest, that we needed the basic facts that were involved and that the homebuilders association came before the Council and said 'we have a problem and we were trying to determine the magnitude of that problem. I know that there were several inquiries, responses that came back and they said that the information was personal and that they did not care to respond. That's their prerogative. But, if they put their private business as public business before this Council, then it would seem to me that the Council, in getting the facts to consider, should have basic data.

MR. PADILLA: That's precisely why I asked you the question because I intend, if I have the opportunity later, one of the points that has drawn much interest has been that we want to work together on this whole thing. A response of 23 answers to 92 questioned parties, you might say, among the developers is not percentage wise a healthy response, and I intend to ask the same question of the developers. I don't know what the response will be, but I know I'm interested in it. Now, I'd like to ask you something else. Do you want to respond further on that point?

MR. VAN DYKE: I was going to just comment that even though we did have some responses, some were partial and they did not supply all of the information that was requested too. So that, in conclusion, we felt that the overall response to these two questionnaires was meager.

MR. PADILLA: Did you, when you received a questionnaire that was partially answered, did that go into your nonresponse basket, or did you count it among the response?

MR. VAN DYKE: We counted it as a response.

MR. PADILLA: As a response. All right. Now, the next thing I want you to help me with this because I really look for answers. Charts are sometimes hard to understand, and occasionally, they don't present all the information. I was very interested in the chart that indicates that housing is up in San Antonio as opposed to down or a lesser or positive picture in other communities. Specifically, Austin, Dallas, Houston, and San Antonio, I am very happy it appears to be up. I'm just wondering if it is up, in fact. Again, certain things occur to me when you see a graphic picture or a picture presented on a chart. Are there perhaps other factors that you might give to us that could have contributed to this? It occurs to me, right off the top of my head, that a down picture in San Antonio last year as opposed to an up picture in other communities last year could contribute to the result this year. In other words, if we were way down and have come up and they were way up and have gone down a little, this would tend to widen the gap. Is there such a thing? Can you give us more information on that point other than just the graph that you presented or the chart that you presented?

MR. VAN DYKE: I'd like to call upon John Shields to speak to this particular point because he was involved in that particular analysis - John...

MR. JOHN SHIELDS: I'm John Shields, the Comptroller of the Water Board. Actually, in talking with the Bureau of Business Research at the University, they cited a number of factors. One of the primary factors influencing the growth in San Antonio, of course, is UTSA. That has been a big contributor. Same thing is true to Medical complex. What they told me on the phone was that in many of these other areas, these factors now have been behind us. And, Mr. Padilla, you were drawing a correct inference. Some of the growth in Houston, for example, was directly attributable to NASA. NASA is no longer on the upgrade. It may be holding its own, but it's not causing a great deal of growth in the Houston area. Same thing in Dallas. They cited the number of companies that had been growing in the City of Dallas. These companies are not growing at the present time. As a matter of fact, I think some of them

are cutting back. And the same thing is true...they cited the City of Austin. The University in Austin is completely built up. As a matter of fact, I think they're trying to avoid any increase in student population. I'm hopeful that San Antonio will take some of those...that student input. But, these are the factors. San Antonio is on the upgrade in all of these areas. We have a lot of things going for us right now that these other cities have had some experience in in the past, but they're no longer being a factor in the growth of those cities.

MR. PADILLA: So, I think it would be fair to say, then, that the growth or the lack of growth in the other communities is not necessarily one hundred per cent attributal to the Water Board policies whatever they be.

MR. SHIELDS: Well, sir, if I might state my own humble opinion, the water main extension policy never enters into the growth of a community. I just don't see where it can be a factor. It's too inconsequential insofar as total development is concerned. Now, this is true, particularly when you have an available ground water source where they can put their straw down into the Edwards.

MR. PADILLA: Now, are you in a position to reply to a point I raised, and I think Mr. Morton elaborated on, and that was the point of the growth last year based on information given to this Council by the developers. The developers said that, I believe, that some 65% of the development within the San Antonio community, and I mean community as opposed to City limits, last year occurred within ETJ. Mr. Morton raised the point that a great deal of what was then ETJ is now within the City limits.

MR. SHIELDS: That's right.

MR. PADILLA: Can you tell us what that particular factor -- what influence that has had on this set of figures?

MR. SHIELDS: Well, I do know that a lot of the growth -- a lot of the building permits are in what a year ago was the City's ETJ. But, insofar as being able to set out and put down a concrete figure, the answer is not available. Unless the homebuilders would provide that answer because the fact that the answers that we were able to obtain were obtained from the City Housing Inspection Department, they do not keep building permits in the County or outside the City limits. And consequently, the data that we were able to get and this also is the data from who is building out in the County. They do get the City to respond to the Bureau of Business Research insofar as building permits are concerned.

MR. PADILLA: All right. One more question, and you could very well have answered it in this material, I don't know. As you know, we just got it. The point has been made repeatedly or since I have been on this Council something over a year and a half now, that we have many voids in San Antonio and that most of the development and the developers figures that were given to us tend to support that some 65% of the development took place in the ETJ. Now, this bears on the point made by the Mayor and which has been made many times before, that the interest of this Council is primarily a concern for the possible loss of tax revenues to the City because building does take place outside of the City. I know at one time I believe we had asked you, you being of the Water Board, for a set of figures that would tend to indicate what the loss of tax revenue to the City of San Antonio has been because of these voids and we have many of them. I know I looked at some maps, aerial maps that make it instantly obvious that many areas within the City limits are not as yet developed. I think someone in looking at a map remarked one time that there is as much area in the City limits not presently developed as there is developed. I believe that was within Loop 410. And, I was wondering

if anything has been done or perhaps you answered that point? The Water Board's financial position under the policies in affect as of last April, I believe the 29th of March, what the City Water Boards financial situation would be then as opposed to what, if any, loss of tax revenues the City of San Antonio is suffering because development does seem to take place in the ETJ as opposed to within the City limits.

MR. SHIELDS: Well, there is a very large amount of land inside the City limits that is undeveloped. Actually, on page 42, Table number 4, we do have a table showing the unimproved parcels inside the City limits. This was obtained from the City tax office and, basically, they carry their properties by parcel and the parcel can be anything from 50 ft. lot up to a large number of acres. We did compile a list with the tax office assistance of the unimproved parcels and it came to something over 10,000 parcels inside the City that are unimproved. Now, unimproved in the tax office language would mean that a house could be 94% complete on that parcel as of 31 May and it would not go on the rolls as an improved parcel. The house has to be 95% complete. They have different rules for commercial. They start picking up commercial at the time the building materials are put on the lot. They don't like to let that escape them. This is a listing which would indicate and corroborate, actually the data that was presented in the Homebuilders report. There is a lot of land inside the City limits that is not improved as of the closing of the tax period this present year.

MR. PADILLA: Has anyone, perhaps including yourself again, the Water Board, compiled a set of figures that would tend to indicate what the tax revenue loss to the City of San Antonio is because this land is not improved?

MR. SHIELDS: No, sir. I could not give you an estimate on that, no, sir.

MR. PADILLA: I'm under the impression that that particular set of figures I referred to or something very similar has been asked of you. Mr. Van Dyke?

MR. VAN DYKE: Mr. Padilla, I would accept the developers computation of the tax loss. I think that if you would take the number of acres that are in there as pointed out by Mr. Shields, these 10,000 parcels that their estimate of this situation is probably pretty correct. There calculation as to the tax loss to me would be reasonable. So, we did not bother to recalculate this, because we did feel that that was a reasonable figure.

MAYOR CHARLES BECKER: I can say something about taxes and whatnot. Mayor Louis Welch said yesterday at a function where I was in attendance that he was quite concerned also and he said in a joking fashion, about a lot of the development that was going on outside the City limits of the City of Houston. They are not getting the tax revenues over there, but primarily that's brought about by the fact that the land within the City of Houston for the most part is developed. This particular tract that he was speaking of in our area was Farm Road 1960 otherwise known as 'Jackrabbit Road' out near the Champion Golf Course area. The City of Houston has not kept abreast of its annexation policies particularly. I'm asking Mr. Granata to double check with the Bureau of Business Research at the University of Texas on the figures for Dallas County, Harris County, whatever that is, Travis County in Austin, and Harris County over in Houston, to see exactly what the growth and whatnot is because I spend a great deal of time in the air over those various places and know something about the starts and the houses and things, not statistically speaking, but only as an observer. They have not really slowed as such in the peripheral area. Irving, Richardson, and some of the areas that I might mention in Dallas are growing at an unprecedented rate at this time. There are many things occurring in Houston, much of

the same things occurring in Austin that's going out toward the Texas Instruments plant and Westinghouse plant and some of those plants that I believe are considerably outside of the City limits up there. But, anyway...

MR. VAN DYKE: Mr. Mayor, as Mr. Padilla, may I interject here that this matter of having the empty parcels inside the City limits is not only a problem to the developers, it's a problem to everyone of us.

MAYOR BECKER: Of course.

MR. VAN DYKE: And when we have to run water mains past empty areas and we can't serve them, that costs us, too.

MAYOR BECKER: Distressing situation.

MR. VAN DYKE: It costs the police and the garbage man and the sewer -- everybody. Now, one of the things that, surprisingly as it may seem to you, is that our 29 March ordinance was designed to reverse this. If we can imagine an inflated ball, that's inside another inflated ball and the pressure is equal on the inside of the inside ball and the outside around it, no air is going to pass inside or out of that ball. But when you let the pressure off on the outside, then if there was a hole in the wall of the small ball, it would go out into the space around it. Now, in one of the responses that we received from a developer, he said, "I believe, that we should have the same main extension policy inside the City limits as outside the City limits because then it puts me in a competitive basis to deal with my other developers." As I pointed out, when the Council, in its wisdom gave the developers the relief that they did get in the 30th of August ordinance that was passed, this then said to the developer, "I can go outside, and I have a place to go and I don't have to follow the regulations. So, in our opinion, the reverse has happened from what you said that you wanted to happen. We are having an incentive for an exodus and development in the ETJ versus having it in the City. Another thing along this very same line was a facet of the 29 March ordinance that set up and let us proceed with our community water development fund. The incentive for a man to build inside the City limits as far as what the Water Board can do to help him is that we will extend a main to his lot no matter where it is at no cost to the man. We do it free inside the City limits. We didn't do that before. Now, if he's outside of the City limits then he comes under the 100 ft. of main free per acre developed concept or 50 ft. free for a single residence. But inside the City limits, that developer can get that main at no cost at all, and it comes right up to his property. And so, again we know we are trying to overcome the problem that we have of the empty parcel and to develop land inside the City limits.

MAYOR BECKER: May I suggest something to you, please?

MR. PADILLA: After March 29th?

MR. VAN DYKE: It was established as of the 29th when those...

MR. PADILLA: When the March 29th ordinance was passed?

MR. VAN DYKE: Yes, if you'll recall in February this Council authorized an additional \$6 million in bonds to establish the Community Water Development Fund and this was over and above the \$8 million we had requested and the fund was established to try to promote the better feelings between the developers and the Board and to help solve this problem that was taking place inside the City limits.

MR. PADILLA: Now, you extend the main to as of the March 29th ordinance. Before the ordinance was amended, you say that the Water Board policy as of March 29th was that the mains are extended to the property within the City limits at no cost to the developers.

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MR. VAN DYKE: May I show you?

MR. PADILLA: Yes, but was -- I'm trying to see if I understood your statement. Was that it?

MR. VAN DYKE: Inside the City limits prior to the adoption of the ordinance of the 29th of March if you had had a subdivision here that you wanted to have an approach main come out, then you would have been required to put up an extension deposit. Now, this money would have been paid back to you over a period of seven years -- paid out of \$150 for every home that tied on to the system in the subdivision plus the money that was collected from prorated connections along here. So, a developer had an opportunity over a 7 year period to get his money back. Now, as of the 29th of March if this were inside the City limits and he had a subdivision the Water Board put this in at no cost to him at all. The developer never did pay for this -- he had to put up the front money.

MR. PADILLA: Does he not also have the option to refuse this service?

MR. VAN DYKE: No. Not inside the City limits.

MR. PADILLA: Inside the City limits he was going to get it?

MR. VAN DYKE: There is one exception to that, Mr. Padilla, and it was explained to the Council but I believe I should repeat it. If we had a dissatisfied customer inside the area, for example, that is served by Bexar Metropolitan Water District, he could come to the Water Board and say extend a main into my house free. In our regulations, it says if the man is served by an approved water system that we would refuse service to him because that would be a misuse of funds. But, if he is anywhere in this green area inside the City limits and served by us, we will extend that to his home at no cost to him out of the funds of the Community Water Development Fund. Now, outside the City limits, (Inaudible)...

MAYOR BECKER: Did you want to say something, Cliff?

MR. CLIFFORD MORTON: Well, I just wanted to see if I could pinpoint where I think you got off on the track. When you used the term 'lot' a few minutes ago, you gave the impression that the City Water Board if somebody requested that a main be extended up to their house, and then you used lot, that you would do it. This is not necessarily true, I don't believe. I just want to make sure that the facts are right because I think you really should have used the term land as opposed to lot, because lot does mean an individual house. Are you saying that if anybody, if you've got a platted subdivision and you've got a street in front of you and there's no water to it, that you would run a main to each one of those lots if it's inside the City limits?

MR. VAN DYKE: I'm glad you're getting a clarification. As I described in this drawing, Councilman Morton, we were talking about if it's a organized subdivision we would extend the approach main to the subdivision just as we've shown on this drawing.

MR. MORTON: That's correct. But not the individual lots.

MR. VAN DYKE: The on-site mains would be put in by the developers. If I've missed you, then that is correct. If it is individual home, if the guy has a lot that's right where my thumb is, we would extend it up to his lot and, of course, he has to pay two dollars and twenty five cent per front foot for his prorata charge. But, he pays nothing for the extension of the main to the edge of his lot. In this case that you're raising to the edge of his subdivision. If there's any other questions on that, I'll try to clarify them.

MAYOR BECKER: I'd just like to make one observation, Van and that is that you say that the March 29th ordinance that was passed was an attempt to bring about some remedial action with respect to all this vacant land that's in the City limits. That it makes you unhappy to run water mains by undeveloped property. We sure have the same feeling on that subject. The only thing I'm suggesting is that perhaps March 29 of 1972 was a little late to be taking some of these corrective measures. It should've been taken a long time ago. But this policy that we're dealing with perhaps is - has run its course, that the damage has already been done by forcing the builders out of the City limits or out of the ETJ now. And, I just questioned that, you see. I'm looking at it from my side perhaps. As you know, I'm not a home builder. I'm only thinking of the interest - what I consider the best interest of the City. And, all those taxes that have been lost, and will continue to be lost as long as that land is lying there undeveloped. That's what worries me.

MR. VAN DYKE: Mayor, I believe that the facts that we have presented to you very clearly show that it is not the water main extension policy that is asking the people to go outside. There are many, many other things of greater importance that are affecting it.....(inaudible). be two dollars per month is the amortization of a main in front of a man's house or some twenty dollars per year.

MAYOR BECKER: Could that have precipitated it initially, though? Let's just go back.....

MR. VAN DYKE: The facts just don't show it, Mr. Mayor. All of the responses we're getting, it just isn't so. Not what the developers are saying in their responses and the money facts just don't show it. This is the policy we have presented to you.

MAYOR BECKER: When was the policy formulated initially, though? What year was that?

MR. VAN DYKE: The 50 percent refund was finally done away with in 1960.

MAYOR BECKER: 1960?

MR. VAN DYKE: So, this policy---it has had some minor changes to it, but the general zero refund policy for on-site mains has been in effect since 1960.

MAYOR BECKER: I wonder what the progress had been with respect to developing within the City limits up to that point, let's say, or even back to the 100% refund benchmark, if you want to use that expression. There has to be some cut-off points here. We had a hundred percent refund, then we had a 50 percent, then in 1960, we invalidated that, and went to no refund. Now, I just wonder if then may not have been the beginning of these excursions into the land beyond the City limits and even further. I'm just merely asking out loud. I'm trying to find out for my own information, if no one else's.

MR. VAN DYKE: Mr. Mayor, the City of San Antonio, if my memory is correct, had an area of 36 square miles in 1940. And since that time, it has grown to, I believe, 235 square miles plus or minus, with the last annexation. This outward push that has taken place in and about San Antonio has taken place in every major city in the United States.

MAYOR BECKER: I know that.

MR. VAN DYKE: It is done as is pointed out in detail in our report for certain reasons accessibility of land, land cost, that there are Interstate Highways that the people can get in and out, lack of restrictions, lack of taxes, lack of inspections. There's just any number

of reasons that are detailed in our report for you, that account for this outward move. But it just is inconceivable to me, based upon the information we have been able to uncover, to say that a \$300 water main, which 75% of the questionnaires received stated the cost was included in the price of the lot and the house. That that policy could drive people out of the City limits. Mayor, it just isn't so.

MAYOR BECKER: Well, I know that it sounds rather unusual to say the least, that the \$300 cost on a \$20,000 home could have that much bearing. I must confess that I don't really buy that premise myself. I don't think that the figure is significant in the overall. But I do think, perhaps, the attitude, perhaps the feeling, that might have been generated by a no-refund policy rightfully or wrongfully may have precipitated a lot of this exodus that we're dealing with today. Now, you know if you bend a person's mind in a certain way and make them unhappy, they're liable to do all kinds of things to you just to show you that it can be done or that they're capable of doing it. I know that when that order was brought about, I think it produced certain feelings, perhaps ill feelings, perhaps a rupture if you care to use that phrase in the relationships between the Water Board and, let's say, developers. Now, did that act in itself, commence this separate path that each started traveling? I just wonder, you know, I'm merely trying to get down to the bottom of the thing and to probably explore the reasons why that maybe this was initially created and then it continued from there. Now, I have to question certain things myself. I have to always wonder why our utilities...I'll specifically name them: Water Board, City Public Service, Transit Authority have heretofore have always been considered a separate agency from the City rather than a part of the whole. I think we have four parts to the City government. The City of San Antonio, the City Public Service, the City Water Board and the City Transit Authority. That's the way I view it. And I look for something at the bottom line that applies to all four of them in a consolidated form, let's say I've always questioned the fairness of viewing the thing separately as they are viewed. I wonder if it is the best way to handle it. The philosophy...each one of them has different accounting systems but is it proper to have that type of philosophy? I just have to ask that question.

MR. VAN DYKE: I can only answer you to say that apparently there have been men that served on the Council that did feel that way or we would not have the system. As I pointed out to you before, the separate system of utilities is the recommended policy with the American Waterworks Association so that a utility will be operated as a utility and as a business and that it will not be subject to political factors. Whether this is right, whether this is wrong, I'm not here to argue this with you. I merely say we are here as your City Water Board because a previous group of people established the Board. I can't argue one way or the other on that.

MAYOR BECKER: It reminds me though of the type of a household where a man is very concious of all the expenses that his wife incurs but when it comes to his own fishing and hunting equipment and golf equipment the sky is the limit. It is picking around and finding fault a lot of times and trying to set up a reason for it when really it's not justified. I am anxious for one, and everybody is going to have their chance to ask more questions, to get to number four, the alternate policy. That's the dessert we're going to have here today.

MR. PADILLA: Can you accept this premise, you know we have been talking about the amortization schedule for on-site mains, etc. I think maybe it goes deeper than that and I don't know, I'm searching for answers as we all are. Given that the situation in San Antonio, underground water and so forth particularly north, northwest, and to some extent northeast. This in itself is a unique situation in that that particular situation is not common to every large city in the country. When we have a situation

where the developer feels that he is buying the on-site mains, and they do feel that way, given that expense all he needs beyond that to have his own water company and a source of income and a source of profit is to sink a well. Now, isn't that really the problem? Isn't it the on-site main policy for instance, or can not the developer and I'm speculating to a certain extent, cannot the developer feel if I've got to do all of this for the on-site mains if I simply do it over there in ETJ, sink my own well, I've got an income-producing situation. Whereas, I will not have it in the City of San Antonio. Is this not really the problem, not the \$25 a year in the amortization schedule that you showed on one of your charts there or graphs. Could this not be, perhaps closer to the case than what you showed there?

MR. VAN DYKE: I think your grasp of the situation is pretty realistic. And I would point out to you that water systems that operate out of a single well into a small area in San Antonio are relatively inexpensive, to operate and are good income producers. Now, Mr. Padilla, if you will turn around and look at this map here again that shows the many blue areas that are existing private water companies. I think that you can well imagine that the man who owns and operates any single one of those doesn't have to worry about what happens in the whole area of metropolitan San Antonio, and I believe that I told you before, at another meeting, that San Antonio's water system prior to 1955 operated almost in the same concept as you see here only our own system that was owned by the City Water Board was made up of single wells and little spider webs around them. And to the point that in 1956, when we had the big drought, we were almost unable to move water throughout this metropolitan area to take care of our citizens. We were lucky. And I have heard Mr. Thompson, who was the General Manager at that time, and some of the staff say that they worked night and day tying things together with baling wire to keep the system operating. But they did keep it going. And it was in 1955 that the first master plan was conceived and we have gone away from that same concept so that today, instead of having expressways on the surface for cars, we have expressways in ground for water. And we could absolutely bomb out our Market Street pump station that serves this downtown area, do away with it this afternoon. And you wouldn't lose a pound of pressure in this building because we have adequate ways to bring water in here. And that is part of the reliability of a water system for a major metropolitan area. But we cannot give you that kind of service, not to all of the citizens that we are here to represent, if we have these little tiny systems.

MR. PADILLA: Yes, but I think, Mr. Van Dyke, the major point that has been made in all this is that your on-site main policies have influenced in a major way where development has taken place. Because I think, I'm not in the business either, but I think if I were in the business and I had to have a development and the developers do feel that they need the cost for the on-site mains, they do not agree with you that they get paid twice. I've never had one of them that didn't insist that they're paid once. Now, given this that they have the on-site mains to build and they're not refunded for them, then once they have that investment on their hands, then would you not, I know I would, if you had the choice, would you not also sink a hole in the ground and provide your own water and create for yourself an income-producing situation? To that extent, we have unwittingly perhaps given them sufficient motivation to go build out where we perhaps would not choose for them to build. And then we create the loss of tax revenues in the City of San Antonio. This is what I'm getting at.

MR. VAN DYKE: Yes sir, there is merit, Mr. Padilla, in what you are saying...yes.

MR. PADILLA: I think it goes beyond the \$25 a year amortization.

MR. VAN DYKE: And this again, is precisely why the provisions that are in the 29 March 1973 Ordinance are there. To take away that incentive and...

MR. PADILLA: By not letting them sink their wells...

MR. VAN DYKE: Yes.

MR. PADILLA: But not by modifying the on-site main situation.

MR. VAN DYKE: We said at that time that we didn't mean to create a financial burden on anyone beyond that or say prior to that point. But we feel that if is not in the best interest of the metropolitan area to continue the proliferation and that's where we agreed to buy the systems at fair market values so the man would not suffer financially. And let's go back to monopolies because this is what we're talking about. We have a municipal monopoly on water but we really don't have it in entirety. But we have the monopoly because we don't have two water mains of competing water systems on the same street. And if we're in an area, nobody else operates there or if they're there, we don't operate. And because the investment for water facilities is so great that if we go in in competition, nobody can make any money. Now, our municipal monopoly and it is one, is governed by the laws of the State of Texas its rates are set by this body, its bonded indebtedness is controlled by this body, its land is owned in the name of this body, for our exclusive use for water purposes. And the benefits that will accrue to the citizens as the stockholders in this monopoly are that we are going to have an extremely reliable water system that can meet the long range needs of this City that we are going to have rates that are as low as feasible to still take care of the capital expenditures and growth of the City that is needed to keep up the system so that we won't get behind. And, we have a system that is under the public eye and is scrutinized by every citizen in this City because it is their system. Now, on the other hand, let's take any one of these small systems. They also have a monopoly. But, in this case, it's a private monopoly. If they are in the ETJ, no one controls their rates, they may charge anything that they want to, if it was a W. C. and I. D. that did in fact have some control of directors a...they would control rates through that Board of Directors, or they would control bonds issued but not, but not if it's a private system. And that private system can operate where it wants to, it doesn't have to have any certificate of convenience. If you want water from it and it says, "I don't want to serve you", it just doesn't, it can do really anything it wants to and it can make a good profit because it doesn't have to worry about expansion and in the final analysis, if there is a profit to that operation, it goes into the hands of an individual. So we're talking about two monopolies, we're talking about a private monopoly and we're talking about a municipal monopoly. Now as I stated to you before, I have no quarrel with a private water system, 20 percent of the water utilities in the United States are privately owned and they do a good job, but San Antonio has a municipal system, the people of this City voted to have that monopoly, they voted to have a municipal monopoly and it would seem to me that as the manager of this municipal monopoly, and you as the Council, that are the officers of this City and also in essence, that are officers of this municipal monopoly, should normally support its objectives and try to do away with the competition that we have from the other monopoly and this is all we are saying. Now, when the surface water situation finally comes to pass, the City of San Antonio and its government and its financial resources are th

ones to bring it here. And it's going to cost a lot of money, there's no question about it. And it's coming down the line. And again, if this municipal monopoly that we enjoy and that we own, you and I own this, it's ours. If it has the broadest financial base, the broadest number of customers if it is able to get this broad base in these customers, by buying the systems that are there and preventing any more from coming into being, we are going to be in a stronger position financially and politically when we have to go to Austin before the Water Rights Commission and say to those commissioners, "We want a surface water supply". And they say, "Mr. Van Dyke, do you represent all the people in San Antonio?" I say, "No, sir, I only represent 79%." But it would be a lot better for my political clout if I could say to those commissioners, "Yes, sir, I have 100% of the citizens in San Antonio that are my customers, and I have all of my state representatives and all of my state senators that will come down and explain that to you if you don't see to it that San Antonio gets some surface water". And so, let's not be naive about the big game. We're in a big poker game to get water for San Antonio. Every city in the State of Texas has got this problem, and if we play our cards right, we're going to have all the water that we need for San Antonio for many, many years to come. But each of you have seen the pressure politics not in our area but in other areas that have been applied against San Antonio in regard to getting surface water. And they have been very effective, let me tell you because think of all the time we've been working on it and as my friends in the Guadalupe Basin remind me, you haven't got a drop yet. So again, we need the solidarity, this political clout, the votes, the hundred per cent backing of our representatives and our senators to go to Austin and to get what San Antonio needs for its long range water supply.

MR. PADILLA: You know, I want to make a prediction right now. The way the Water Board wants to head if it comes to pass that they control all the surface water and all the underground water in the area I think you're going to have a big snort with Public Service a few years down the road because they're going to need cooling plants and so forth. You're going to be in a very good position if you've got all the water. It's just a prediction.

REV. BLACK: I'd like to make a request that would be helpful to me. It seems to me that as the center of all that we've said that we're really talking about who's going to be the sole purveyor. Now whether or not, regardless to all of the side issues related to this, it seems to me that they're all related to one thing. They're conditions that have been created with the idea that the City Water Board would be the sole purveyor ultimately, I mean...whatever hardships have been created, whatever design has been, it all points to that ultimate goal. It seems to me that what we have before us is whether or not we believe that the City Water Board should be the sole purveyor. Whether this protects the citizen's interest in it becoming the sole purveyor. I mean, that's number one. And all these others we might discuss, I don't think can be resolved because, at least, I never have seen special vested interest ever resolved in a logical presentation. There's too much emotional response to it. And I say that, and I've been involved in what I call ethnic vested interest and I was never prepared for the solution the man was offering me because there's too much involved in it. So I don't think we'll solve it this way. I think we have to raise the question another question whether or not it is in the best interest of the history of San Antonio for the City Water Board to become the sole purveyor. Now, the issue is not who is going to pay for the on-site main or who's going to pay for the extent of the mains and all this it's who is going to pay for the City Water Board to become the sole purveyor. This means, of course, the possibility of loss of tax revenue, all of that has to go into, if this is going to be a cost. But, we are willing to pay for it because there are benefits beyond that cost. Even if we say that the issue of the moving out is really there, and we're losing tax revenues. Whether or not it might be in the long

run, less expense to the City of San Antonio. For the City Water Board to become the sole purveyor that it is for the immediate tax returns that might be received in minimizing or reversing the position in terms of the payment on the mains. Now, I think this is the basic question. I think it's the basic question because it deals with the utility. And not simply dealing with some men who are in business in which I have some options. If the water isn't protected, man, I'm out of a basic resource. I mean, I don't have any options there, nobody's making anything else that I can use in the place of water. I've got to have it. So, I'm dealing with a basic source that concerns me. Therefore, it seems to me that we've got to raise the question. What is the long range and the long range projection of the City of San Antonio? Is it better for us to adopt a policy at this time, and I'm talking to us now as citizens, not necessarily in terms of any particular interest, is it better is it to our advantage, as a City, to adopt a policy that ultimately will place the power of water control within a public body or whether it's in the best interest of San Antonio for that water control to be fragmented and outside of the public body and public control. I would like to just have a list that would come from your office because as you talked you have given from time to time as questions are raised, benefits for San Antonio Water Board becoming the sole purveyor. But, I know if we've ever listed them we have not really put them in order. As to what we're talking about in terms of benefits. We've allowed ourselves to get into discussions that have fragmented those benefits. But, I would like to just simply have personally for my own decision making, benefits of San Antonio of the City Water Board becoming the sole purveyor. Not short term benefits, but short term benefits, plus long term benefits. Because whether I'm here or not, my grandchildren will be here, and your grandchildren will be here. Somebody's got to have water. And you don't reverse the trend in public utilities overnight. We, that decide now what's going to happen many years to come are because you don't just simply reverse the policies that have been created that have destroyed this utility overnight. You've got to - this has to be a long range of vision in my opinion as I have observed other utilities and as we have faced the kind of energy crisis that's associated with another resource that's tied in with our economy and the worth and value of our nation. So, I'm particularly interested in those benefits both short range and long range.

MR. VAN DYKE: Reverend Black, I couldn't agree with you more, and I know the Mayor is anxious to leave, and I think this would be a very appropriate time if there are no other questions for me to interject something new.....

MAYOR BECKER: Alternate policy - is that what you're referring to, Van?

MR. VAN DYKE: I've got a little piece of paper here in my pocket that I'd like to present.

MAYOR BECKER: It's not to be found in this report?

MR. VAN DYKE: No, sir.

MAYOR BECKER: All right, sir. This is okay. This is what I've been waiting for. It's taken a long time to get around Robbins Barn here this morning.

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MR. VAN DYKE: You know, the City Council requested the City Water Board to develop a policy modifying or replacing its current on-site water main policy which is more compatible to the developers and in the best interest of the City of San Antonio, the developers and the City Water Board. Along this line, you asked that we get together and we talk to the developers. I've had one luncheon and two telephone conversations with President Bob Gragg of the Homebuilders Association to try to sit down and see if we couldn't find out what we really are after. We're not done talking, the Homebuilders task force met on Wednesday afternoon, and President Gragg has indicated to me that we can be back and discuss some more things next week. Now, the City Water Board sincerely believes that its present water policy, water main policy is fair and equitable, to all concerned, and is in the best short term and long range interest of the citizens of San Antonio, and it recommends that no change be made to its current policy. Nevertheless, in compliance with the City Council's request, I have formulated an alternative policy, which has not been considered by the Water Works Board of Trustees, for your consideration and comments. What is the alternate policy? The developer initially installs and pays for on-site mains on a subdivision, the title to the main is vested in the City Water Board. After the.....(Inaudible).....sale of each lot or lot and home by the developers, or homebuilders, to an individual, the initial new lot or lot and homeowner will be required to apply for water service for the lot or lot and home from the City Water Board. The City Water Board will charge each new lot or lotted homeowner a pro-rata charge of \$2.25 per front foot to pay for the on-site main in front of his property in addition to the normal domestic service line installation charge before water service will be provided to the property. The pro-rata charge can be paid to the City Water Board in a lump sum, or by executing a promissary note requiring payment in 12 equal monthly payments that will appear on his regular monthly bill (water bill) or by BankAmericard or by Master Charge credit cards. Let's be imaginative. The pro-rata charge will be collected only one time by the City Water Board for each lot yard or lot and home. The pro-rata charges collected for the on-site mains in each subdivision will be accumulated by the City Water Board and will be paid to the developer in semi-annual payments in January and July of each year for a period of seven years. What are the advantages of this owning a policy? The lot or lot and homeowner receive the benefits of the water main installed in front of his property and he bears the cost of the penalties he receives. The developer, will receive approximately a 75 percent refund on his estimated cost of the installed main over a seven year period. The City Water Board will receive title to the mains immediately after they are constructed and will immediately gain the new customers in the subdivision to broaden his customer base. No increase in City Water rates will be required to provide the proposed refund to the developers. The City Water Board will not have to utilize public funds to speculate with the developer in the subdivision business. If the subdivision development is successful, the developer will get his money back in a period of seven years or less. If the subdivision is not successful, the refunds to the developer will be proportional to the success of his subdivision. The City Water Board will ease the new lot or lot and homeowners financial burden by accepting the payment of the pro-rata charge in twelve equal monthly installments without interest. The monthly paymentw will be included in his monthly water bill over a period of one year. If the lot or lotted homeowner sells his lot or his lotted home prior to the full payment of the pro-rata charge, any unpaid amount of the promissary note he executed will become due on the date of the sale. The developer can lower the price

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The City Water Board will charge each new lot or lotted homeowner a pro-rata charge of two dollars and twenty five cents per front foot to pay for the on-site main in front of his property in addition to the normal domestic service line installation charge before water service will be provided to the property. The pro-rata charge can be paid to the City Water Board in a lump sum or by executing a promissory note requiring payment in twelve equal monthly payments that will appear on his regular monthly bill (water bill) or by BankAmericard or by Master Charge credit cards. Let's be imaginative. The pro-rata charge will be collected only one time by the City Water Board for each lot yard or lot and home. The pro-rata charges collected for the on-site mains in each subdivision will be accumulated by the City Water Board and will be paid to the developer in semi-annual payments in January and July of each year for a period of seven years. What are the advantages of this owning a policy? The lot or lot and homeowner receives the benefits of the water main installed in front of his property and he bears the cost of the penalties he receives. The developer will receive approximately a 75% refund on his estimated cost of the installed main over a 7 year period. The City Water Board will receive title to the mains immediately after they are constructed and will immediately gain the new customers in the subdivision to broaden his customer base. No increase in City water rates will be required to provide the proposed refund to the developers. The City Water Board will not have to utilize public funds to speculate with the developer in the subdivision business. If the subdivision development is successful, the developer will get his money back in a period of seven years or less. If the subdivision is not successful, the refunds to the developer will be proportional to the success of his subdivision. The City Water Board will ease the new lot or lot and homeowners financial burden by accepting the payment of the pro-rata charge in twelve equal monthly installments without interest. The monthly payments will be included on his monthly water bill over a period of one year. If the lot or lotted homeowner sells his lot or his lotted home prior to the full payment of the pro-rata charge, any unpaid amount of the promissory note he executed will become due on the date of the sale. The developer can lower the price of his lot or lot and home by \$2.25 per front foot and, thus, be in a better position to promote his sales. The new lot or lot and homeowner is required to pay no more for the local benefit water main in front of his property by the payment of the pro-rata charge to the City Water Board. Who will benefit from this alternate policy? The City Council can receive credit for working out a compromise between the developers and the City Water Board. Our existing customers will not have their water rates raised to pay for the on-site water mains. The developer will receive relief from the City Water Boards current spirit on-site main policy and will receive a refund payment of \$2.25 for each front foot of lot in his subdivision for mains installed in his subdivision. The City Water Board is going to have some advantages too. It will have immediate possession of the on-site mains and customers without any expenditures of its own funds. The new lot or lot and homeowner will pay no more for his local benefit water main under the proposed policy than he is presently paying the developer for in the cost of the lot or lot and home under the present policy. Now, as a possible City financial supplement to promote City growth that we've talked about. The City Water Board receives no financial support from the City of San Antonio from advalorem or sales tax revenues, and it has received no portion of the federal monies given to the City of San Antonio under the current revenue sharing plan. If the City Council concludes that the receipt by land developers of a substantial portion of the cost of on-site mains is to the City's interest in the development of the City of San Antonio and in its extra-territorial jurisdiction, the City Council may wish to supplement the alternate City Water Board on-site water main refund proposal by the allocation of tax revenues to the City Water Board in the amount of 75¢ per front foot for each new subdivision lot developed. Should the Council do so, the 75% of the on-site main development cost refund would be paid by the City Water Board out of the pro-rata revenues collected from those who directly benefit and 25% would be born by the City of San Antonio out of available tax revenues. Such a program would be justifiable if the City

believes and determines that the City contribution would come from increase taxes that would be available from the new subdivisions as stated in the home builders report. This cooperative financial arrangement would completely alleviate the dilemma presently faced by the City Council, the developers and the City Water Board on the complex problem of providing and paying for on-site water mains. I do not recommend this alternate policy to the City Council, but perhaps some further study in modification it may form the basis of a plan acceptable to the City Council, the affected industry, and the trustees of the City Water Board. I would envision that its success would be contingent upon the Council first reinstating the provisions of the sole purveyor concept in the City subdivision ordinance and second, requiring by contract or ordinance that each private water company operating within the City limits or the City's extra-territorial jurisdiction pay 1% of its annual gross receipts to the City of San Antonio for the exclusive use of the Water Works Board of Trustees to help finance Edwards Reservoir studies and efforts to obtain a supplemental surface water supply for the City of San Antonio. The private water companies currently operating inside the City limits of the City of San Antonio pay no franchise taxes, nor do they make any financial payments to the City for the use of streets and public rights of way in which their private water facilities are located. I'm happy to answer any questions that you might have.

MAYOR BECKER: Let me ask you one. Why wouldn't you care to recommend that to the City Council?

MR. VAN DYKE: Mr. Mayor, as I've stated initially, I believe that our policies are fair and equitable as they are and that they are in the best interest of the City. But, let's face the problem as you have so stated maybe it's time for a change. My trustees have not had an opportunity to act on this proposal, and I merely presented it to you as one possibility and I'm sure there are many others.

MAYOR BECKER: Well, I want to say this to you, Van, and just at first blush and I don't know how anybody else feels about it. Unless it is a cat and rat farm type of a deal which I don't think it is, I want to congratulate you on coming up with imaginative thinking that seems at first reading to at least help make the first step towards solving some of the problems we've been talking about, and that is all this undeveloped land in the City limits, you see? That's the part that concerns me when people keep talking about our water system and having a monopoly and in the first place, you know, I'm in an industry that doesn't recognize the word monopoly. It's not even in our vocabulary so the word, the usage of the concept of something being a monopoly is very alien to my type of thinking. I believe that things happen and come about best through the competitive system, but be that as it may, at least it seems to me to be a step forward toward meeting with the other side in the center of the room and in that connection I want to congratulate you with coming up with this type of an approval to it because I think that's where we've been at loggerhead all this time. It's more of the philosophy than it is dollar and cents really it's the intransigent position of this side versus the intransigent position of that side, and I think it's tearing the City in two. I believe it's done its worse damage and this might have been prior to the time that you ever even came on the scene here locally and chances are it was, I think it was as a matter of act, so I do appreciate this effort and I don't know how anybody, as I said, feels about it. I don't think we've had the time to study it perhaps.....

DR. SAN MARTIN: I'd just like to ask one question, Mr. Mayor, if I may. Why did you present this now without the benefits of the Board of Trustees receiving it? It seems to me that it would be improper of you not to let the trustees of the Water Board know that you were coming up with this bombshell or whatever you want to call it. I mean, if I were a member of the Board of Trustees, I certainly would not feel very kindly towards you that you did not clear that with the board first.

MAYOR BECKER: Well, with due respect, Dr. San Martin, may I add my two cents to that. I was watching the expressions on the faces of the

various people in the room and I didn't see anybody suffering from shock or anything of that nature. So I don't know if it was entirely unbeknowing to them.

DR. SAN MARTIN: Well then, the statement you made is not correct, that the Board of Trustees did not know about it.

MAYOR BECKER: Judging from the reactions that I got from the facial expressions, I didn't see paralysis or anything said in intent, and I have to assume that they have some knowledge.

MR. VAN DYKE: Dr. San Martin, the manager of the Water Board does not operate in a vacuum. I discuss things each and every day with the individual members of my board, and I work very closely with my chairman. I can assure you that I had discussed this matter with my chairman and it has not been acted upon by the Water Works Board of Trustees and it is merely presented as an aide to try to show a way through the porous to break the deadlock that the Mayor has asked for and that this Council asked for. I'm not recommending it to you as I have told you because I feel that what we have is fair and equitable but if we need something different, maybe this plan will have the basis for some way that we can get through.

DR. SAN MARTIN: Do all four members of the....

MR. VAN DYKE: And there's no release of this idea to anyone else because you asked for the plan, and I felt that out of courtesy to this Council that I should come and present it to you initially.

MAYOR BECKER: We appreciate that, Van.

DR. SAN MARTIN: I think we ought to quit while we're ahead.

MAYOR BECKER: Well, anyone have any further remarks to make or any questions or anything? Thank you very much, Van. I appreciate it, and I might say that it looks like it seems certainly this has been productive to this point to say the least.

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(There being no further business, the meeting was adjourned at 12:50 P. M.)

END