

INFORMAL MEETING OF COUNCIL MEMBERS,
WITH REFERENCE TO PROPOSED ANNEXATION
PLAN, HELD IN THE COUNCIL CHAMBER AT
CITY HALL ON SEPTEMBER 22, 1972.

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PRESENT WERE: MAYOR PRO-TEM GARZA AND COUNCILMEN BECKER, NAYLOR,
MENDOZA AND PADILLA.

The following discussion took place:

CITY ATTORNEY HOWARD WALKER: Mr. Chairman, I think in order to get this meeting started I will make an opening statement. At the time, the report was submitted to City Council the Council had not had an opportunity to review it so my function that morning was to merely make a statement as to what was in the report - what it consisted of. I think that in the interest of conserving time, everybody knows what is in the report now. You've all had a chance to see it, you know what is in it. I don't think anything is to be gained by making a statement again as to what is in it. Now, the way it was presented before the City Council the next speaker who went into the substantive part of the report was the Director of Planning, Mr. Ed. Davis. It is going to be my suggestion, unless you want some other way to do this, that Mr. Davis repeat that performance. Now, here again though, in order to conserve as much time as possible, what Mr. Davis would report would be substantially what the report contains, and you know what it contains; and, I think, Mr. Chairman, perhaps the better way to do this would be to throw this thing out onto the floor so to speak, but you fellows, determine that. Unless you want to hear a brief statement from him, and after that statement, sort of take it from there. This is an informal input venture so just however you want to do it.

MR. CHARLES BECKER: First thing, do you have an extra copy of that annexation report, Howard, upstairs or someplace?

MR. WALKER: Yes, we have them here.

MR. BECKER: Fine, in my tardiness, I forgot mine. Do any others need copies?

MR. WALKER: Mr. Chairman, I have just been notified that a member of the task force, Mr. Robert Van Dyke, has another meeting that he has to attend and so if there are to be questions with reference to the water service type of thing in this, maybe you should get his input before he has to leave.

MAYOR PRO-TEM GILBERT GARZA: Well, maybe we can have some input from Ed Davis very briefly just to open up the meeting, and then have Mr. Van Dyke at least deliver his part of the presentation and then we can go on from there.

MR. WALKER: As you choose.

MR. BECKER: Bob, when is your meeting, may I ask?

MR. ROBERT VAN DYKE: This is the Criminal Justice Council meeting at 10:00, and I'll just have to give the opening remarks; and I can return after that.

MR. BECKER: Oh fine, all right. You are coming back to a good place after being to the Criminal Justice meeting.

PLANNING DIRECTOR ED DAVIS: We have a couple of extra copies of these reports that we passed out this morning. We hope that within a week that they will be available for sale for a minimum cost just for printing in the City Clerk's Office.

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MR. BECKER: They ought to be very valuable after this meeting today. You might consider going up on the price.

MR. DAVIS: The Annexation Task Force Committee Report, as all of you are reviewing, was prepared by the task force that Mr. Howard Walker was the Chairman of. It consisted of myself, the City Clerk, The Assistant Director of Public Works, the General Manager of the City Water Board, Director of Housing and Inspections, and the Director of the Land Division. The first part of the report gives you a brief background of really how annexation has been taking place in the context of the development of San Antonio. On page 6 there is even a reprint of the map showing from the initial kinds of periods of annexation through October of last year, basically, somewhat ten year increments, showing the growth of the City. The next two or three pages talk about the reasons behind annexation. If you remember our presentations last spring, we had some very large charts and graphics on the wall. A fold-out kind of reduction is reflected on page 17, labeled figure three. If you would briefly like to review this, the objectives of annexation are to promote orderly growth, to provide services, maintain sound fiscal position, preserve unified government. Each one of these four major objectives really have some complimentary aspects built in with the other three if you just looked at one of them in a somewhat conflicting kind of situation. You have to look a little bit further in the next column called criteria. It is this criteria that really is the need and essence of the reason that the objectives were selected. If there are any questions on this as I briefly go through, Council members, please so state.

Over on page 22 is the next step further. We took that objectives and criteria table that was prepared last spring. We reflected here the objectives and the criteria and went one step further and showed relationships in the extreme right hand column. Some of the relationships are conflicts; some of the relationships are reinforcements and are so labeled here. This is the complimentary aspects and the conflicting aspects that I made reference to. I would like to just reflect one or two of them. The curved or arched lines in the right hand column, number one extends zoning and building controls and the path of developments compliments the arrow that goes down to annex areas which will pay for themselves. The next one annex only where a full range of services can be provided in a reasonable period of time goes on down to the second from the bottom - annex areas where service can be provided without excessive cost. Secondary criteria - the first one under that is extend extra-territorial jurisdiction to control border subdivision controls. It compliments and reinforces the one at the bottom - extend extra-territorial jurisdiction to increase controls of incorporation decision.

One of the earlier tables reflected there are some 20 cities in Bexar County besides the City of San Antonio today and there are a lot of metropolitan areas across the nation that are really encircled by small suburban City developments such as St. Louis, Kansas City, that they have got more of a strangle hold on the mother cities, and we look at this as something to be avoided in the future growth of San Antonio. Over on page 25 reflects the area studied by the departments that participated in the annexation studies. Over on page 28 is a map that reflects the detailed study areas after we had covered that generalized study area, and this is the area that would really fall within this that reflects the recommended phase one annexation which is the map on my right here reflected in red and also reflects the phase two annexation which is reflected in the areas back in the map on the wall in the Chamber as not having a pattern on them.

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The task force looked at the total area under study really as one large area that ought to be within the City of San Antonio limits sometime in the future, but realizing the constraints that we had to reduce some ten square miles over our earlier proposed annexation. This is the prime reason for recommending the phase one annexation and the phase two annexation. Over on page 34 the recommended area to be annexed reflects some 53.50 square miles. There are 19,500 dwelling units within this area. These dwelling units include apartments, multiple family structures, single family structures, total and not just residential structures per se. It actually counts ten or twelve or fifteen apartment units as a dwelling in one structure. There are approximately 74,700 people within this proposed annexation area. The map on the following pages reflects the area in phase one that I mentioned and phase two that we feel like ought to be considered for annexation in 1973. The phase one areas are enumerated beginning at area number one at the lower southwest part of the City in the Lackland-Kelly area numbering on up and around the City in a circumferential manner on over to area 14, the Villa Coronado area. Over on page 36 we get into the section on the individual areas recommended for annexation. The page following that, Table 4 on page 37 reflects the number of square miles by area. The proposed ordinance that was defined yesterday had incorporated in the square miles a table showing specific acreage figures and this was what was reflected in the annexation table. We had two areas that were divided into sub-areas for purposes of preparing field notes and for possible utilization later on in any other manner. The two areas that are subdivided are area number one which follows basically on our --- there is a railroad track approximately in this location here.

MR. LEO MENDOZA: Is this the number one here on our.....?

MR. DAVIS: Yes, number one on your map which was an easily identifiable geographic - something to easily identify in the field really. There are railroad tracks between the different service areas. Number A is to the east of that, 1-A and 1-B would be the area going up in the neck between the Lackland annex and the Lackland Air Force Base area. The only other area that was divided as a continuous area was dividing Southwest Research Institute area north of Culebra from the large area to the south, and this will be Areas 2-A and B. There was one technical further definition of the Villa Coronado area to the south because this area was really divided by the existing City limits - along the highway we had to further divide that into area 14-A and B. But, this was strictly from the legal requirement of the definitions in the field notes.

MR. BECKER: Well, then the subdivided areas are as follows: Roman numeral I, Roman numeral XIV.

MR. DAVIS: Roman numeral I, Roman numeral II and XIV. Roman numeral III, excuse me, I am sorry. Roman numeral I and Roman numeral III. So, in essence instead of having fourteen different readings, this made seventeen different readings for ordinance preparation for your consideration. Now at the briefing last week we did not get into the specific sub-areas in detail. The Council members felt like the report prepared enough background material that they could just peruse it on their own. I would like to go into one typical area though and reflect the kind of information that is included in here. Look on page 39 and 40. Area number one reflects the population contained within this area which is really one would be an A and a B. We looked at the existing structures whether commercial, industrial or residential. We look at the dwelling units. We look at the population in the area. We do not look specifically at subdivisions per se. We have had a lot of questions in the past week about what subdivisions we are including, about what subdivisions we are leaving out and really, to us, when we are talking about providing facilities and services and things, we are not looking at subdivisions, we are looking at the actual housing units, dwelling units, commercial and industrial facilities.

This is how it is so indicated in the material we have prepared for each of these areas. Like in area number one the population is over 27,000, and they had dwelling units, some nearly 7,000 standard dwelling units in that area, 256 sub-standard dwelling units and five dilapidated dwelling units as prepared by the field notes of the Housing and Inspections Department - the teams of people that they sent into area number one with a total dwelling unit count of 7,169, Commercial unit, the column on the right, was the number of standard commercial units 123, substandard 32, dilapidated 16, total 171. The paragraph that follows is a general description of the area under discussion. This is really how we prepared all of the fourteen areas that we studied. Are there any questions? That concludes the presentation on the report if you do not have any questions.

MR. GARZA: Why don't we let Mr. Van Dyke give us his comments so that he can leave.

MR. VAN DYKE: Mr. Garza, I have no comments. I am here to answer any questions you may have.

MR. GARZA: Are there any questions of Mr. Van Dyke?

MR. BECKER: Bob, I am going to have to deviate somewhat from the format here this morning. Some information has been prepared by certain developers in cooperation one with the other, that reflects a series of conditions that makes it rather untenable at times for developers to operate or develop within the City limits. What I am going to touch on briefly is that after reading some of these circumstances, I must confess that it becomes rather apparent to me why some of these developments always occur out of the City, beyond the City limits. What I am going to ask is this. Is it in the interest of the overall benefit of the City of San Antonio for example, Bexar County, the environs of what we generally regard as our metropolitan area, the City we live in. I would like to try to encourage that some spirit, some plan of cooperation, could be developed between the City of San Antonio, the government of the City of San Antonio, City Water Board, the City Public Service Board, and these various agencies, that would make it just as easy for a developer to develop a subdivision for example, within the City limits of San Antonio as it is to develop a subdivision beyond the City limits of San Antonio. Now, after thinking about this thing in my own limited fashion for as long as I have tried to concentrate on it, it has occurred to me that there has to be a definite reason for these conditions to be present as they are. In all candor I must confess that I don't exactly place any blame on developers at times to go beyond the City limits to do their thing as it were. It seems to be much easier there, you know. They don't have to suffer many of the stringent requirements. They don't have to suffer many of the restrictions and constraints from all the various accoutrements or appendages that are placed upon them in an attempt to do something. At times, in the City, it occurs that way to say the least. And some of the developers, I think, have brought some of their information with them this morning, and I believe that they intend to pass that out when they are called upon to do so. So, I only mention this at this time so that between now and the time you leave and come back, it will give you an opportunity to, if you need it at all, to think about why these conditions do exist. And, I want to please emphasize one thing here this morning. That we are not attempting to place the blame; we are not attempting to unduly criticize; we are not attempting to single out any individual or single groups or any of that sort of thing. This is an opportunity for me, to say the least, to try to develop at least the germination of a policy that would work for the good of everybody and everybody would be treated equally. Everybody would have an equal opportunity, and it would apply to all in exactly the same fashion. So, having said that, I don't know exactly whether any of the other gentlemen here have any questions to be asked specifically at this time or not, but I think as this thing goes, and we hear from various builders and hear from certain individuals, that the thread

will begin to work itself into a fabric that perhaps might be beneficial for the overall community in times to come. There are many questions that I have. I stated that before, and I have some questions about this, but what I have more questions about than anything is why we have to do some of the things we do in this City in the manner we do them. So for that reason I am telling you at this time so you will know exactly what is on my mind. Does anyone else have questions?

MR. VAN DYKE: Perhaps if you would give me an opportunity to answer Charlie first, that was a rather long request.

MR. BECKER: It was a preamble, I think, Bob, it wasn't actually in the form of a question, it was a preamble.

MR. VAN DYKE: Let me say to start that the Water Board provides identically the same type of a service to a subdivider in or out of the City limits as long as the man is in the extra-territorial jurisdiction of the City of San Antonio. The requirement, and I presume Mr. Becker that you are referring to our extension policy and this is basically what I am talking about. This extension policy is no different in or out of the City within the extra-territorial jurisdiction. This policy requires that the developer pay for his own site mains, and it requires that he put up an extension deposit to extend the mains to his subdivision. That money is refundable over a seven year period. The City Water Board is not in the gambling business, nor do I feel that it should be. This is public funds, and if a developer decides that he is going to start a subdivision four and three quarters miles from the edge of the City in our extra-territorial jurisdiction, I don't believe public funds should be used to extend the water mains out to that subdivision at the City's expense so that we can gamble and see whether that subdivision is going to go or whether it won't. And then when we have a subdivision that has been established under our regulations, the developer is entitled to the refund of the money that he put up for the extension deposit over the seven year period, and this is made up by collecting \$2.25 for each man that ties on per front foot of his property, and that money is returned to the developer and payments are made every six months. Plus we refund to these developers \$150.00 for each connection that ties on to the mains inside of the subdivision. Now, in order for us to provide service and to put water into these mains we require that the title to the main be given to the City Water Board. Herein lies the problem, because the developers have said in the past that they feel this is expropriation of private property. And so we say that there is a great deal behind that drop of water that goes into those mains, and they are merely contributing those mains to the City for all the back up facilities. They don't have to build a pump station. They don't have to build a storage reservoir. They don't have to have a control center. They don't have to worry about surface water. They don't have to worry about the expansion of the City. These are our problems, the City Council and the City Water Board, and these are the things that make it necessary that the Water Board have the funds available to take care of the growth of this City. And, it is precisely why the rate increase is before you. We asked you in May to grant us a water rate increase. This was set, as I understand yesterday, to come before you on the 5th of October, but we have had all summer long to consider this problem, and it is still before us. The Water Board is not being hurt necessarily by not having these monies, but the City of San Antonio is being hurt. The Water Board cannot do the things that it must do to provide for the orderly growth of the water system to our citizens if we don't have adequate funds to do this. So, we hope that favorable consideration will be given by this body when it comes before them.

Now, you bring up the point, Councilman Becker, about the reason that the developer goes outside the City limits, and he develops his own water system. He does this precisely to circumvent our regulations. San Antonio is a very unique City in that we have the Edwards Aquifer immediately below us in a good portion of the City and water is only a hundred feet away. Anyone under the existing state law may drill a well into the Edwards and start the water system and as long as it conforms to the criteria established by us and the Texas Department of Public Health he may have a water system. He can go into business, and he can lay his own mains, and he can retain the title to those mains outside the City limits. But, I am sure that you are aware that when the City of San Antonio purchased the water system in 1925, that they said that they would not allow any other competing systems inside the City limits other than those that were in existence. Actually that was 1957 finally when we got our present indenture. This was done so that the revenues from the customers inside the City limits would be available to pay off our bonded indebtedness. So this was a covenant with the bond holders so that we would have this money. Now when we get outside the City limits, and the developer starts his own water company of course he can produce water cheaper and sell it cheaper because he doesn't have to worry about a big pump station. He doesn't have to worry about those trunk mains and the storage facilities and the expansion of the City of San Antonio. And, I dare say that if we decided today that the City Water Board is not going to extend its mains one more inch to one more customer that this Council in its deliberations could cut our water rate almost in half and we could provide water to our customers at that rate. But our problem is not for today, but it is to take care of the phenomenal growth that is taking place in and about San Antonio. And, we always come back to this factor that the Water Board needs more funds and why do they need them. Well, that's why. We can operate this system in any way that our Water Works Board of Trustees so directs or this Council directs. But it has been passed on to me as the General Manager of the Water Board that it is the policy of the Council and the policy of the Water Works Board of Trustees that we shall work toward the ultimate end of having one metropolitan water system in the City of San Antonio that will serve all of the needs of the City and that will serve all of the surrounding areas.

The importance of this as you so well realize, is that ultimately we must obtain a supplemental surface water supply. That man that has a private water system shares not one penny of the cost of the acquisition of that supplemental surface water supply nor has one private water company ever contributed a penny to the effort and to date the City Water Board has expended probably in excess of a half a million dollars in litigation, research, and other efforts to obtain a surface water supply. And, again, this is why it is so necessary that these private water companies be a part of the Water Board organization and whether we call it a City Water Board or whether we call it a Bexar County Water Board or whether we call it X Water Board or Water Agency it is absolutely essential that we have the financial resources available to this body or this organization to take care of the long range needs of San Antonio. And, if it is not going to be our policy to take care of the long range needs, then I think this Council must direct the City Water Board to forget this and not worry about the future. So, I think that this then generally sets forth our problem, whether the utility is privately owned or whether it is owned by the City of San Antonio.

Now, if you will go back in the minutes of your Council meetings to the late fifties, you will find that the Water Board had a one hundred percent refund policy to developers. The Board was going broke. It was in great financial difficulty, and this Council directed Roy Pope, who is a Certified Public Accountant, to make a report on the financial situation of the City Water Board at that time and the recommendations at that time were that we stop the refund policy. I believe he recommended

that we go to a twenty-five percent increase on the first recommendation. I am sorry, down to a twenty-five percent refund. Subsequently, to that time the Council determined that the Water Board was still in financial difficulty, and they again employed Roy Pope and he again made a report back to the Council after looking at our finances and at that time it was further recommended that the refund policy be eliminated. And at that time in 1960 we went to the no refund policy for on site mains. And so the policy that we have today was directed by the City Council, not by the City Water Board, and it was done for very good reasons because of the financial difficulty that the Water Board was in. Now, we are talking about a matter of dollars and precisely a matter of dollars. The Water Board gets no tax monies from this Council. Its only revenues come from its water sales and its only revenues come from the services that it provides to the users. As you know we also provide chilled water and steam, and we cooperate closely with the City on the computer system and plus any money that we might get from investments. But, we have no other support but through sales, really, to finance the long range needs. Under the terms of our bond indentures, we have certain requirements to pay back the bonded indebtedness, the principal, the interest. We have to be in a position, sound financial position, if we are to issue additional bonds. I am sure that you recall from our presentations that we made to you in the spring concerning our water rate increase and why it was so desperately needed that not only do we need the water rate increase that we requested, but we also must issue some seventy million dollars worth of bonds prior to 1980 to carry out the master plan that this Council has approved for the expansion of the water system for San Antonio. Again, we are carrying out the wishes of this body, and we are carrying out the wishes of the Water Works Board of Trustees who this Council has appointed to operate the water system in San Antonio. When we get back to the "nitty-gritty" of the whole thing, it's dollars. We can have a refund policy to every developer that we give back every single penny that they expend. But, if you do that, you are going to tax every rate payer in the City of San Antonio to provide the money to the developers to develop his system. Now should the burden be on the average citizen? Should he have to pay the additional monies to build homes and new streets in subdivisions that may or may not go? That's your decision. If you want us to have a refund policy we may say to you, then authorize us the rates that will allow us to have the dollars to give back to the developers and we will collect it from the normal citizens of San Antonio and pass it back to the developers. It's just that simple. But, if you don't want to extract it from the average citizen, then the man that goes out and has a business and develops a subdivision must put up that money, and if his subdivision is successful, he will get the money back.

In the Crown Hill case which the developers brought against the City Water Board, the point of who pays the bill was very clearly established. The developers in testimony in that case admitted that the charges, the cost of the water mains that were put in subdivisions are passed on to the homeowner. And when they settled out, they take that cost of the water system in that subdivision and it is equally divided up, I presume by the number of lots or the front footage in some method and that becomes a part of the price of that lot. And then when the refund comes back to them over the seven year period, that is money that merely goes into the developer's pocket, and he has it to use for other types of developments. So this idea of saving a great deal of money does in fact have some truth. It saves money for the developer, but it has to come from some place. It has to come from the rate payer who is the average citizen and who you and I know are having a hard time paying their bills every month and is it right to add this additional burden and to pass it back to the developers. To this date we think that it is probably right the way it is because this Council has directed that it be that way, and the Water Board has directed me to carry out the policy that was directed from this body. I think that perhaps I have been a little long in my preamble, Councilman Becker, but I hope that I have answered your question, but I'll be happy to answer any others.

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MR. BECKER: Well, there is one thing, Bob, that you could never be accused of not being prepared because you certainly know your subject. I have always had a great deal of admiration for you for that one reason. You definitely know your subject. But, let me elucidate for a moment if I may, and I hate to bring this up because this sounds rather trite, and I am sure it's been heard until many people are tired of it. But, I have to go to another city in Texas to find out one of the reasons why the city is growing as it is, and I will use Houston, Texas as an example. Now one of the gentlemen over there that's most influential in civic affairs and so forth and home building and various other aspects of Houston, told me that Shell Oil Company, Standard of Jersey, Gulf Oil Company, and many of the major corporations aside from oil companies that have moved to Houston have moved there for one reason, that in the survey that they made of many principal cities in the United States, I would have to assume all the way from Atlanta, all the way to Los Angeles, San Francisco, Tucson, San Diego and what not. At least in the southern belt in the United States they found, these major corporations found, that they could get their employees, their executives, their people that were transferred could get more home for dollar in Houston than they could in any City that they served in. Now, I've seen the homes over there. We take the Houston newspapers, and I must say that their Sunday supplements with regard to both classified advertising for both homes and apartments are the most enormous things I think I've ever seen. It's startling. The thickness and the amount of offerings they have, and they're just not sitting idle on the market either. They are moving them. Now, you have to view this thing in many ways. One of the things, of course, they have over there are these independent water companies, in complete proliferation throughout the city. It seems to permit and accelerate the development of the periphery of the City of Houston. Now, I want to mention this for this reason. I think all of us are intensely interested in building a vital, alive, vibrant city. Now, why? Because it offers not only opportunity to the wealthy, it also offers opportunity to the less advantaged, let's say. It offers jobs in the construction industry and most of us know, without me saying it, that's where I require some twenty odd people to service me, to keep my automobile going, and my needs and daily necessities and amenities of life, I think you do, and we all do. So, when we talk about how this will directly affect only, you know, a certain building group, I don't think that that is complete and accurate rational.

Now, what I am going to propose to you is this and as I said, Bob, I'm not trying to pinpoint or make anybody look bad in this conversation, but what I am going to propose is this: That it seems that the City needs a more complete and thorough spirit of cooperation. The City of San Antonio as well, I'm not excluding the City, and when I don't exclude the City, I'm not excluding my own responsibilities in this matter, and that is to try to work in advance of the very things that we are constantly operating on after the fact so to speak. After they occur, then we want to deal with them. Before they occur, we don't seem to be able to anticipate them. Now, one of the situations is that Medio Creek Water deal out here, the Sewage Treatment Plant and all these kind of things. They can almost guarantee, and I guess I am somewhat of a gambler. I have to be in the business I am in, but you can almost guarantee that you can take any part of this City, particularly from the western part and make a complete 180° circle if you will almost to the eastern part, and guarantee that it's going to grow in time. I think that is a fair assumption. Now, then, if that is the case, and most of us probably would agree that's within the ball park somewhere that it's going to grow in time. Then why can't the Water Board, the City of San Antonio, and all these other utilities and agencies and so forth sit down and formulate a comprehensive policy, a plan or program that will actually anticipate these situations such as all these subdivisions and these growth areas and where people are building homes. It's one of the largest employment industries that we have. I don't know how many people are gainfully employed as a result of the construction industry of this town, but it is significant whatever it is. It's probably one of the largest private employers that we have, besides the military and so forth. So, why can't we all seem

to work toward a common goal, and drop whatever talk we might have toward protectionism or that anyone is trying to get into anybody's pocket so to speak or take advantage and all that sort of thing, because I think what will occur here will be for the overall good of the City. If one person prospers, there is a very good likelihood that others will prosper, you know. Now, if we didn't have a town that was, and I don't call suffering. I think it is a very wonderful thing that's happening to any community when it's suffering from growing pains. It isn't suffering to me. It's opportunity, you know. Now, if we were in a stagnant condition, status quo, high center, regressive like many of the cities of the East and so forth, that's the type of thing that I would view with alarm as a real insurmountable problem. But we are blessed with climate and location and other things that are occurring in the country today. Why not try to work toward assisting in the development of this opportunity. Take advantage of this opportunity and try in the overall to bring about a situation whereby people can build and develop and do it with greater facility and more ease and less restraint and less restrictions and so forth. You understand what I am trying to say?

ROBERT VAN DYKE: Yes sir, and I would be the first one to agree with you in everything that you have said. I would say, Councilman Becker, that this is precisely what we are trying to do. I don't want you to feel that the Water Board has any personal feelings against a developer. We feel just as you do. That they are one of the prime industries in San Antonio. They are absolutely necessary, and in partnership with them, we are being able to help San Antonio grow. But I would come back to the point again that the policy that is being followed has been set by this Council, and our Water Board to follow the things that my particular agency is doing. I would be happy to have a hundred per cent refund policy to every developer in town if you will authorize the funds for me to do so. But when you don't provide those funds, I have to have the money from someplace else to take care of the needs that in my opinion are very important and that have to be done to take care of the water supply. But I will be happy to do that, and when we come forward with our water rate increase, I hope you'll double the amount of the increase so that we'll have sufficient funds to take care of all of the things that you would like to do. And you may tell the Water Board what you'd like us to do and we will be happy to do it. The only reason we are in business is to provide service to the citizens of San Antonio and to carry out your wishes. That is precisely my job as the General Manager of the Water Board.

Now, as to cooperation, when you passed your PUD Ordinance a few months back, the Water Board responded immediately. Cliff Morton, who is, I believe, in the audience here, came to my office. Cliff was the first developer that had come into my office and said "Van, I've got a problem." We sat down. We talked about the PUD Ordinance. In a very short time we had a meeting set up with the Greater San Antonio Builders Association. I went out to their offices. We sat down. We met. We had a committee. We worked out all of the problems, and I daresay that there isn't any agency in the City of San Antonio that acted any faster to bring about a change in our regulations that would allow the master metering that was invisioned by this Council under the PUD Ordinance. We had a great deal of help from the developers on this, and we worked together. At this very same meeting, Councilman Becker, I told the gentlemen that were at the Greater San Antonio Builders Association meeting, if you have any other problem that you would like to discuss with the City Water Board, in regard to our policies, our regulations, or anything else that we do, I will be happy to talk to you and try to get a meeting. At that particular meeting, they established a committee at my request, rather at our mutual request, let's put it that way, to advise the City Water Board on our extension policy. To date, this was in July, I have not received one letter, one telephone call, or anything

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else advising me what the Greater San Antonio Builders Association would like to do about our extension policy. And I say unto you, that it is not because your City Water Board is not responsive. We are here to provide the service to the City and our citizens, and I, as the General Manager, will do everything within my power to see to it that we do provide that service. But I must have your support; I must have the funds to operate; and I must have the support of my Board to carry out what is necessary.

Now, one other thing that you commented on was the need for cooperation and to work out a plan that will take care of these needs before they exist. The Task Force Committee, headed by City Attorney Howard Walker, has done that job, and then you appointed me to serve on this committee to assist them on the water matters. This Task Force has met on a great number of occasions. They have used their very best professional knowledge and expertise to arrive at what you see here today. They have done it without any influence of politics. They have done it in accordance with your directives and the criteria that you set forth. They have chopped off portions of the original annexation to get it below the thirty per cent in accordance with your directives, and I feel as a registered professional engineer and as one of your top executives in the City hierarchy that this particular group has done their job. They have performed commendably well and they have presented to you a report that if you will read it in its entirety and study it you will see that it does do the things that you are requesting and that it is providing for the most logical growth of San Antonio and that it will take care of these needs.

Now, you bring out the point, Councilman Becker, of one particular area, the Medio. This particular point has some very extreme problems from the waste water treatment and Mel Sueltenfuss, who is a member of our Task Force, is here and he is thus prepared to tell you about that. I would be remiss if I did. Now, let me say that that area was temporarily set aside because of the area restrictions that were placed upon this Task Force and the law of Texas to get down below the thirty per cent. If you will read in your report, you will see that following the annexation that has been recommended to you for 1972 and these 14 areas that are recommended, there is a plan for further study to take place beyond this point. You will see, if you will look on page 35, you will see those areas in the dark blue. But we could not, as a Task Force, take in every piece of land around San Antonio under the existing State law that might have been thought necessary. We had to cut back and that is exactly what was done. So, this report represents the best professional advice to you as a Council and you may of course change anything you like. You've ask our advice. And we have given it to you, and you may take it in that light and do anything you wish. But again, I say this was done without any thought of any individual developer, without any thought of politics, without the thought of anything but what is best for San Antonio under the criteria and the directives that you presented to the Task Force to follow.

BECKER: Bob, I don't like to interrupt you, but you're going to be late for your meeting.

VAN DYKE: Yes sir, I'll be happy to come back and answer any other question you might have.

BECKER: We appreciate it.

VAN DYKE: If you'll excuse me while I run over there, make my speech over there, and I'll be back.

BECKER: We're looking forward to your return. Thank you Bob.

ED DAVIS: Council members, I would like to make one further point that I failed to make during the earlier presentation that Can just made reference to. One page 33, we have a recommendation there of the Task Force that really we ought to be having an annual annexation procedure. On January of each year there ought to be a meeting of this Task Force as presently comprised or as you see fit to have it comprised in the future to study and make recommendations of annexations for that particular year. We're not saying we should have the map on the wall with five, ten, twenty year projections, we are saying really, we need more of a policy determinations policy guidance as the things change and the dynamics of metropolitan area give and take. We need to look at annexation for the next year at that particular point in time instead of waiting another ten years and then go through another major annexation.

BECKER: Ed, can I ask a question? Would the all encompassing word "Annexation" include breakdown into such things as requirements for the future, additional sewer plants, or additional water mains, or additional whatever, so that we not just think about the acquisition of land but in advance of the acquisition of that land, we were thinking about accommodating the preparation of land beyond that for future use. In other words in the light of corporate planning.

GARZA: Have you or has the committee taken into consideration these 14 areas that you have now taken into consideration, extension of water mains, extension of sewers or services, so that there is no problem as far as extension of these services to these 14 areas that you all have proposed to the City?

ED DAVIS: We had extensive inputs from eleven different departments that would be providing services and facility placement, either in capital outlay cost, or annual maintenance kind of consideration for each of the 14 areas and for the areas recommended in Phase II.

NAYLOR: Mr. Chairman, could I just ask a question? I spent two days working before the meeting yesterday with several of the developers in just getting the request that they had to try to get them answered. The questions that came up that were particularly of interest to them, I think, is what we could address ourselves to because as to annexation I don't think there is any objection to annexation as such. The concept is one that has been adopted by this Council and I think that the developers are in accord with it. But the three or four things that I ran into that kept coming up was one, the Medio and Medina Water Shed where we were not supposedly able to provide the sewerage or at a cost that was rather expensive and our Mel Sueltenfuss has the information on that. The second thing was that we have a number of areas which this map particularly shows rather well in which you are taking in lands which you do not have any development in them and yet you are leaving out a number of subdivisions which are now being developed and are already in progress or already there. And the third thing is that where we are going, the services on say off Nacogdoches Road up there and some of those places where we are giving services that are already put in and yet that land is being left out. Now, I understand that the Task Force looked at the Phase II and took into consideration those particular areas. And to skip over and catch some of those areas, you have too much land being taken into that you could do it legally which was our problem originally. But at the same time you would not be contiguous in your annexation. My deep worry about this thing was and the reason that I wanted to hear this again today and let these people be heard that are out here, so that we can hear what they've got to say in regard to this is the fact that the ... I was even told by one or two of them that there will be a Phase II. As

far as I am concerned, we certainly have to have a Phase II and a Phase III and so forth or we are really not taking into consideration the problems of the City of San Antonio. I think if we could address ourselves to those three or four major problems, I believe we would bring the hearing to a point where everybody that is concerned here in particular the developers would be in a position to have expressed themselves. We would be in a position to have heard the complaints or the answers so that we would know whether there was to be any substitution or whether this would be a Phase II that we could now start working on towards 1973.

GARZA: I think that we can hear from some of the people in the audience that might be concerned with the areas that might be taken in. However, I think that we ought to provide the staff at least a rebuttal in answer to any concern that the developers may have. They certainly had a reason for delineating the lines around those areas and so if we follow that procedure, I think it appropriate. Is there anyone present that would like to make any comments?

CLIFF MORTON: Mayor Pro Tem and members of the Council. My name is Clifford Morton. I am appearing here today as a developer and builder and not as a representative of the Greater San Antonio Builders Association. I would like to say in addressing you, I don't have a formal speech prepared, so anytime that you would like to stop and ask me a question and try to resolve that question as we go along, please feel free to do so. First of all, I would like to say individually, I take the same stand I did before on annexation. As long as we have a fair policy on annexation, treat everyone the same way, and we also take into consideration the discriminatory policy that we have with regard to the subject of water. As to whether you are in or out of the City, I would be in favor of annexation. In examining the plan of that is before you, we don't think that it meets that criteria. I will give this to you after I finish, but briefly I would like to eliminate what we are really talking about when we are talking about how to go about getting a fair annexation policy. First of all, I think we have to determine the areas of major growth. The areas of most rapid growth per square mile right now are in four different water sheds. They are Leon Creek area and the Medio.

BECKER: What are those by number?

MORTON: Let me cite them to you as we go around geographically. We're talking about the area of west of Loop 410 and north of Highway 90. The next area would be between Culebra and Bandera Roads. As you swing all around from the north part of town contrary to what many people think and obviously the Task Force was influenced by this, this area number six up there is not an area in which there are very many concrete plans for the development. If you will notice your population area with the largest area that you have something like 1206 is the total population. There are some very good reasons why the plans for developing this area are very limited. Number one, the land cost due to the speculation on the development of the University of Texas has driven the cost per acre of land so high that for all practical purposes there is no land left in that entire section that you can buy and develop moderate priced housing loans for VA and FHA purposes. Number two, the terrain in that area, much of it does not lend itself to building moderately priced houses. Much of it is rock terrain. Much of it has rock in it which is very expensive to work in. As a result, it is my opinion, and I want to say one other thing, that I think the rapid expansion that is anticipated in this area, as far as growth is concerned, will probably occur way south of it back toward Highway 90 and to the east toward Nacogdoches Road. Another area that we have a similar problem in but not nearly as large but very, very small in population is Area 9, where again, the Task Force used a great portion of their annexation area.

That is the area immediately east of San Pedro and south of 1604. Now, today I talked about two areas of rapid growth on the west side of town.

The other area of rapid growth in the City is Nacogdoches Road, Perrin-Beitel Road. There are approximately eight subdivisions that are active in this area, and the other area of major growth within the ETJ is the area east of Loop 410, south of Windcrest in the Eisenhower, Rittiman Road area.

It is interesting to note that this Task Force omitted three out of four of the areas of most rapid growth in coming up with their recommendations for the areas to be annexed. Now, again, there may be some very good reasons for this, but it would seem to me that if we are concerned with offering services, we should offer them as soon as possible for these rapidly developing areas. I believe, without exception, and I am saying generally because I am sure there will be some exceptions. But generally speaking, these areas do comprise the areas of most rapid growth and the area where the development is the heaviest in them is being left out completely.

So we think, number one, will be the termination of these areas of growth. I know that we have a limitation of 50 some odd square miles, but I just wonder if anybody has taken the time to determine the total acreage or the total number of square miles that is currently platted within the City's ETJ, that is, outside the limits and see how many miles we are talking about. I realize we have to protect the University of Texas, the sewer line that is being fitted up there on Babcock Road, but aside from those two corners, I think there is enough space between Area 6 and Area 9 that you could almost annex everything that has been platted within the ETJ. The plan that was presented back in the spring did include all of the areas of growth that we are talking about with the exception of the Leon Creek area, and the areas to the east of Gibbs-Sprawl Road cause at that time you had to go out too far. There was too much vacant space. You had two islands outside of Loop 410 that you had to go through to get it, and so for that reason those two areas were left out. But we thought it would be for valid reasons at that time, and so we supported the plan.

Number two, in this annexation plan, if it is determined that you do have the acreage to do it, to annex all platted areas within the ETJ and for any areas of significant growth that cannot be annexed because of the cost to serve the areas by the City, a plan should be developed for serving this area within three months with a time table for when the area will be annexed and when the plan for services will be completed. All areas from annexation should be reviewed by the Council on a six month basis until all platted areas are included within the City Limits.

On this, I would like to comment a little about Phase II. I have discussed Phase II with a number of the staff and, very frankly, I think Phase II is whatever is left of the ETJ is not being considered in Phase I and really that is about as far as its gone. We are about half way through the lesson and we decided that we are going to call it a completed plan. It's not a completed plan. What about the time table on specifically when these other areas are going to come in and where are these areas? If you sit down and start asking individual staff members, I get this kind of reaction, "Oh, that's in Phase II." And we just kind of washed the whole thing off. I think to really have a responsible plan that you are going to put your seal of approval to, you ought to be able to know when, where and how much is it going to cost. To date, I have not been able to get this information out of the staff in specific terms. I find it very difficult in looking at the maps. The maps that you have up there, for instance, are not accurate maps. There are

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areas that are left off, platted areas where people are actually living in houses today there are no streets shown, no plat at all. On the other hand, there are areas that are completely underdeveloped that are shown as being platted, and so it just occurs to me that maybe we don't have all the facts in front of us that we are looking at or what we should be looking at to make an intelligent decision.

Number three, I don't know from a legal standpoint, perhaps Mr. Walker would care to address himself to this, but to avoid getting ourselves in the same kind of situation that we are in today, where there is such a big hurdle to overcome, it would seem to me that it would be worthwhile for the City to consider some type of a policy that would make it necessary for a person to request annexation after this plan has been adopted automatically at the time he requests plat approval. Whether this is possible or not, I don't know. Mr. Walker would you care to comment on it?

MR. HOWARD WALKER: Not at this point, no.

MORTON: Okay, this would eliminate some of the so-called favoritism or whatever, and I am not saying that. I am just saying I think it would be a good policy if we had that across the board.

I think fourthly, this annexation plan must not duck the issue of this question of water. I want to talk a little about the economics, and I want to go back and pick up on some of the things Mr. Becker brought out in his opening remarks. We think that it is only fair that the developer should recover his loss for the installation of water supply and distribution systems that he puts in within his subdivisions. This could be done with an agreement to turn the entire water system over to the City Water Board free and clear of any debt when he has recovered his cost through operations. Now, I would like to come back when Mr. Van Dyke gets back here and would like to address several points on water. Very frankly, Mr. Van Dyke is in error when he says that the committee that he talked to at the Homebuilders or Builders Association did not respond to his request specifically, and I will be very happy to document this if you would like it. The request was made concerning the subject of the discrimination if you would and acquiring these mains free of charge if you are inside the City versus being able to operate your own private system which at some future date after annexation be allowed to continue to operate or you will get paid for those mains. Obviously, on its face, it is discrimination. There is no question about that. We are talking in terms of a cost somewhere in the three to five hundred dollar range per lot. Just on this one item of difference between staying out and going in. What we did, in response to Mr. Van Dyke's request, if you will recall back before the first annexation plan was ever presented to the Council, the then City Manager, presented to you a proposal to have a water franchise agreement with developers which will allow them to recover costs. After the annexation took place, we wondered what the status of this was. I had my attorneys check in on it. I found that nothing was being done by anyone in the City on this question. When we found that nothing was being done and after getting the invitation from Mr. Van Dyke, I took it upon myself to have our law firm prepare such an Ordinance that would do exactly what the City Manager was discussing to do. We are not talking about lining anyone's pocket. All we are talking about is to allow the developer to recover costs out of revenues. The rates would be governed by the City Water Board as to what that man could charge to where he could not fleece his customers. A little history on it, and again, Mr. Walker, you correct me if I am wrong on this, but I believe that our attorney did present that to you, and that you in turn after studying it, sent it to the City Water Board, to Mr. Van Dyke. Is that right?

MR. WALKER: As I recall, yes.

MORTON: Mr. Van Dyke sent it to the bond attorney in Dallas or Fort Worth, and he in turn rendered an opinion which concluded that the City Water Board or the City of San Antonio by franchising private water systems within its City Limits would violate the indenture agreements that it obligated itself on prior to the sale of its bonds. My attorney does not agree with this conclusion. I am not for sure what Mr. Walker's position on it is, but as I understand it, it was to be sent to the Attorney General's office of the State of Texas to have him rule on whether it would or wouldn't. This has been since last June. We are now in the latter part of September. I have followed up on this about every two or three weeks, and the information that I last heard was we are waiting for a new Attorney General. Is that right?

MR. WALKER: As far as we are concerned, yes.

MORTON: So this is the kind of thing, perhaps, he just didn't recognize what this document was. But this was a response directly to what he had asked for. And I think that it would do something that would be of benefit to the home buyer in San Antonio. Frankly, if you have only a few people, and I want to say this, I have two private water systems of my own. But if you allow only a few people to have an advantage of \$400 per house on the average on this one item alone, and I will go into others in a minute, if you allow them only a few to have this advantage that advantage is probably not going to be passed on to the purchaser. It's just a little edge that you have on your competition. On the other hand, if you had a franchise agreement that would be available to all developers that they would be able to recover their cost, I think the game of competition would see that that savings to that developer on the cost of that lot would be passed on his customers. But it's not going to be done when you have only a few who enjoy the privilege. And as I say, I want to point out, I am one of the few that have that privilege.

I think that while we are on the subject of economics, I would like to go further in what we are talking about as far as housing is concerned and its economics inside and outside the City. The City of San Antonio requires the following permits: Heating and Air Conditioning, Plumbing, Electrical, Structure, Sidewalk and Trenches, and a sewer tap fee. The cost for these permits on a 1350 square foot house is \$110.00. In addition to that, there are the following inspections: for heating and air conditioning, two inspections; plumbing, three; electrical, two; structures, slab and framing, would be two; sidewalks and trenches, one; and a sewer tap fee, one; for a grand total of eleven inspections. Now, the \$110 that you pay for the permit inside the City is only a small portion of the burden that you bear if you consider the amount of time that it takes in delays to get those eleven inspections and you have to integrate that into your construction schedule. You are talking about more time to build that house and so I think the \$110 could at least be doubled in what we are talking about in the way of additional housing. Now, we are somewhere in the \$600 plus range, but this is really a small part of the difference in cost. The real difference is, of course, if you are outside the City, we are talking about \$25,000 houses somewhere around \$18 to \$20 a month difference in your monthly payments. Now, if there is that much difference in the monthly payments, there is that much difference in the cost. What it means is that a builder inside the City can only offer a person who is, let's say he is going to the maximum of what he is qualified to buy according to VA and FHA's credit criteria. He could only buy a three bedroom, one bath house on the inside. If that's all he can qualify for on the inside. That same individual with that same credit in that same income can go outside the City Limits and he can buy a larger house with two baths and a two car garage. So you can see there are some definite advantages here in staying outside the City. Now some of these things I don't think there is one thing that we can anything about. Taxes are going to be with us always. But I just want to make sure that we understand what all the real issues are here.

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There is more to it than just water. But water has to be the biggest item that we are faced with. By adopting a plan that you are adopting here, you are allowing certain areas including areas where I own property, for us to continue to expand these systems. And I don't think this is wrong. I just think the policy that we have for the fellow who is not in these areas is unfair to him. That's what I am really saying. If you want to know what the price tag is on the area north of Highway 90 on the Medio Creek, and the Martinez and Rosillo Creeks on the eastside at \$400 per connection for the area that's in that water shed at three houses to the acres, comes to about \$36 million.

That's a lot of money, and I think what it could do if we have the spirit Mr. Becker is talking about of trying to work out the problem of water and again trying to eliminate some of the burdens that we have on permits, VA and FHA believe it or not, most of those people are very well qualified. We have three. I think we could cut down some of the cost here, and I think we eventually would get to the point to where we could make it to where it was desirable to be inside the City instead of staying out. Right now, what you are doing, you are paying a reward to the man who stays outside the City. That just is pure and simple. You are doing it primarily through one city agency and that's the City Water Board.

I think a couple of other items I would like to point out here is just in closing. If I have an opportunity to talk to Mr. Van Dyke when he comes back from work, would be this, that I think this plan that you have violates the basic principle that you set out to achieve and that is orderly growth. If you will examine the water sheds that we are talking about here, you will find these areas have an abundance of water underneath. The terrain of these lack of rocks in these areas makes it a very desirable place in which to work. If the Council is going to duck these areas and say well these are the areas that we are not going to address ourselves to, I think that instead of having an annexation policy that will promote orderly growth, I think what we are going to have is those areas which we left out are going to attract developers like a magnet.

I think that the plan that you adopt for annexation should integrate services that have been discussed before. This question with the sewer plant over on the west side of town, I discussed it at length with Mr. Granata the other day. It's amazing to me in a City of this size, that we have this quality of planning. I asked him the first question. How large is the area that we are planning to serve. I got a very vague answer. Second question, and it would be hard to answer the second question if you didn't know the answer to the first. What are we talking about with the cost of the plan? The answer was somewhere between \$5 and \$10 million. I think we ought to come closer than 100% one way or the other to answer like that question. I am not dunning this man because I think he is one of the most competent people that we have in the City, but I am just saying that we have not developed a plan to take care of the situation. But the real kicker on the deal was this. I said, "Well, Sam how long are we talking about if you started today. You were authorized to put that plan in today, how long would it take you to have that plan in operation?" He said three or four years. Well, it just occurs to me that we have not been doing our homework here on what our needs are. Now, I am not here to say that any of us are so equipped with foresight that we should be able as a City to anticipate that wherever we have urbanization, we are going to have sewerage and we are going to have to do something about this problem. But it seems to me that we have really not addressed ourselves to these questions. What's the cost on the Westside. On the Eastside, you start asking the question about why aren't we proceeding in the Martinez Creek area. The Martinez Creek area is served by SARA. Well, that's under SARA's control. Well, why can't we make a deal with SARA. After all, if you proceed with the annexing that you are talking about, you are going to have more than one sewer system within the City Limits.

Why not have the second one over here which would be SARA's system. After I ask that question, when I get that answer that's about as far as I get, as far as something I would hang onto. I wasn't satisfied with the answer so I called Fred Pfeiffer who is the manager of SARA. I said, "What is this business about SARA not wanting the City to extend out to its ETJ in your area?" He said, "This office has not been contacted relative to the question of annexation at all." I said, "Well, what is your position on it?" He said, "Very frankly, I think for the good of the City as well as our own good, we would like to see the limits extended as rapidly as possible to the ETJ. We are in a position where if the City is not willing to buy the collection system which is very small at this time, we will be happy to negotiate with them on a rate for sewer services."

So, as I say, this may be a very professional report that has taken everything into consideration, but it would seem to me that that manager over there would know about this annexation plan and would have had some input in it. As I say, that's the reason, as I understand, that's being left out. The Leon Creek area where you have a sewer main running up through Leon Creek to serve the University of Texas, the reason I understand that is being left out is because you need some time to work out the boundaries between the City of San Antonio and Leon Valley. Again, I'm not sure how valid that reason is, but as we look at all of this, it seems to me that we only have part of the answers. We've got Phase I which ignores growth areas three out of four. It seems to me that as a part of Phase I would also be specifically defined as Phase II, exactly what we are talking about, how much is it going to cost and when it's going to occur. When this happens and when we have the same policy for all developers regarding water systems, we will support you on the question of annexation. Thank you very much.

GILBERT GARZA: Try to help me out here, how many square miles would you estimate just off the top of your head that would be considered growth areas to be annexed? Considering that there were no limits, how many square miles do you think it would be?

MORTON: Well, if we would squeeze six down to areas where development is going to occur the most rapidly, it takes some out of 9, and I think there is a portion of 8 that you could take a great deal out of as well, I think.

MR. GARZA: No, no, that isn't the question. I asked if we were to annex all of the growth areas, say we didn't have Phase 1, Phase 2, Phase 3, if we were to annex all the areas that would have to be annexed now in your estimation that you consider growth areas, how many square miles would we have to have?

MR. MORTON: When we talk about growth areas at the present time, are we talking about those areas where we have platting?

MR. GARZA: Approximately, just off the top of your head...

MR. MORTON: Off the top of my head I would say somewhere in the neighborhood of 45 miles. Now that is just off the head opinion. As I say, I think it would be real interesting if you just sit, just take platting, how many square miles are we talking about? Because lets face it, if Phase 2 does occur and you are worried about picking up the subsequent unit and these subsequent units of an area that is experiencing real rapid growth that could be done right after the first of the year. For all practical purposes, I'll just toss this out for what might be considered a wild thought, for all practical purposes you could toss six and eight all out together until after the first of the year. What's going to happen between now and the first year in that area? Does anybody know any big subdivision that is going up out there? If you do that, then you can take in all the areas of rapid growth.

MR. GARZA: You see, I'm faced with the problem of making a decision on annexation. Irregardless of what areas we delineate or put a line around, I doubt very seriously whether we are going to have a 100% agreement among all the people in San Antonio. So then the question then becomes, so far as I am concerned, is what areas are we having to leave out now because of the 50 square mile limitation that we have this year, and what areas are we going to annex, you know what type of policy are we going to set for annexing another 50 square miles or another, until you get at least all of the areas in that are potential growth areas. And, I doubt very seriously if I could sit here and come up with a plan that would satisfy everyone.

MR. MORTON: I don't think that any one could. And I am not here to tell you that I can. I am just saying that speaking for me personally, if I were in charge with the responsibility of coming up with a plan that was fair and my objective was to offer services to those areas that are developed that would be my first objective. I would ask the Planning Department to give me by each of the areas that are platted, how many acres are in this area that are platted, with the idea that if you have very hot areas where there is rapid growth taking place in plan Phase 2, you could continue to get all of those areas. I got into a rather lengthy discussion with one of the Councilmen the other day about the areas on the south side. There is very little area on the south side in which there was any activity. You hit them right there as far as things needed to be taken in. But when you get right down to it, Mr. Mayor Pro-Tem, actually you can take from Highway 90 on the west side and I think the objective should be to go all the way to the outer loop, to take it all the way around to 90 east. That what the objective ought to be.

MR. NAYLOR: If we took, lets say that we have the power and the desire and took the whole thing in that we are talking about, Phase 1, 2, and what not. Wouldn't there be an inclination to go outside of the City again by developers?

MR. MORTON: I think there is always that possibility because we can't avoid taxes. On the other hand if you have the problems solved on water, I think you would really lessen that tendency. This is the whole thing. There is no way to duck it. We don't have the problems with the City Public Service Board on gas and electricity. I don't think there is anything really unique about water. We get refunds on gas and electricity, but water we don't.

MR. GARZA: Thank you very much.

MR. BECKER: May I ask one more question please, Gilbert? If you say that you would delete most of six and eight, bearing in mind that portion that is necessary to accomodate the University of Texas in San Antonio, six, what would you do, could you point out, just generally, the areas that you would recommend inclusion of if we were doing it by substitution.

MR. MORTON: I think the first thing I would do, Councilman Becker, would be to find out exactly what areas are platted because that map up there is not correct.

MR. BECKER: How about this map?

MR. MORTON: No sir, it's not correct either.

MR. NAYLOR: How inaccurate is this?

MR. MORTON: Well, I don't know. I just looked at it very quickly and I thought it was wrong on both counts. It had areas platted that weren't and had some areas that were platted and that were not.

MR. BECKER: Well, do you have specific knowledge of areas that are under development and so forth that are not represented on that map for example or this one either. Do you? Could you point them out just briefly.

MR. MORTON: I'll just point you out one here real quickly that isn't even platted that is shown as being platted here between Judson and O'Conner Road. There is one unit in there that shows about 320 acres as platted. This entire area is not platted.

MR. BECKER: Are there any others that you could identify?

MR. MORTON: Well, that would be one for openers. If you like I would be very happy I've got a small one of these I put down... (inaudible)

MR. BECKER: There's more than one?

MR. MORTON: This happens every time that you start looking at one of these annexation maps, You find that the map is not accurate. I am not saying it has to be a work of art, but I do feel it should reflect the areas platted.

MR. GARZA: Thank you.

MR. MORTON: If you would like to have copies of this I will get some.

MR. GARZA: I think it's being recorded.

MR. PADILLA: Mr. Davis, Mr. Davis? Ed, do we have a map? Does the City have a map in its possession that shows the platted areas in this?

MR. DAVIS: The base map that was used to block the annexation areas on is a map that we have attempted to update this past summer. During the haste to possible to update, the subdivision section may have provided us with a subdivision or two that was not fully recorded. They felt like it was down the road to be recorded. One or two of these may be reflected on here. Mr. Morton earlier cited we ought to be annexing all our platted subdivisions. Actually, we have subdivisions that are platted that are paper subdivisions that nothing has ever been built in them and things of this nature and this is where we get into the complications on some of the base mapping too. Some of those that are shown there, are paper subdivisions and never have been put in on their own. They are duly recorded subdivision plats.

MR. GARZA: How many years do they have in order to develop the subdivisions after they are recorded or after, you know, it is accepted by the Planning Commission for recording.

MR. DAVIS: I do not know the particular time constraints, Mr. Councilman, I'd have to ask my subdivision section.

MR. PADILLA: Ed, did you answer my question in the affirmative?

MR. DAVIS: Will you please state your question again, Mr. Padilla.

MR. PADILLA: I said, do we have a map in our possession that shows the platted areas around the fringes of San Antonio?

MR. DAVIS: I don't think we have a map in our possession that shows an entirely up-to-date September 22 today, one base map showing every area platted. We have individual subdivision plats in our offices that we can go to and get out the files, but these have not been put to one particular base map.

MR. PADILLA: They haven't been overlaid?

MR. DAVIS: Well, they are different scales. They are very large scales compared to this particular map.

MR. PADILLA: Ed, how current are they? Roughly.

MR. DAVIS: Well, the...

MR. PADILLA: If they are not September 22, what are they?

MR. DAVIS: The subdivision plats are current as to what the subdividers are proposing to go today. The base map that we are talking about here was updated this past summer, and we felt that at that point in time, it got most of the subdivisions in, we may have left off one or two inadvertently, we would be more than happy to get with Mr. Morton and correct this.

MR. GARZA: You will eventually end up putting even those subdivisions that are just on paper, if you will have to end up putting them on the maps.

MR. DAVIS: Right, because they are duly recorded subdivisions.

MR. GARZA: They are duly recorded that's right...

MR. DAVIS: Now, these individual maps in each annexation area were prepared from people driving out in the field what streets are on the ground in the field and this is what we put our land use on. A paper subdivision out there is not reflected in this particular map because these are the maps we went by in our deliberation at the Task Force. We did not go by the City base map at 2000 scale. We actually went by these that shows the subdivisions that were in, the streets that were platted, the houses that were on the streets and things of this nature. There may be a duly recorded subdivision there that's just a paper street kind of a subdivision. This was not the consideration, we do not have to provide services to residents in that area. They are not there. Things of this nature.

MR. GARZA: Thank you. Is there anyone else in the audience...
Mr. Uptmore.

MR. BICHSEL: Before he starts, let me advise you that everything is being recorded, the question was asked by...

MR. GARZA: As I said previously we would like to have enough time to take the remarks being made here and have enough time for the staff to give at least the members that are here and other members that might be interested an answer to the questions that have been raised.

MR. JIM UPTMORE: Mr. Mayor Pro-Tem and members of the Council, those of you who are here, and who are interested in the problem, my name is Jim Uptmore and I am presently employed with H. B. Zachry Properties, Inc. I am speaking in relationship to our experience in subdividing and building within the San Antonio area. I would have to second a lot of what Mr. Morton has presented to you and will not try to in any way go over things that he has already said. However, I do think that the problem of the

water refund situation and the policy of the Water Board has to be something that is of major importance to the City and to the County. I would just like to relate some of the conversation and some of the things that I have found to be true and there was some remark made about the Crown Hill case and the testimony given at the trial. I happened to be a witness at that particular hearing and was questioned for some time on water refunds and what happened to this money.

I think it's a court record the facts are immediately after the elimination of the refund and lets lay the thing right on the table, the reason that the refund contracts were eliminated was at the particular time back in 1958 or 1959, it was not thought to be politically expedient for the Council to have a water rate increase. Now, the point that it costs the citizens of the City of San Antonio an amount of money to give windfalls to developers is not exactly correct. The price of the Lot, the land under which a home is built, and the subsequent purchase price by the individual homeowners, the consumer, was the person most affected in the Water Board policies prior to 1958 when the policy was changed. The cost per lot at that time was reflected in the refund that was to be obtained, just as it is today in the pricing of our lots which we sell to consumers and to builders who build thereon. The actual cost is reflected in the fact that refunds are taken into consideration because when we sit down and price out after all our cost of placing the particular utilities and streets and all in the subdivision, any refunds that we will receive, in this case for an off site main or if it is in the case of the City Public Service Board where you get a refund on gas and water, except for underground, that is reflected in the cost of that particular property to that particular user. And wherein you could put in a private water system, as such, you also reflect a savings to the consumer, to the user, to that resident of that area, and I would argue at great length that the refund that is received by a developer is merely a windfall and at the expense and the cost of all of the citizens of the City of San Antonio. That is just not true. It makes a good argument, but it is not a fact. The private water systems as such and of course we heard a lot of dissertation on surface water and such as that. I read just recently in a report that waters that we are now using in the City's reservoir are in the reservoir that is known as the Edwards Reservoir underneath the City of San Antonio, some of the water we are using is as much as 50 years old. No one really knows what the amount of water we have underneath this City and how the good Lord in his vision blessed us with a fantastic supply because even in the drought of 1953, we had wells that were running into the San Antonio River and down below out of the Edwards, whatever you call that thing down here, this big monstrous lake, we had water still running out of it and how much water runs out of it each day is probably equal somewhat to what we use as citizens of the City of San Antonio. So, we are blessed with an ample supply of water. Some cities aren't.

Now, when we talk about this continuance of going outside of the City limits of the City of San Antonio and continuing to develop additional homesites for people and residences where they can afford to buy more home for the money, and that is really what the game is all about, fact of our mobility of the particular customer, the potential customer, the fact that he can get to any place within the City of San Antonio within twenty or thirty minutes is not a long span of time in comparison to the East where people ride a train for two hours and they might spend another thirty minutes by some other means of transportation to get to their home. I am talking about New York, Washington, and other areas such as that. We don't have that problem here. A lot of the people who are coming to San Antonio are coming from these populated areas where there is a problem of transportation. We are blessed in this City with ample expressways and roads that can make our customer as such, and our potential customer, a very mobile person. So therefore, if there is a continuance of the type of restrictions that are placed upon the person who tries to be a part of the City of San Antonio, certainly you are going to have additional growth in Bexar County and possibly Comal County. There is just - the economics are there. The customer is the guy we are talking about. But the user, the person that has to make the payments, the guy that lives within the dwelling. We are not talking about the

profits that are gained by the person who takes the tract of land, puts in the streets and sells the particular unit to the customer. Certainly he is going to make a profit. But he can give that user a greater buy on the periphery of the City of San Antonio and this will continue to be the case, and I don't care if you annex the East or the West. My real criticism along with Mr. Morton of your annexation of six, eight and part of nine and the reasonability on ten, and I will just assign myself to those areas, just doesn't really carry with it any real planning in my estimation. You are not serving the number one thing that the City must look to do, and that is to take care of the people in the growth areas of the City, and to extend the boundaries to include those particular people because, in effect, you are servicing these people. You service the City Planning Department I know for seventy-five percent of their work. I would say and I would bet on this just looking at this plat here, that seventy-five percent of their time in approving plats and this is a city-financed agency. It is in the area of outside or in the extra territorial area of the City of San Antonio. The City Public Works Department, he must inspect the streets, the curbs and all the installation of the drainage and everything else, has to have City employees that must go in those areas which are in the ETJ to inspect and see that these roads and these streets and these services are put in in accordance with City ordinances.

Now, who does this cost money to and what revenue is produced by this activity by the City? Well, it is us, the citizens of the City, the taxpayer, the home owner within the City. So, naturally his taxes have to be increased because we are extending services just in planning and seeing that certain things are complied with under our present ordinances and the control that we have in the ETJ.

Now, a lot of people say, well, all of these inspections that you have in the City of San Antonio are beneficial because we have better housing in the City of San Antonio. I contend that when you get an FHA commitment or a VA loan or a conventional loan on a dwelling unit in Bexar County there are no fools as far as seeing that the quality of the housing represents the MPS's or follows the MPS's and follows certain building standards. So, we don't have a substandard construction code outside the City of San Antonio. But in the City of San Antonio we have a very definite problem in trying to follow the codes which are put upon the builders and upon the subdivider and upon the apartment builder, the commercial owner of any type of office building or any type of structure within the City.

Another interesting little item is that Mr. Morton said something about eleven inspections. In the City of San Antonio if all of those inspections are not complete and many days go by to get all of those inspections in line so that there can be a report to go to City Public Service Board to say yes, you can connect that particular dwelling inside the City because now all inspections have been completed. You can connect the gas meter. You can connect the electric meter. I would say that people wait sometimes four to five days just for the paper work and the collection of the inspections which all have to be funneled to the Housing Department and a final okay be given. Outside the City limits of the City of San Antonio, there is no requirement for the City Public Service Board to put in the meter to serve any type of facility that is outside the City of San Antonio. Now, I would say that the only requirement is that of platting which is under the statute of the state law and there has to be a platted area so an address can be given. That is the only requirement. The City Public Service Board can turn on the meter, can put on the gas meter and they don't have any of this paper work that they have to go through. Really, quite frankly, they are more interested in serving you outside the City of San Antonio, in my opinion, because I have operated in both areas, than they are on the inside of the City of San Antonio.

Now, one last point that I would like to make and that goes back to water again. In this report here on the City Water Board's position on water companies that are located in the area that will be annexed, I would like to know, Mr. Van Dyke, whether or not those water companies will be

allowed, and I am saying whether they are approved water companies that have complied with all the state regulations, meet all the criteria based upon the standards the City Water Board presently operates under, whether or not those particular water companies will be allowed to extend their services in the area that the plans for those particular companies were approved under. Now, will they be able to not only extend their services to the area that system was designed for number one, and number two, will they be allowed to add additional meters in that area because I got a very interesting letter after the last annexation situation from one of our water companies that told us that we could not connect any other property along the lines that we had already put in or we could not service any of the remaining property along the lines that we had. I got quite concerned about that and I wrote our late City Manager a letter pertaining to that because that wasn't my understanding. Now, can we or can we not and will we or will we not be able to continue servicing the people within our water systems?

MR. GARZA: Mr. Van Dyke, can answer the question or you can wait until..

MR. UPTMORE: We will wait. Okay. I would like that cleared up because there is a restriction, somewhat, I think of the thought and idea of this Council, or if it is not, I would like to know because that surely throws a different light on the annexation procedures. I thank you for your time.

I would like to comment on one item further. This book which I just confiscated a copy of, I didn't pay for it, I just happened to get one. I think this: That when we engage upon a plan wherein a major industry like the construction industry and, Mr. Becker, you are exactly correct, the construction industry is the largest employer in the City of San Antonio and Bexar County, it is not the second, it is the largest, and this industry, I think, should be involved in some way with, you know, planning information like this. There is an awful lot of facts and data here that have been prepared by employees of the City. I would think that in a City, in order for a City to grow, there should be some input from the outside. The input shouldn't come after a request for a hearing like it had to be done this morning. I also see that a lot of our Councilmen had other things to do. They have heard the reports and they are satisfied with the fact that this is all inclusive of all of the problems of the City and will answer everything. I would just simply ask, and I know this is an informal session, that we get a little closer contact with plans such as this. I would be glad to tell the City Planning Department exactly what I plan to build and where the next subdivision will be and such as that and I know every developer would also be interested in doing this. We don't have to run around in a disguise of well we just don't know where they are. I would like to point out some of those things on that plat up there, the subdivisions that are known. There is a lot to the plan and there are some that have been under construction, have been lived in for years and they are not even included. Now, I know this, that the City, County, I mean the County Tax Department, boy they don't have any problem finding the subdivisions and putting them on their base maps. They have got every area that is either platted, they don't have those that are plats that are subjected to the hearings and the approval by the Planning Commission, but they have all areas that are platted and they have them pretty well immediately because they are circularized. So, I would think that with all respect to the Planning Department that it is no great task to - as soon as a plan or a plat has been approved in a particular area - for a draftsman to place that subdivision on whatever scale it is needed, to place it on a base map like that doesn't take a long period of time, possibly two days at the most for a normal subdivision and that is draftsman time. So, I think that you as the City Council, plus its citizens and taxpayers ought to have a little better input from, or not necessarily input but let's say output, from the one particular part of our government that we pay a pretty high price for having and that is the Planning staff that we have here at City Hall. I don't issue with Mr. Davis on it. I realize that he is real busy with hiring people for all types of other activities, but I

think this is a very important activity and that of seeing and keeping up with the growth of the City of San Antonio. I thank you for time. I would like to answer any questions that you have.

MR. GARZA: Is there anyone else who would like to make any comments? Yes Sir? I saw this hand over here first.

MR. TOM FENTRESS: My name is Tom Fentress. I am with the Windcrest Development Corporation and we are a smaller type developer in the City of San Antonio. The name is a little confusing because at one time we were exclusively in the Windcrest Subdivision and at the present time we are exclusively in an area of San Antonio three hundred acre development. I would particularly like to address myself to the phase of the annexation where they are speaking of the advantages of being in or being out of the City and this is a definite factor. It doesn't mean because you are out of the City, as we were in Windcrest, without many of the added inspections and costs and phases that we wound up with too much less valuable type subdivision. In fact, we are all very proud of it and it is still being developed under another developer at this time. The big situation that the developer runs across and I am sure that all developers would appreciate the help of the Council in trying to get through the different boards and agencies in such a way that we can provide a product at the best cost to the buyer. We are as interested as the Council is and anyone else that is buying a home is in keeping the price of housing down. But when we get into the City of San Antonio and we start dealing with all the different factors and functions and all of the different ordinances that we have to deal with, the many different things that happen to slow us down cost nobody but the home owner. The new PUD Ordinance that is supposedly coming up-we are building a PUD at the present time. We think it is one of the greatest things that's happened. I don't anticipate, really, after this ordinance is passed that we will continue in the planned unit development phases because I think that it has been hackled and cut up by so many different agencies and everybody has put their little part in there to run the cost of it up where I really don't think it is going to be the advantage in San Antonio that it is in other parts of the country. So, I think the best cooperation that is needed between the Council and the developers is to do what we can with the different agencies, the City Public Service Board, who at many times seem to be doing everything they can to slow us up, the City Water Board, there are many areas although I will say that at least we can get service there. Once the lines are in they are interested in getting them hooked up. These are the phases as well as all the ordinances that come up like the PUD Ordinance and anything else that comes up with might be of benefit to the consumer, would be a great deal of help - of cooperation between the Council and the developers.

MR. GARZA: Thank you.

MR. BECKER: Gilbert, may I make one request, please, so that when Mr. Van Dyke or anyone else answers some of the questions that have been asked of them to answer, in the future when you say this Council, if you are referring to this present Council, let's identify them as such. I frankly don't like to be burdened with the decisions of the Council in 1950 or something like that. So, let's identify them as either the past Council or this present Council, if you will please, because that's been kind of grating in my craw since you made your preamble this morning, Bob. Thank you, Gilbert.

MR. JOHN SCHAFER: I am John Schafer. I am a home builder and developer. I own approximately 1,000 acres in the area that is proposed for annexation.

MR. GARZA: Which area?

MR. SCHAFER: Largely in areas 6 and 8. I would actually like to...

MR. GARZA: About how many acres are you talking about within those two areas?

MR. SCHAFER: About a thousand.

MR. GARZA: You have a proposed development then in those areas.

MR. SCHAFER: Yes Sir. Actually, about six hundred of those acres we have already asked for annexation. I would like to actually second, number one, what Mr. Morton said earlier and that is that this annexation problem or the problem within the problem really relates to water. The people wanting to stay out largely want to stay out because they can put in a private water system. They can operate that water system at a profit. We know this can be done. We own water systems in Denver, Colorado, serving over 10,000 residents and we know it is a profitable operation. I also would like to clear the record and take exception to some of the items that Mr. Van Dyke brought out. I take exception to the fact, Mr. Van Dyke, that the people want to stay out of the City limits to quote, "circumvent regulations." I don't believe that there is a developer in Bexar County who is trying to circumvent regulations. It's a matter of economics. It's a matter that they don't have to give their private property to the City Water Board. As to the quotation that this money goes into a developers pocket, I would say, Mr. Van Dyke, that it returns to the developers pocket because it came out of his pocket to start with.

Now, there has been a reference here to the fact that were the City to refund the cost of water mains that all of the citizens would be taxed to give this back to the developers. I think we have to operate on one of two systems. The free enterprise system which allows a man to operate a business, to own facilities and to make profit off that or to quote Carl Marx, "from each according to his ability, to each according to his need." It would appear to me that under the present circumstances the Water Board is taking the position that the individual should be taxed, the individual's property should be confiscated and the water mains for the benefit of the public. This is not the American way. Our school systems don't operate that way, our Police Department doesn't operate that way. There is no phase of government in this country that operates on the premises that the individual's property should be confiscated without remuneration for the benefit of the public. If the public wants facilities, the public is taxed for them or charged for those facilities. I, for one, want nothing but fair treatment. I don't want to be paid a bonus or a profit on the water mains that I install. I ask the City to do one of two things. Either let me install the water mains if, as Mr. Van Dyke says, it's a burden on the Water Board to extend these mains and operate my system at a profit which is the free enterprise way, or to put the mains in and let the Water Board put the mains in and operate the system at a profit. I don't believe that it is compatible to the American way of life for the individual's property, through regulation, to be confiscated for the use of the public. Now, that is exactly what the Water Board policy is today and I urgently request the Council to review this policy in light of the annexation that we have before us today because it is the problem within the problem. Are there any questions? Thank you.

MR. GARZA: Thank you very much. Is there anyone else who would like to make any statements? Yes Sir. Mr. Saunders?

MR. DOUG SAUNDERS: My name is Doug Saunders and I am a local developer and certainly interested in this problem. I don't want to burden an already burdened Council or an already burdened public by taking too much time to speak, but I think that I would like to throw out just a thought or two that I had while sitting in the audience and the reason that I am speaking is that this is a very important question. I want to tell you, members of the Council, how much I appreciate your taking your time to hear more facts about annexation. The fact that it is important, I might recall to your memory, that the first Council was asked to leave office because of an annexation question. Our first City Manager, C. A. Harrell, sought employment elsewhere because of that annexation question. So, I think it is a question that requires full study and thought and obviously because of the fact that it has always been a very controversial question to the point that people were asked to seek other employment, there has got to be something wrong. I certainly agree with you, Mr. Becker, in your statements concerning that.

I will agree with Cliff Morton on the point that if conditions developing in the City and out were the same, there would still be the question of additional City tax on the mortgage payment which affects a qualifying income. That will be with us under the present mortgage qualification pattern. If we were not faced with - if everything else were equal and we could address ourselves to that question alone, perhaps we could convince the mortgage companies that they should change that qualifying pattern. I honestly feel that if development requirements and so forth were exactly the same in the City and out I believe that 99 per cent of your developers would ask to be annexed. I don't think the problem would ever have arisen. Now, we need to examine important questions like this. You have to lay the facts on the table. The facts are that some years back the water refund policy was changed. I would like to call your attention that it was changed under the City administration of Lynn Andrews. He didn't believe in refunds and he is no longer with us. I can honestly state that he also believed in what some people recognize here as the Lubbock plan where his philosophy of government was that the land owners should turn their property over to the City and the City would develop it. Now, if I am wrong in that I would like for someone to say. Now, if Mr. Andrews had stayed and his thoughts on philosophies on government been put into effect, they would probably have ended up confiscating the land.

Now, I have very high regard and admiration for Mr. Van Dyke. He has done a wonderful job in his job as General Manager for the Water Board. But my feelings about the water refund contract go back prior to Mr. Van Dyke's assumption of the general management and my feeling on it is very strong to the point that every now and then I almost alienate my own father-in-law who was on the original City Council and on the Water Board. Because when the policy was changed there was a fiscal problem and it was stated that you couldn't make the refunds and still operate on a fiscally sound basis. Well, that may have been true in one accountant's opinion. About that same time, I took the time to go down to the Water Board and check a few facts and the facts at that time were that there were some one hundred and twenty five thousand minimum users which meant that they were paying around a dollar a month for water. In contrast to - there was a reference made and I am not sure it is correct - that if you didn't have to pay for studies and surface water and so forth, that you could sell water as cheap as you do outside the City. Actually, I believe that we who have private systems outside the City charge more for water than the Water Board because our minimum rate is \$3.50. Well, if you take the difference between a dollar minimum rate - when I investigated it back around 1956, as opposed to \$3.00 which is \$.10 a day for water, which is certainly minimum in my opinion, that is \$2.00 per user per month times one hundred and twenty-five thousand which if you figure that up roughly, is three million dollars a year. At that time that would have paid for all of the subdivision main installations within the periphery of San Antonio. I dare say that a similar study today indicates something else. I don't think, and I think the whole question here is who pays for the capital improvements on which revenues are made. In other words, does Mr. Becker ask for someone to give him a store in which to sell his food items or does he make that installation and sign that mortgage and hope for the future to amortize it.

I was in Houston, I think this is very timely, I was in Houston just yesterday. I was going to stay today until I heard of this meeting and I came back last night. I looked at - with a Houston Developer who is in many areas of Houston - I looked at lots which were put on \$11,000 an acre land and which were selling cheaper than they are selling in San Antonio. The reason being that they create their water control improvement districts and the water control improvement district installs the water and the sewer and those improvements are capitalized and paid for by the people who live within that district. They pay for their lines, not the whole City. The competing gas and electric companies fight to see who will go in and lay their mains for which they pay for and the electric mains are underground, I want to point that out. They compete to see who would go in and lay those mains at their own cost. So the developer does not pay for the water. He does not pay for the sewer.

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He does not pay for the electric. He does not pay for the gas, but who pays for it. The consumer pays for it that buys the utilities, that buys the service. Just as it should be. The question keeps coming up, it has come up for years, that why should the general public pay for new water mains? Why should my children pay a higher price per front foot for a lot? Why should they pay for those water lines that are subsidizing the minimum user? Why should my heirs have to pay a higher price? Why should they have to pay for water mains and contribute it to the public so that we can maintain lower water rates, which, let's face it gentlemen, has always been a political issue strictly. So, I think this is the core of this subject, is why do developers want to go outside of the City boundaries? I think with these points I hope that I have shed a little bit of light on the subject.

I want to say again that I appreciate, I want to tell you how much I appreciate your being here. This City has made for those of us who have been here and been interested in City government since prior to 1950 and the establishment of Council government, we know how much progress we have made. We know how much progress we have made in the subdivision ordinance, in the many, many ways. But we still have things to do. We still can't be complacent. Another thing, in Houston for example, I think this is a very prime example, the County, Harris County, extends main arterials at the County expense which is a public road. In this City, unfortunately, there has always been the feeling that we can't use public funds that would benefit a land owner or that would benefit a developer. Gentlemen, I say that that is shortsighted. If a main arterial needs building, let's get the land when it can be gotten, the right-of-way. Most people will give it. Let's build the main arterials where they are needed because they are for the use of the public, not for the use of the developers. Sure, someone might gain a little in value, but that is one of the things you can't - are you going to impede City progress because someone might gain? So, I appreciate your time and I hope that my comments will be of some help.

MR. GARZA: Thank you, Mr. Saunders.

MR. BECKER: I think what you are trying to say in essence is that these overall attitudes that are reflected in Houston are apparently accruing some value to the individual citizen. For one thing the per capita income over there is considerably higher than in San Antonio. So, there must be something rubbing off on somebody. Not just the select or wealthy few or whatever. It seems that everybody, for the most part, is prosperous in that City. More so than San Antonio. Unfortunately it is true. The statistics bear it out. Other things tend to bear it out.

MR. SAUNDERS: I looked at houses yesterday that were priced at around \$33,000 that in this town would be a minimum of \$39,000 to \$40,000. One of the big factors in that is the cost of the lot. Now, it is true that, and I think this was brought out by Cliff Morton, that as long as there is a small number of people getting the benefit in a lot price, you are not going to bring the lot price down because lot prices are established by demand. They sell for what lots typically sell for with those services, with the street, with the water, with the gas and so forth. So, there will certainly will come a time - we have either got to accept supply and demand and prices seeking their level through supply and demand or we have got to reject it. In Houston the lot prices are less than they are here because they have been allowed to seek that level of supply and demand. If all of these savings were tomorrow passed on to the developer, I will assure you that supply and demand would take care of the lot pricing situation, it would have to.

MR. BECKER: Do you think the builders in this town, for example, are any less competitive in practice and by nature than those in Houston?

MR. SAUNDERS: Do I think that they are any less competitive?

MR. BECKER: Yes, do you think they are less competitive?

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MR. SAUNDERS: No, not operating under the same climate, certainly, not.

MR. BECKER: Well, what I am trying to say is if these situations were possible they would through their own competitive nature tend to lower the cost of housing if they possibly could.

MR. SAUNDERS: I don't think there is any question about it.

MR. BECKER: It is the nature of the beast in any type of competitive enterprise. Generally, the person that is in that business does not take advantage of the situation that he might have an unfair advantage. If everybody is on the same basis they will tend to lower the price of whether it be shoes, clothing, housing, or anything else.

Mr. Saunders: I don't think there is any question about it. If anyone doubts the value of the construction industry to a community, they ought to go to Houston and see the thousands and thousands of people that are employed in those subdivisions that are being developed, think of all those things that go into those homes after they are finished and all the goods and services that are affected which in my opinion is everything. I adopted the theory a long time ago that there are no goods or services that are not affected by a new environment and I urge you to think about it and if you think of anything that is not affected, I would be glad to know about it. The point that I want to reiterate in closing is that we wouldn't all be here today if there wasn't something wrong in this overall proposal because it is not the first time and I dare say it won't be the last time unless the basic problems are researched and solved.

Mr. Garza: Thank you very much Mr. Saunders. Yes Sir?

Mr. Harvey Parker: I am Harvey Parker and I represent no organization. I have a small equity in a small home on the west side and I have been called a leech among other things in the Council meetings and I have never had my say. I am the working manager of a water district and water keeps coming up here, orderly planning keeps coming up here and subsidies and so on. I have been the manager of this water district for twelve years and you talk about orderly planning, well the developer in my subdivision cannot get a plat approved until the Water Board dictates the size of the line where he can put it and all of those things. The last time the City Water Board published the statistics I was operating the water system, the sewer system and a garbage system with fewer people than they were operating the Water Board alone. Now, you talk about an orderly planning and all, what good is it you're going to give me when I am annexed. Where I am the man gives \$2,000 an acre for the land. He puts in the curbs, he puts in the streets, he puts in the drainage and I've been called a leech because I am sucking the life blood off the City of San Antonio. The City waits until all these goodies are put in. We establish a strong tax base and then they get ready to give us some good things.

I am opposed to this--you talk about Medio when you talk about over the divide where there are no sewer lines. You don't want to give those people over there something but we have a house on every seventy feet so you want to give us all these good things. I would vote for it and support the City Council on all these good things when you start at Acme Road and come to Missouri Pacific Railroad and give those people down there all of the things that you are promising me now. In the meantime we've never had to assess a tax in the water district. We've acquired over \$300,000 worth of lines outside the district and we're paying off our bonded indebtedness and all of those things. We don't actually need help. We just need to be allowed to operate as citizens. We are ignorant out there but we're not stupid. We are of the opinion that you're interested in what we pay in taxes and if I'm wrong, you have your attorney here and I hope he will correct me.

Mr. Garza: Thank you very much, sir. Is there anyone else? If there is no one else then, if there are any other comments from staff as relates to the plan that we have before this committee here for annexation, if there is no other addition, Mr. Walker.

Mr. Becker: Gilbert, Cliff Morton asked some questions of Mr. Van Dyke. Mr. Van Dyke, I think, came back to answer those questions.

Mr. Garza: Since most of the questions relate to water, Charlie, the meeting today is being taped and recorded. I think the court reporter belongs to one of the developers, but we would like to have the opportunity to allow Mr. Van Dyke to answer some of the questions that have been asked. If you have any further questions, Cliff that you might want to put it in the record that they might be answered by Mr. Van Dyke for the benefit of the Council why I'll allow you another four or five minutes.

Mr. Morton: Well, Van, while you were out we discussed a little bit about the water franchise and before addressing you further on it, I just would like to say I appreciate the spirit we have here this morning as far as the give and take of information. I think you are sincerely interested in information and by discussing with you water franchise I am not trying in any way to get an argumentive position but you made a statement before the Council that we had not responded to you regarding our policy or (inaudible) policy of home site mains. We submitted a policy through the City legal office which was in form of a franchise ordinance and that was never forwarded to you? You've never seen it?

Mr. Van Dyke: No.

Mr. Morton: Who did you give it to Mr. Walker?

(Mr. Walker's answer is not audible at all)

Mr. Morton: I have some information then. Who sent it to the City Water Board's bond attorney?

Mr. Walker: I don't recall we sent it to the City Board's bond attorney. The City Water Board's bond attorney is the same as our bond attorney. In other words, it's one man. I'm talking about Paul Horton and I personally discussed it with Mr. Paul Horton. If they discussed it with him I don't know about it. But on the franchise thing, the bond attorney takes a certain position. Our office feels that perhaps we can get that position changed. We don't know, but we propose a meeting with the Attorney General as soon as the Attorney General comes into office which will be the first of January. Now we've proposed to go to Austin and discuss this matter in detail because we personally favor the franchise idea. We've always favored it. But not to the extent that we are willing to jeopardize future bond issues because of it you understand. That is the hangup.

Mr. Morton: We are not taking this position, Mr. Walker.

Mr. Walker: I understand.

Mr. Morton: The only thing we are saying is this ordinance was submitted in the early part of the summer, and now we are looking at a nine month delay, and this is an integral part of this whole annexation question. I would just like to submit to everyone here this proposition: Granted, we saved a lot of money by getting away from the refund contract. The City Water Board has saved a lot of money. But as far as whoever is looking out for the City I wonder how much money we will have saved if we have to buy the systems in the areas in the ETJ that are subject to present and future annexation. If we have to buy those systems for value as opposed to cost, we may find that the short run savings of the City Water Board may be one of the most expensive acts that ever occurred in the history of San Antonio. There is a lot of difference between cost and value. It is my understanding that the City Water Board of the City of San Antonio does not have the authority to condemn these systems. Is that correct?

Mr. Walker: Well, I don't at this time desire to go on record as to what legal positions may be. We may get into the court on that one soon enough. I prefer not to discuss the legal aspects of it. But I can tell you this, that I do not believe that there is any disagreement whatever between the position of the developers and the City's legal office with reference to the desirability of the franchise concepts. We are concerned primarily now with the purely legal authority and once that is resolved I don't think there is any problem once we have resolved the legal question.

Mr. Morton: Let me ask you this sir, is there any way that we do have the Attorney General in office today, don't we?

Mr. Walker: Well, yes, he's what we call a lame duck individual.

Mr. Morton: But will his opinion on this particular question be binding on the new attorney general.

Mr. Walker: No, it would not. That is why it is our considered opinion that we should take this matter up when the new attorney general comes in.

Mr. Morton: Okay, well I just would like to submit this as a possible question. Whether you have a formal franchise as such, or let's say we get a ruling against this question, and we take these systems in and we are not able to reach a mutually agreed value, that the developer is willing to sell for and you are also not able to condemn them, aren't you in a sense violating this principle that Mr. Van Dyke was talking about in this situation in that you have created competition within the City of San Antonio with private systems? Now I don't know, I'm just asking the question.

Mr. Walker: That is one of the questions that has to be discussed with the attorney general.

Mr. Morton: Well, it would seem to me that we could certainly, by proceeding with this annexation of these many existing systems right now, I would like to ask the Task Force this question and I don't know the answer to it. How many connections are we talking about? Does anybody know? Are we talking about five hundred per? . . .

Mr. Davis: Well, it's in the report, Mr. Morton, if you just want to add them up in each of the areas.

Mr. Morton: I think this is a very germane question because one of the things that I happen to have here is what our attorney says is state law on the question. Lone Star Gas Company vs. The City of Fort Worth and it is a commission of appeals that has been approved by the Texas Supreme Court even though it is a 1936 case he says that it is still the law of the State of Texas and what that case simply states is this: "They say that in the case of Lone Star Gas Company they prevail over the City of Fort Worth when they tried to condemn their system on the theory that the State legislature did not provide the legal mechanism for a municipality to condemn a going business. They can condemn land but they cannot condemn a going business without legal mechanism that the State of Texas does not have. Most other states have it." So I think that we are heading on a collision course here where we may find that the attorney general will rule against the franchise. We have created competition which may void our bonds. We may not be able to condemn and you put all that together and you can be in one whale of a mess very shortly. This Task Force that has deliberated so long, how carefully have they deliberated this particular question because we are talking about something that could be very embarrassing to every member of this staff, every member of this Council.

Mr. Garza: I think it is a point well taken, and as I said several times already, we will try to get these answers to these questions at least before Thursday so that when and if this Council makes a decision that all that has been brought before this group of councilmen will at least be made available to the other Council members and it will give the staff and legal staff also sufficient time to be able to give the answers or at least proper answers to your questions.

Mr. Morton: Okay, one last question I would like to submit Mr. Mayor Protem and that is the question once we have added up these totals what would you say would be the average value on those if you would just appraise them today for purposes of negotiating with the developer for purchase of the systems?

Mr. Padilla: Are you trying to get an assessment in here?

Mr. Morton: No Sir, I'm not, very frankly, I'm raising a very important point here. You're just biting off an obligation that is going to be about \$400 per connection times 12,000 connections. What about five million dollars? Four million eight hundred thousand dollars. How carefully in your economics of this whole thing has that particular question been

considered? I just wanted to be sure that I was on the conservative side. So we are talking about somewhere between five and ten million but, again, if we have the Task Force here have you all considered where this money is going to come from?

(All talking at once)

Mr. Garza: I think that decision is for the full Council to make and you made the point. I think that the staff can at least answer the questions and we are an informal session right now. I would like to give the staff enough time to at least prepare the answers to your questions.

Mr. Becker: May I make an observation if I may please. I hope we are not closing because there are a bunch of things that haven't been even touched on yet.

Mr. Garza: On this annexation?

Mr. Becker: Well, its on this overall situation, Gilbert. I think as long as some of these policies that are in full force and effect and some of these were created back in the past that this City is never really going to have a clear cut approach nor a decisive attitude nor a progressive attitude nor an attitude that belies confidence with regard to the expansion of this city. Every time we discuss annexation in the future it's going to be the same can of worms because there is going to be the happy and the unhappy, the pleased and the displeased, and the grunted and disgruntled, and, really, all these conditions that we are discussing here today are nothing more than a product of harking back to the old days actually. Nothing has been done to rectify it. No remedial action has been taken. We are as if we cannot change trains. We got on this thing in the early 1900s if you will, if I may exaggerate a little and it doesn't even look like we are willing to change going into the twentieth century, you know, or the twenty-first century. I think the whole thing needs overhauling. I think it needs a forthright appraisal as to what are we trying to do. Are we preserving the past, are we preserving the status quo. Are we willing to accept a situation that, frankly, as I said earlier, almost encourages the builders to go beyond the city limits to build. Now, everybody in the city is concerned about what has happened to downtown and why won't anybody build downtown in the central business district. Well, the next thing we are going to be concerned about if this trend continues is why won't anybody build within the city limits for heavens sakes. Now, are we going to perpetuate this trend. Are we going to continue to preserve that which is almost archaic if you want to consider it as such. Are we going to adopt a policy that deals with today's situations and today's needs and tomorrow's requirements and forget what has been done and committed in the past by whoever it was and start recognizing the need for corrective action. You see that is the reason why I think that this meeting was important is because we are not just talking about annexation. The annexation woes are a bi-product of these various other inequities and as long as these inequities continue to exist we are not going to be any better off in the City of San Antonio. Now I don't pretend to be knowledgeable in all these areas that we have discussed here this morning by any means. But the more I read certain reports and things here of late the more I can understand why certain builders have elected to build beyond the city limits. It becomes very apparent.

Mr. Naylor: That's what our responsibility is .

Mr. Becker: I understand.

Mr. Naylor: To get rid of them that is what we are trying to have.

Mr. Green stood up there and I think if we could hear all of these people out in the audience. . .

Mr. Padilla: May I interrupt for a moment? As everyone knows, this decision for this meeting came up yesterday, I have some previous appointments, I am going to have to leave now, but I'll be back about 1:15 and I'll be happy to sit in as long as you want me to hear you this afternoon. If you will excuse me please.

Mr. Hubert Green: I'm not going to take a lengthy time at all. I want to make a statement. I am Hubert Green, Jr., I represent Ray Ellison Industries. I came over today thinking it would be great controversy here and find myself in agreement with a great deal of what has already been said. If the Council will look at page 31 of the report, you will see summary from the report dealing with water and sewerage system service to the annexed areas. If you will read that and I am sure you have, read that particular summary, I think you will be as I and as my client and perhaps many other developers many other owners in this proposed annexed area that is to say perplexed as to what will happen with the water facilities and the sewage facilities, the districts, the plants, the privately owned plants and so forth that are involved. I would like to propose a question, for example, to Mr. Becker in his business. If for some reason his business as these areas were being annexed and Mr. Becker were considering and his company were considering the effect upon his business and really we're considering the effect of whether he ought to be opposed or should join in the annexation program. Yet in considering these items he were told, well, first place we don't know Mr. Becker whether you are going to be able to stay in business. We can't tell you. That has yet been undecided. We will decide later but it hasn't yet been decided. Secondly, one of the options may be that you can stay in business but you can't get any new customers. You are stuck with the ones you've got. That is one option. We don't know yet what the answer is going to be to that but we will decide that later. The third possibility is that the city may put a competing grocery store right next to yours and take and compete with you and the customers and so forth that is another possible option. We don't know but that is just a possibility. Now, you can do this to anybody's business in town and you can see from a subjective standpoint how one might feel if he were confronted with this proposition. The only thing I am saying right now, really, the only thing that many including Mr. Morton and others have already said here today, is the very same thing that I said when I stood over here before this council in April of this year. This is one of the criticisms that I leveled to the plan at that time. There was no provision made, there was no assurance that could be given to the city, there are no negotiations, there had been no settlements, legally or otherwise as to what would happen to the sewage and water systems in these annexed areas. So what the Council then is confronted with as has been said, I am just repeating what has been said, it is the idea that you are going to annex all of these areas. We don't know the cost of it. We don't know the legal effect of it. We can't tell the owner of these systems what the effect it is going to be, you will have to speculate on your own. You will have to look up the law on your own. All of this and speculate. We can't tell you whether you are going to stay in business, whether you are going to be competing, whether you can compete with other customers or whether you are going to get your money refunded or not or whether it is going to be on a value basis or a cost basis. We can't tell you any of those things and most of all we can't tell ourselves, the City of San Antonio, what the ultimate cost of it is going to be and yet we go right ahead and do it. This is the same criticism, one of the criticisms, that I made before. The owners cannot tell. They cannot decide whether they are going to be for or against. They cannot decide what the legal rights are going to be. They cannot decide what it will do to their businesses or whether they will be in business on the basis of operating these systems or not. Nobody can decide that sitting in this room here today. So I would just gently suggest as I did before that I think we got the cart before the horse. I think there is some decisions, most of them I think are legal decisions. This is not any criticism of the staff or the City Attorney. They have set out what some of the possible options are. If part of this is in the hands of the attorney general, we don't know what he is going to rule. All of these things. We don't know what courts would rule later on. But what we are saying to ourselves so far is let's just go right ahead and then whatever the results are later, we'll find out later. So, I am just suggesting that I think, finally, I think this is one of the constructive things that have come from this meeting. We are finally getting right down to what some of the basic objections are and I am glad to see some of the other people raising some of these same objections that we saw last April. We ought to decide this. We wouldn't do this on the basis of somebody else's business. Nobody sitting here today would stand still and let that happen to their own business.

They would be trying to do something about it. That is exactly what you are asking these developers and people in similarly situated to do here today. You are asking them to sit still and be cooperative and then let some court or let some agency or someone else decide later what it has done to their business. Whether they will ever get their money back or not is just as basic as that. That is just what you are asking these people to do and that is why they are nervous and upset as if you did not already know. Thank you very much.

Mr. Becker: Your problem is that you are not as gentle and docile and reasonable as some of the rest of us. Some of us would permit that to happen and never utter a word, you know that.

Mr. Garza: Anyone else?

Mr. Saunders: I would like to raise just another point. I think that whatever is finally done, I think it certainly as responsible members of this Council you are all concerned with the equity involved. There was much discussion here earlier about whether certain areas were platted or not. I would like to call to your attention the area at the bottom of tract number three which I think certainly should be a major part of your consideration. If we are concerned about areas that are platted, why should we not be concerned with area number three which is Meadowwood on Highway 90 West which is a substandard community and which is conveniently being left out of the City.

Mr. Sultenfuss: I can speak to that. They have a pending Grant Mr. Saunders from the Housing and Urban Development that could be in jeopardy and this is why this was postponed.

Mr. Saunders: Well, I had not asked the question, I haven't had an answer. But that is kind of a glaring discreptancy if it were ommited because the substandard neighborhood would certainly be a black eye on this Council. The other think that I keep coming back to, of course, is our utility extension policies. I have heard many instances where industries were considering coming into San Antonio which said, well, hell, I've got to go in and pay \$1,000 to extend water out there and such and such a city says come on in and we will run the utilities to you, we want you. I submitted to the City Public Service Board a light industrial plat which would already be under construction that has not been held up, I submitted it for it was to be a higher class small industrial development. I wanted underground utilities. I still have not gotten an underground utility layout. It was never forthcoming. It was held up for about five months until the point I said go ahead and plan for overhead lines and I said to please run it down the middle of the block instead of down Rittiman Road which is a divided primary arterial at our own expense. They said well, we reserve the right to run it down any major thoroughfare which certainly they have the right to do. What we are talking here, as Mr. Becker brought up, about attitudes and we are talking about cooperative attitudes about getting something done and these are the points that I think require close examinations.

Mr. Becker: Do we have a chance to discuss the Medio sewage treatment plant. . .

(Several people talking)

Mr. Sultenfuss: The City of San Antonio was granted a regional sewer authority through the Texas Water Quality Board which included three major water sheds including the Leon, the San Antonio River Water Shed and the Salado Creek Water Shed in which the Rosillo is a tributary. Now, we in this basic region are obligated to furnish sewer service and we are the sole furnishers of sewer services in that area. Our Revenue Bond Issue and our G. O. Bond Issues have all been committed to serve these areas. The basic problem of the Medio was twofold, one of financing and the other of timing. We have in the Medio an overloaded sewer plant at this point. We also have a trailer park that is, I don't think they have any sewer system, that is (inaudible) on septic tanks and the Water Quality Board had insisted that something be done in this area immediately.

Because of our financing, the City of San Antonio, we felt that we could not go on this because we are talking about an expenditure of about four or five thousand dollars for a sewer plant there. Secondly, we felt that we if we got into the Medio Water Shed, the logical place for the plant would be here so that we could serve all of this area and not have to abandon this expense later or duplicate the expense here.

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As a result of this, the Ray Ellison people had developed for a permit with the Texas Water Quality Board and the City offered no objection to the permit with these conditions and I'll just read the first of the conditions. It's rather a lengthy one, but the permit requires that the permit holder shall transfer all his treatment facilities and lines to the City of San Antonio at no cost to the City at the time of annexation of the location of these facilities by the City. That is the present status of the Medio. The basic problem of annexing the Medio at this time and committing ourselves to sewer service in this area is strictly one of financing. Now, the time table that Mr. Morton mentioned is basically correct. This big problem we have in order to sell any more revenue bonds, there have to be sewer increase and in order to sell revenue bonds and is Carl White here? I think I am correct in what I am saying. He was here all morning. In order to sell any more revenue bonds, we have to have years of experience on the rates so that we are looking at a year from now to obtain to be able to sell more revenue bonds. The second thing, of course, if we do go or want to go the grant route, the U. S. Government grant route, which of course on this type of expenditure, we would certainly want to do, we are talking about a year time from the original grant application to the issuance of the grant. The third thing is of course the permit application. From then on construction can begin and probably the three year time limit is probably an outside limit. Certainly, it couldn't be done any faster than two years. So, you have a situation here of immediate relief. Also, immediately or saying that no future development can occur, of course, until the plant is put in at this point.

BECKER: Well, Mel, isn't it true, aren't the areas on that map or the City map, let's say, where you or your staff or the group in San Antonio with the help of engineers or homebuilders or developers or anybody else, can almost predict with a certain degree of accuracy a high degree of accuracy at least, where as I stated earlier, certain situations are going to be required. Now, then, you say you can build a sewage treatment plant for a half million dollars.

SUELTFUSS: That is an interim plant.

BECKER: I am not advocating that that is the correct approach to the thing because I really don't know anything about sewage treatment plants. A lot of people say I should as much as I talk, but I don't know anything about it.

SUELTFUSS: Well, they accuse me of being full of my subject.

BECKER: Well, but you're an aggie. You're excused. But anyway, Mel, this City and I am not criticizing you, I am criticizing the, once again, the method of operation in the City Government itself, that we operate after the fact. We don't anticipate the requirements until its upon us and apparent. Now, we spend more money than half a million dollars in several areas that I can think of. It would seem to me that if we had those funds available for these other projects, that we would have a fund available for something that's as important as this is. Don't we have other areas right now presently where there is this difference in elevation, required pumping stations and all this kind of stuff. We know where they are don't we?

SUELTFUSS: Right, yes, of course. Let me say in answer to your question. Number one, this whole problem of course is related to the rate study that we have under way now. In other words, they are going to consider, of course, going into all the various water sheds and the Saltrillo water shed. Over there is a similar situation, of course, I think we are going to get to the point do we have an on going entity here. The other big question and the reason that the study has not been

consummated, we are just now getting answers on our river basin plans. It's just being completed which will ultimately give us the direction of what we have to do with all of this, all of our sewage treatment facilities. What I am saying is that this rate study, which should be completed about May, will outline the complete option as far as we go over this, what rates do we use, what we will need, all of these options and this will be your decision then at the time to see what options you want to exercise and which way you want to go. To get back to your four hundred thousand, now, the other reason for putting a lot of these stuff in from these other areas is that we are committed to the Water Quality Board for servicing these areas and that's probably why we are....

BECKER: You mentioned that River Study thing, how long has that been under way would you say, just as a matter of.....?

SUELTFUSS: I guess, no seriously, I think that the river basin plant is...this is one of things that we seem to lack, Mr. Becker, is direction. We have all of these agencies doing all of these studies, and they are just not being consummated and for us to be able to put a price tag on our monthly revenues, our sewer service charge, we have to pull this whole package together so that we can come up with costs and we should be in good shape about May. I am very optimistic that by May we should have all of this material.

NAYLOR: Mel, what about...would you talk a minute to the sewer funds, general funds, as to how that...aren't some of your funds being siphoned off and being put into a general fund or.....

SUELTFUSS: No sir, we have two, we have only one source of funds, of course, the Sewer Revenue Funds. All of that money is presently being put into the Sewer Revenue Fund. Out of that, are paid, of course, operating expenses and care, correct me if I am wrong. I'd better let the expert speak on that one.

CARL WHITE: I am not sure that I understand the question, but the Sewer Fund right now is not supporting all the cost of sewer systems and what I mean by that is that the General Obligation Bonds that we have sold for the sewer development, they are being paid for out of tax revenues and we are not siphoning off any of the sewer service charge and putting in on the General Fund. It is staying within that fund. There is no diversion of funds in any way.

NAYLOR: But there isn't enough money being put into it. Is that what you are saying?

SUELTFUSS: Selling any more bonds is what I said.

WHITE: Well, there is not enough, no sir. We wouldn't have coverage now to sell additional revenue bonds at this time. All the money that we are collecting is staying within that fund, if that is your question, yes it is.

NAYLOR: Well, isn't it pretty well true that you got somewhere around 15 thousand acres in that Medio or Medina River, or that basin there or that water shed.

SUELTFUSS: I think it's probably a lot more than that. I think that if we said that the Medio was it....I think we are kidding ourselves there. Mr. Becker, I think we need to think in terms of this whole water shed in this area. I think if we are going to put in a plant, thinking in terms of a regional system, we ought to be thinking big enough to put it here and not up in here, and some other one down in here, and another one down here.

NAYLOR: All right, Mel, isn't it true then if you have that much out there, that you are talking about a cost down here of what \$4 million if you put this plant in there?

SUELTFUSS: We look at our Leon and Salado Creek plants and outfall main, of course, it would have to be extended to this point, and it should be extended to this point to eliminate all these plants up here. And we are estimating between \$8 and \$10 million.

NAYLOR: Of course, that's with all of your laterals out....

SUELTFUSS: That's with the complete system of which there would be no particular revenue coming in on anybody's part except through the connection fee.

NAYLOR: All right, but if you have that many acres out there and you are talking about three houses to an acre, isn't this pretty well ready to develop rapidly out in that whole area?

SUELTFUSS: I would think a lot of this is, yes sir. The basic problem.....

NAYLOR: The ability to have the cash. This is what we are down for. I mean even though the potential revenue is down, the cash isn't in the till for it.

BECKER: Well, you know there is something that's dastardly about this business and that is the inflation that is occurring everyday. Now, we got a cost on the Tainter Gate, you know, the other day. Well, without criticizing anyone, it's considerably more than what was originally estimated to be. If we waited two years from today or three years from today, to build it will be even more than that and that's the way that all of this sort of thing is going and it's accelerating by an unprecedented rate in this nation, the cost of anything. So, I noticed the other day where the City of Austin passed, oh Lord, millions of dollars worth of bonds.

WHITE: They failed, that failed....

BECKER: One part failed as I understood it, Carl.

WHITE: Oh, maybe you are right.

BECKER: That's another subject, but most of the other things, improvement bonds passed as I understood it. Well, anyway, there was considerable money for the city the size of Austin. Now, one of these days we are going to have also address ourselves to the realities that this City cannot operate out of a cigar box. It's going to take money to make the wheels go around and bring about these improvements and really there isn't any better time to do it if you want to look at it from a, I know you have to establish this with reasonableness, but you have to do it before the costs go completely so high that it will be prohibitive for anybody to do it, you know. Putting it off and putting it off doesn't solve the problem. It really doesn't solve it. Well, I was hopeful that I would get an explanation and thank you, you have done a fine job, even if you did call Mr. Naylor...

GARZA: Is there anyone else that would like to make a comment on the annexation plans as proposed. Yes sir....

VAN DYKE: Well, I would like an opportunity to ask numerous questions.

GARZA: Do you have the answers to all of them?...All right. I was going to give you more time, but if you want to answer them now, you are welcome to do so.

VAN DYKE: I was extremely pleased to hear Mr. Becker's comments about the effect of inflation and paying for things now and doing now. This is precisely what the Water Board is talking about with our rate increase and how important it is that it be passed now so that we will get the money before all the costs go up. We agree with you Councilman Becker.

BECKER: I enjoy the way you keep trying to tie me into your problems. This is your problem, not ours.

VAN DYKE: I would also reflect your comments about the present Council and I apologize, sir, and I am the present general manager. I am not responsible for all the things that happened before too. We have to assume that boards go on, managers go on and Councils go on, regardless of the individual members who are present. A great number of questions were asked and the time is late and I wanted to answer them as quickly as I can.

Let us first go back to the comments in the report on page 31 of your report which I will now quote, "There are several options for a water supply for areas to be annexed containing private water purveyors or with no water supply at all. The City Water Board will extend its water service to the area or develop new wells in the area upon application by a customer and in accordance with the current City Water Board regulations. If water systems are existing in the areas to be annexed, the City Water Board can purchase a system or parallel the existing system to provide the required water service. The law states that because San Antonio is a home rule City that it has the exclusive right to operate its water system if it so desires, and it has so chosen to do so. Therefore, that gives the City Water Board, as the agent for the City Council, for the City of San Antonio, the exclusive right to operate the water system inside the City Limits of San Antonio".

So, I think that there should be no question about that. It is the intent of the City Water Board that we do serve everyone inside the City Limits. Now, the operating bond ordinance that we utilize, passed in 1957, says "there shall be no private water systems franchised to operate inside the City Limits in competition with the City Water Board." So the key to this word is competing. If you will recall a few months back, a few weeks perhaps, I recommended to the Council that we go ahead with the franchising of these systems because the City Water Board has neither the financial assets at the moment to extend the service nor to buy these systems and if we were to follow the law in its entirety, we would be placed in a position of preventing the extension of any service to any new home once the annexation was in effect. In answer to Cliff Morton's question, it was at that time that we started to discuss this matter and suddenly we were advised by our bond attorney, Mr. Paul Horton, and who also serves as a bond attorney for the City of San Antonio, and I'll quote this from page 31, "To do so might place the City's outstanding water and sewer revenue bonds in default and for all practical purposes, block the issuance of any further water and sewer revenue bonds by the City of San Antonio." So, upon that knowledge, I came back to you, if you will recall, and addressed the Council and said, "Let's be realistic about this." Why jeopardize our existing bonds if there is any legal question. The only word that is involved is the word competing. And so, you will note at the beginning of the last paragraph on page 31, it says, "at the option of the City Council, the City can allow a private water system or a private sewage system to continue its operation on an interim basis after its service area is annexed as long as it does not compete with the City Water Board in supplying water service or the City of San Antonio in supplying sewerage service." Now, I am treading into Howard Walker's area on legality.

I am not a lawyer and I don't profess to be. I am saying that we have been advised by our bond council of this condition. (TAPE CHANGE) They are small water purveyors and they run a business and we don't compete with them, and they don't compete with us. We are all around them and they are right in the center of our system, and we have no problem. So I would go back to our stated objective that it is the policy of the City Water Board that it will extend service to every citizen that it can do so under our current regulations. In each of those cases, the people have to come to us and apply for water service and we extend it to them. We don't force it upon them if we don't have water service in a particular area. To go back to Hubert Green's statement about that we don't know what we are doing, I think we know very clearly what we are doing and I think that the Council understands very clearly what we are going. It is an action that must be done because we do not have the present financial resources to carry out our long range objectives to acquire the system. Now, as to the point of acquiring private water systems, the City Water Board cannot go out and take away a pencil from a private citizen and it cannot take a water system away from him. This is his private property. Under the law of the State of Texas and if we are to acquire this property, we must either negotiate a purchase contract with the owner of the water system on a mutually agreeable basis, or if in our prerogative, we decide that we cannot arrive at any reasonable figure, the City Council has authorized the City Water Board to condemn property of any kind, and we have that power of eminent domain to condemn the property and go in to take it if we think that it must be done in the public interest. But from a practical matter, we don't have the money and the Council, this Council, Councilman Becker, has the control of the funds that we have and whether we are going to have the funds to carry out the acquisition of these systems or not. Our next question, I hope this answers the franchise this morning.

CLIFF MORTON: No sir, it doesn't. But this opinion comes from one of your legal counsels, and he says that you do not have the power. Very frankly, I don't think it takes a lawyer to understand it. It says, "The potential power of the City of Forth Worth to condemn all of plaintiff's property, in this case Lone Star Gas, as a going concern is not seriously questioned. This power is so definitely conferred by the general laws of the state and charter provisions that it cannot be questioned. We shall assume that such power on the part of the City of Fort Worth actually existed. Thus while recognizing the existence of the potential power, nevertheless plaintiff contends that before such power can be exercised, there must be accompanying some specific legislative provisions guaranteeing to all parties affected by the exercise of the power adequate compensation for all of the property taken and setting up a certain and adequate method of which such compensation may be ascertained. In other words, the plaintiff contends that although the City possessed the power to condemn its property, such power is dormant and cannot be legally exercised for several reasons among which are the following: One of them is the ability to set the value, etc. You have the power but it is dormant until the State of Texas gives you the legal mechanism for four different points here. It is my understanding that this is the position that.... (INAUDIBLE)

VAN DYKE: Howard, may I practice law for one second.

HOWARD WALKER: Go ahead.

VAN DYKE: San Antonio is a home rule City and it has the power enumerated there specifically to set the values. Now you take a City like Alamo Heights, it does not have that power. But we do. Pardon me for practicing. That's part of the law. This is what my attorneys just told me and I think it ought to be decided in the courts rather....

Now, another item that I would like to go back to, I believe this was Mr. Schafer's comments about the subdividers, he used the words pocket the money of the refund. We found through testimony in the Crownhill case that the developer did pass on the cost of the utilities to the lot owner. This was given in the testimony and so the money that was his originally was returned to him through the gain that he made in selling the lots. So he did recoup that, but in addition to recouping that amount of money, under the testimony that was given in this case, they said that the refunds that were later given to the developer from the Water Board then went into his funds to be used for whatever purpose that he might have. Now, the Water Board certainly is not opposed to any business making a profit. America cannot exist without a profit and your Water Board certainly is in the profit making business, to run it in every way it can to make the most money it can from its operations so that we don't have to come back to you and ask for more rates. So, we are trying to be like capitalists too, to make a profit, to hold down the burden of the rate payer. So, this money goes right back into the system, to expand it and instead of building a new store, we build a new water main. But if we don't have the revenues, we can't exist either, but we get no tax supports.

There was a question about circumventing the regulations. They were questioning my statement about that. I am sure that there are many people who would like to live out in the country and they would like a lot out there regardless of Water Board regulations or any City factors or rules or anything else. They would just like to live in the country. But the water systems that I am discussing have been ones that we have asked to serve the people. We have told them that we would be delighted to serve them. We have water mains in some cases immediately adjacent to these subdivisions and yet the people have refused because they don't wish to follow the regulations, and they do it to circumvent the regulations and to prevent their term expropriation of their property. Now, let me state that in the development of any subdivision has the question of turning the property over to the City for a street been questioned? Has the question of turning the curbs over to the City been questioned? Has the question of turning the storm sewer that runs down that street been questioned? Has the question of turning over the parkway to the City of San Antonio been questioned? I say unto you it has not and this is no more expropriating that property from a developer than the requirement that we have that if he expects to have our service, if he expects to have the tanks, the back-up facilities, the pumps, the control center and all of the other things that provide him that service, then he must pay for those things that he gets and he is not having his property expropriated without payment. He is getting a great deal for what he turns over to us and perhaps far more than he can ever realize.

Now, the next point that I would bring up has to do with the subsidy of our customers. We do subsidize our customers and this Council, Councilman Becker, is very well aware that we subsidize our customers. The minimum cost to the water user in San Antonio is \$1.40 and if you have read your rate study which was presented to you and which we very carefully presented to you in May, you know that the minimum cost of service during the test year will be \$2.55 and before the end of 1980, the cost to serve a customer will probably extend upwards to \$3.00 or more. But in the wisdom of this Council and previous Councils and my board today and previous boards, we have felt that it was politically expedient to not have a rate that was cost of service rate and in the original figures in the rate study, we found that we would have to ask the Council to increase the minimum rate from \$1.40 to \$3.00. We said it will never go. We must have it in stages and if you will recall our early discussions with this Council were for a 43% increase and the hands went up very fast and that is why we have come to you asked you to present us or to authorize us to have a 25% increase, October 1, 1972,

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an additional 25% October 1, 1974, and an additional 25% on October 1, 1976. Because, politically, we cannot present this figure to the public and have this tremendous charge go out to our public. Now I don't make those rules. This is a matter of policy, and it is the policy of this Council and it's the policy of my Board that in their wisdom we cannot charge the cost of service. So, I say that the point that we have raised here before you is true. It's very true, and we do subsidize the citizen of San Antonio in the lower income bracket who uses this small amount of water.

We talked about the franchise agreement. Let me clarify a point that was given to me. I have never been given that franchise agreement. It apparently was given to Howard Walker, but it was not given to me. I have prepared a franchise ordinance myself with the help of our attorney, and this was presented to you without any consultation with the subdividers on this point for your consideration. And, again, this was prior to the time we found out that we could not do that.

Mr. Saunders raised the point that in other cities the city government does encourage business to come to a city by having certain relaxed standards, certain financial, perhaps, assistance in some way to attract the industry. We are all aware that this is practiced in many cities. That particular point might well be something that this Council would want to consider, but at the present time it has not chosen to do so, and I would presume if the Council decides it wants to use public funds to attract new business and new industry that it would parcel certain funds out to the water utility and to the other utilities to assist them in providing those services if that is their wish to do so. We certainly have no argument with this, but it is just a matter of policy that must be set by the Council and there is certainly nothing that the utility can do unless it has direction from the Council and from its Board.

I believe, gentlemen, that I have covered those points that I recall, and if I have missed any I will be happy to comment on them. I heard no question that I didn't feel had a logical explanation, but I may have overlooked one.

GARZA: Thank you Bob.

MR. NANCE: In that area number 6, did I understand you to say that after you are annexed that all you have to do is apply for water and that you all are going to furnish the water? Did I understand you to say that? Is that all a citizen has to do is to apply for water after we are annexed?

VAN DYKE: That is correct, and comply with the regulations of the City Water Board and water will be extended to you. Now, you don't get that free. The regulations have a charge for it. We don't get anything in America for free you know.

MR. NANCE: I live in that area and it is kind of amazing to me because of the fact this area in number 6 up here just over to the left hand side of it at the bottom area just above 5 there, there are very, very few houses in there. All of them on acre tracts or larger and are a long ways from any water.

VAN DYKE: We will be happy to extend it. You come into my office and make an application, and we will start the main out there. Now, let me point out to the Council and to everyone here that when the decision was made to locate the University of Texas at San Antonio here and the site was chosen just above the number 6 area, the City of San Antonio annexed that area.

Without any prodding and without any suggestion that somebody ought to make us do it, your Water Board said there is no water out there. We have to have water for the University of Texas and out of the ten million dollar bond issue funds that were sold in 1971, a specific amount of money was included in that bond issue to extend the trunk mains to the University of Texas area. This particular case was done as a matter of taking care of the needs of the City of San Antonio and its desires to locate the University of Texas here because it means so much to all of our people. There was no developer involved in that particular case but these funds and those projects were specifically included in a bond issue that was approved by the City Council and financed with bonds that were sold by the City of San Antonio.

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MR. BECKER: Bob, I would like to thank you for appearing here this morning. You have a lot of things to do like the rest of us. I will say one thing, you stand up and speak your piece and I admire you for it. I appreciate your coming and needless to say you are probably not surrounded by the most friendly audience and yet you haven't faltered and you haven't backed water and I admire you for it. I appreciate your time this morning.

MR. VAN DYKE: Well, thank you Councilman Becker, but I would beg to differ with you that I am not surrounded by my friends. Because I think of each one of the people in this room as one of my friends and people who are vitally interested in the growth of San Antonio. That is our common bond. I think that this meeting has been very good to acquaint you folks with some of our problems and of the citizens and developers and to encourage an atmosphere of trying to solve problems together. I speak on behalf of my board and my management that we will work closely with this City Council, we will work closely with the developers, we will work with the citizens of San Antonio to try to provide the service that you folks want. That's the only reason we are in business and we want to do that job and we want to do that the best way that we can. But tell us what you want, set the policy here at the Council level to be passed on to our Board, what you feel is correct, and I will do everything in my power as the General Manager to see to it that those policies are carried out in the manner that you folks would like to have them done. That is why I am here.

MR. VANCE: Before we go on with our discussion any further, I am a developer in the northwest and northeast sides of town. Mr. Van Dyke has made a strong point that he is here to serve and to enforce regulations only. There is a specific incident that I would like to bring up which, because of it, I would like for the Council to give very much thought to settling the questions before or at least giving us some expression of what you feel that you are going to do before we go forward with the annexation. The area is Bristol Place, Unit Two, which is over on Rittiman Road. It was scheduled for annexation before. We didn't oppose it and went along with it. What happened, and it is the reason why many of the developers, I don't know that they had the same circumstances but many things like this have happened. On this area we filed a plat before the first annexation hearing and there were many questions on it. We worked with the Water Board engineering staff on up through their Legal Staff on up to Mr. Kaufmann. Finally, we got the answer approximately a month or six weeks before the final reading of the annexation. Mr. Van Dyke felt that it wasn't for the good of the City of San Antonio that they process that plat. His own legal counsel told him that we met all regulations. We worked as diligently as we knew how. The thing that personally, I do and I feel some of the other developers have a great fear of is that once we agree to doing what is good for the City of San Antonio that someone other than the Council wishes is going to make some determination what is good for the City of San Antonio. On this basis I feel like the Council should give great thought to what actually is going to happen to us after it takes place, and not be left up in the air for someone on a level other than you all to make the determination. Thank you for the time.

MR. GARZA: Yes Sir?

MR. EDDIE BURGE: Good afternoon. My name is Eddie Burge and I am an attorney with the firm of Foster, Lewis, Langley, Gardner & Banack. I would prefer to speak not as an attorney though but as basically an interested citizen. I can agree with everything Mr. Becker has said, with the majority of the developers and the builders that spoke here this morning concerning the difference between Houston and San Antonio. I am originally from Houston. While I was there I worked for a development corporation for three years and I have more or less grown up in that business all my life. I think the point that Mr. Becker is trying to make here and the point that these developers are trying to get across on the thing is that they are interested in the City of San Antonio growing and being a prosperous City. Mr. Becker brought up the point

that could these developers compete if you keep these costs down and everyone work along the same guidelines with this water franchise. They answered that question affirmatively. Now, I think the next question that the City Council needs to answer is can they compete with the City of Houston by changing some of their rules and regulations so it will make it more beneficial for the developers to develop their property, build their houses and attract people to the City of San Antonio. Thank you.

MR. GARZA: Thank you very much. Is there anyone else?

MR. SAUNDERS: This is the last time but I would just like to point out in a very friendly way Bob that all of the things that you made in comparison - streets, curbs, parkways, drainage and so forth are non-revenue bearing types of things.

MR. GARZA: Is there anyone else? If not, Charlie, if you don't mind, we will adjourn the meeting and I think as far as I am concerned, Charles, I think I have gotten a tremendous insight into some problems that I hadn't heard about before. The great majority I have already been aware of. Hopefully, this meeting will help me in making a decision next Thursday.

MR. BECKER: Gilbert, do you think it would be worthwhile if the Council would meet with various groups of people like this in the future either home builders, Water Board, City Public Service and Transit, or whoever, and sit down and try to resolve some of these things?

MR. GARZA: Charlie I think that as an individual, I can't speak for the Council, this is an informal meeting, but...

MR. BECKER: We are just talking amongst ourselves.

MR. GARZA: As an individual, I have always said that I would be willing to spend my time meeting and trying to resolve some of the problems. You would almost have to ask that question to the whole Council.

MR. BECKER: Well, of course, I appreciate that, but this is my idea frankly, of what a Councilman is supposed to be doing, not necessarily going to the ribbon cuttings of the various retail establishments and all that sort of thing, but trying to handle the affairs and businesses of the City of San Antonio. I consider this morning on my part, at least, well spent and I appreciate...

MR. NAYLOR: Gilbert, I think that in fairness to everybody here that we certainly should express our thanks for coming and giving of the time to give us these thoughts because I think its very important to the staff and all the developers and the other people that attended too, and I for one am very appreciative.

MR. GARZA: I would also like to thank the staff for being with us this morning and filling us in. The four of us here were not present last Thursday and although we had been invited individually I think that we did get quite a bit out of it. I would like to thank the staff for coming this morning.

MR. MENDOZA: Gilbert, the only thing that I would like to say to Mr. Becker is that I would like to clarify the fact that I am not a member of the Red Carpet Committee.

The meeting was adjourned at 12:40 P.M.

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