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Public Works Financing Exclusive: San Antonio Water Board Unanimously Approves \$3.4 Billion Water Supply P3 with Abengoa.

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The mayor and city council of San Antonio, Texas will vote Oct. 30 on a water-purchase contract three-years in the making with a large Spanish water company that will increase consumer water rates by 16%. A yes vote will commit the political leaders of the south Texas city, 25th in size by metro area, to a \$3.4-billion, 30-year contract for 50,000 acre-ft. a year of imported groundwater, enough to augment current city supplies by 20%, via a 142-mile, 54" pipeline along I-35.

If approved, the availability payment contract with Abengoa will dwarf any similar groundwater transfer contracts in the U.S. Only Poseidon's 50-mgd seawater desalination projects in California match the 45 mgd in new water promised to San Antonio.

Abengoa's website says it supplies drinking water to more than 6 million customers globally. The company has completed more than 50 pipeline projects and has successfully executed every design-build contract awarded. Abengoa has successfully financed more than 100 projects with a total investment value of \$20 billion.

Abengoa will have spent about \$40 million pursuing the project. Much of that venture capital went to securing long-term leases with 3,400 landowners for rights to their groundwater from two wellfields in Bureson County. The poor, rural county east of Austin has a population of 17,200. Half of the availability payments will go to landowners there.

Strong support by the business community saved the project earlier this year when the San Antonio Water System (SAWS) staff wanted to cancel the imported water procurement and pursue expansion of its ongoing groundwater desalination project. The big water agency pivoted quickly and Abengoa was selected on July 1 to negotiate a contract. The SAWS staff, led by Donovan Burton, chief of staff to CEO/President Robert R. Puente, produced a final draft that was unanimously approved by the SAWS board on Sept. 29.

City Council approval is not assured. The first-year cost of delivered water under its water purchase contract would be \$2,239 per acre-ft, requiring an estimated 16% rate increase starting as early as 2019.

The city's existing supply from the nearby Edwards aquifer ranges in cost from \$330 to \$540 per acre-ft. Water purchased from a neighboring county is \$1,224 per acre-ft. The estimated cost of potable water from the first phase of its brackish water desalination project, which started construction a few months ago, is \$1,138 per acre-ft.

Mayor Ivy R. Taylor was appointed on July 22, 2014 after the sudden departure of Julian Castro to be President Obama's HUD Secretary. A 1992 graduate of Yale who holds a city planning masters from UNC Chapel Hill, she sits on the SAWS board and voted with the majority in favor of the Abengoa contract.

One close observer is optimistic: "Proponents have won the p.r. battle and any anti's on the council are boxed," he says.

SAWS's legal advisors are Hawkins, Delafield & Wood LLP and Norton Rose Fulbright; financial advisors are PFM, Estrada Hinojosa & Co., and Langley & Banack, Inc.

NCPFP

By Editor October 6, 2014

Public Works Financing is a monthly newsletter covering P3s in all infrastructure markets, since 1988. It is widely read and cited in the media, academic research, federal reports and congressional testimony.

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