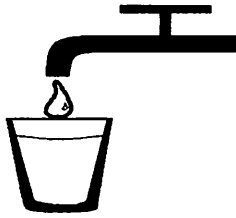


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October 24, 2016

Felix Marquez
Executive Director – Administration and Financial Services
Edwards Aquifer Authority

Cc: Roland Ruiz, General Manager Edwards Aquifer Authority

Re: 2017 Proposed Budget Comments

Mr. Marquez,

While I have no objection with the 2017 Proposed Budget for the Edwards Aquifer Authority as presented, it has come to my attention that there may be an issue with the proposed Aquifer Management Fees assessed to Municipal & Industrial Permit Holders as it relates to the Habitat Conservation Plan. As a member of the Stakeholder Committee appointed by EAA representing all municipal permit holders west of Bexar County, I support the reduction in fees to support the EAHCP projects as a reflection of the reduced budgeted expenditures planned for 2017. The proposed combined budget appears to provide for the efficient operation of the EAA, supports all programs, and minimizes the expense to M&I permit holders by maintaining the same combined AMF since 2012.

The reduction in expenses for the EAHCP is equal to the budgeted reduction in income while maintaining a healthy reserve fund of more than \$29 million. While the HCP anticipates a reserve cap of \$46 million, there is, in my opinion, no reason to maximize the reserves to that level as long as the reserve fund is sufficient to cover a full year of expenses plus a contingency to fund unanticipated expenditures that may come up out of the budget cycle. The overwhelming amount of funds that make up the reserve fund comes from public entities held in

public trust. It is my opinion that these types of public funds should not be overly inflated without specific needs and planned expenses.

A second comment I have is the increase in aquifer management fees to support the general fund. While the combined management fees have not increased since 2012, it is important to note that the general fund portion indicates a significant increase in aquifer management fees for M&I permit holders for 2017. With this continued increase in management fees to support the general fund of the EAA, it is not difficult to envision a combined future increase in the total management fees assessed by EAA to fund the growing needs of the general fund and future expenses related to the HCP.

Thank you for the opportunity for me to submit my comments concerning the 2017 Proposed Budget for the Edwards Aquifer Authority.



Bruce A. Alexander
Superintendent
East Medina County Special Utility District