



October 20, 2016

Hand-Delivered

Mr. Roland Ruiz
Edwards Aquifer Authority
900 E. Quincy
San Antonio, Texas 78215

Re: SAWS Comments on Edwards Aquifer Authority 2017 Proposed Operating Budget

Dear Roland:

Thank you for meeting with Donovan Burton and me last week. As we mentioned, the San Antonio Water System (SAWS) is taking the opportunity to submit written comments concerning the Edwards Aquifer Authority's (EAA) Proposed 2017 Operating Budget.

SAWS recognizes that the EAA is a unique groundwater district with specific legislative charges, including protecting the springs-associated endangered species through the Edwards Aquifer Habitat Conservation Plan (EAHCP). As a Permittee, SAWS benefits in multiple ways from the programs, partnerships, and protections of the EAHCP. Therefore, we believe that it is important to ensure the EAHCP is funded in a manner consistent with the intentions of the EAHCP permittees and the U.S. Fish and Wildlife Service as reflected in the Funding and Management Agreement (the Agreement).

The Agreement provides at Subsection 5.2.2 that the EAA will assess Program Aquifer Management Fees annually to meet the Annual Funding Obligation in accordance with Subsection 5.2.1. The EAA Board of Directors may, at its sole discretion, assess Program Aquifer Management Fees in an amount that will generate *more* funds than the amount required by Subsection 5.5.1. However, as reflected in Subsection 5.5.4, the EAA may not use the Fund Balance to reduce required Program Aquifer Management Fees until the Fund Balance Cap (currently set at \$46 million) has been achieved.

The EAA's 2017 Proposed Operating Budget projects \$3.7 million dollars of spending from the reserve fund of the HCP Program Account to meet the Annual Funding Obligation in lieu of adequate Program Aquifer Management Fees. Given the present above-average Edwards Aquifer levels and springflows, it does not appear that expenditures from the EAHCP drought contingency fund will be necessary in 2017. Instead, 2017 could be a year in which further accumulation of funds in the EAHCP drought contingency reserve fund – and thus, assurance of endangered species protection – might occur, depending on actual long-term refugia 2017 expenses.

When and if the Fund Balance Cap is reached, Program Aquifer Management Fees could be reduced to a level sufficient to meet the next Annual Funding Obligation. However, we believe that reducing Program Aquifer Management Fees and funding budgeted EAHCP operations with the current reserve fund balance is inconsistent with the letter and spirit of the Agreement.

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Regarding the proposed 2017 General Fund operating budget, the EAA should consider measures that would reduce the need to increase expenditures. The San Antonio City Council vigilantly scrutinizes the SAWS budget in the interest of increasing efficiency. A thorough review of the current uses and allocations of Aquifer Management Fees might reveal opportunities for cost savings and increased efficiency.

If you have any questions or would like to discuss this matter further, please contact myself at (210) 233-3846, or Donovan Burton at (210) 233-3926.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Puente', with a stylized flourish at the end.

Robert R. Puente
President/CEO

cc: Donovan Burton, Vice President, Water Resources, Conservation, and Governmental Relations
Darren Thompson, Director, Water Resources