

City of San Antonio



Minutes Municipal Utilities Committee

2021 – 2023 Council Members
Dr. Adriana Rocha Garcia, Dist. 4, Chair
Teri Castillo, Dist. 5 | Melissa Cabello Havrda, Dist. 6
John Courage, Dist. 9 | Marc Whyte, Dist. 10

Tuesday, January 28, 2025

10:00 AM

City Hall

The Municipal Utilities Committee convened a regular meeting in the Council Briefing Room in the City Hall Complex beginning at 10:00 a.m. Deputy City Clerk Aurora Perkins took the Roll Call noting a quorum with the following Committee Members present:

Members Present: Dr. Adriana Rocha Garcia, *Chair*
John Courage, *Member*
Melissa Cabello Havrda, *Member*
Teri Castillo, *Member*
Marc Whyte, *Member*

Members Absent: None

Approval of Minutes

1. Approval of minutes from the December 9, 2024 Municipal Utilities Committee Meeting

Councilmember Whyte moved to Approve the minutes of the December 9, 2024, Municipal Utilities Committee meeting. Councilmember Castillo seconded the motion. The motion carried by the following vote:

Aye: Courage, Rocha Garcia, Castillo, Whyte
Absent: Cabello Havrda

Briefing and Possible Action on

2. **San Antonio Water System (SAWS) regarding implementation and compliance with the Environmental Protection Agency (EPA) Lead and Copper Rule Revision (LCRR).** [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Potable Water Quality Supervisor, Kirstin Eller with SAWS, provided an overview of the implementation and compliance with the Environmental Protection Agency (EPA) associated with lead and copper pipe requirements. She noted that in 1991, the original EPA lead and copper rule (LCR) was applied, and a revision was made in 2021 under the Lead and Copper Rule Revision (LCRR). She noted that utilities had until 2024 to comply with requirements.

Eller noted that the LCRR was a huge requirement for all utilities to meet. She stated that both system owned and private owned lines must be identified for buildings built before 1989. According to Eller, all water lines must be identified for non-lead, lead, galvanized pipe requiring replacement, or unknown materials. She spoke to requirements for SAWS to maintain and update a publicly available service line inventory.

Eller reviewed how SAWS was identifying lines for materials, which included conducting a historical record review, "As-Built" records review, physical inspections, which included potholing, and meter box inspections. She noted that emerging technologies were being identified to review all lines and that SAWS was very involved in testing new technology and methods of inspection.

Eller reviewed how record reviews were conducted and the type of records reviewed, which included historical tap slips, work orders, "As-built" documents, customer service inspections, and reviewing tax parcel data. She also provided examples of physical inspections conducted to identify line materials.

Eller stated that SAWS had recently presented at a public conference to discuss emerging technologies in partnership with the EPA Office of Research and Development. She stated that due to this partnership, SAWS had tested emerging technologies in the field and provided feedback on findings after testing. Eller added that SAWS had developed pilot programs to test the new technologies.

Eller reviewed lead and copper line data by council district and stated that over 377,700 lines were still pending inspection and noted that inspections must be completed by 2037. She spoke to findings in each council district and pending lines to be identified.

Eller stated that SAWS was required to notify customers of line material findings by email or postal letter which would begin in October 2025. She clarified that homes were eligible for inspection if built before 1989 and had unknown materials. Eller added that customers could gain information on the SAWS website.

Eller reviewed alternatives to a SAWS inspection, which could include a customer contractor completing the inspection or a customer self-report. She stated that information on self-inspections could be found on the SAWS website.

Eller spoke to steps to be completed if a lead pipe was found. She stated that educational material was provided to customers and SAWS would offer to replace customer pipes on the customer's side at the owner's expense. Eller noted that owners had the right to refuse replacement and there was no penalty or action against customers who did not replace or refused inspections. She added that customers had the option to use water filters rated for lead removal.

Eller reviewed the Lead Service Line web portal, which provided information to customers on pipe

findings to include unknown statuses. She spoke to next steps in Phase III future work which was scheduled for January 2027 which included continuation of line inspections, line replacements, school and childcare water sampling, and compliance monitoring system wide.

DISCUSSION

Chair Rocha Garcia acknowledged SAWS Chief Executive Officer Robert Puente and other SAWS leadership on the work they performed serving the community. She asked for clarification on how community notification was adjusted. Eller stated that language was adjusted to not be as “scary” and provide education to customers. Chair Rocha Garcia asked if individuals could provide information on suspected lines. Eller stated that SAWS could be notified and an inspection would be scheduled to be conducted.

Chair Rocha Garcia asked how information was provided to customers after an inspection was completed. Eller stated that materials were provided to the customer on what was found after an inspection with options for addressing.

Councilmember Cabello Havrda asked if all lines would be inspected by 2037. Eller stated that it was required to complete the inspections and that a plan was being developed to meet that deadline.

Councilmember Cabello Havrda asked if there was a program to assist residents with pipe replacement. Eller stated that a program would be developed once the number of lots impacted were identified. She stated that the normal replacement cost was approximately \$4,500 for a 50-foot line.

Councilmember Cabello Havrda asked if school districts would be required to pay for line replacements. Eller stated that the program would begin in 2027 and schools would not be required to pay for replacements and currently, if lead was found in a school, the school would be provided filters to address the lead issue.

Councilmember Cabello Havrda requested that a program be developed to assist customers with the cost of replacing lines especially in underserved areas of the City. She also requested that the construction of yards, when pipes were replaced, be included in the program.

Councilmember Castillo commended SAWS for working closely with the EPA on identifying new emerging technologies. She stressed that lead or copper pipes in homes could lead to medical issues where individuals were exposed to those materials.

Councilmember Castillo asked if paper records and inspections being reviewed were being digitized. Eller confirmed that records were being digitized as they were reviewed and stated that the tab slips were digitally completed.

Councilmember Castillo asked if areas with the oldest infrastructure were being prioritized. Eller stated that the highest risk area, which tended to be the older areas, were being prioritized due to the age of homes. Eller also noted that the homes where residents had requested inspections were being prioritized. Councilmember Castillo acknowledged the educational materials provided and requested an infographic be developed to provide to the community noting lead pipe

concerns and areas identified having issues. She asked that the City and SAWS work together to identify funding for pipe replacement which would be a heavy burden for residents in her council district to undertake.

Councilmember Whyte noted the difficult task ahead for SAWS and supported the work to be completed to be done. He asked what other reasoning was given for refusals other than the cost to replace pipes. Eller stated that customer refusals were respected without investigating reasons and she felt that the cost or tearing up of lawns were the main reasons for individuals to refuse to replace lines.

Councilmember Whyte asked if there were any health issues associated with not replacing lines. SAWS Chief Legal and Ethics Officer Edward Guzman stated that there was no legal liability to SAWS if a customer refused to replace their lines. Eller stated that SAWS was required to send an annual letter notifying residents of lead pipes found on their properties.

3. San Antonio Water System (SAWS) regarding its 2025 budget. [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Doug Evanson, SAWS Chief Financial Officer, provided an overview of the SAWS 2025 Budget. He stated that SAWS had undergone change and noted that average residential bills decreased by 8.7% since 2022. He noted that SAWS followed the priorities from the City of San Antonio and met State and Federal requirements.

Evanson stated that SAWS worked closely with the City of San Antonio on the 2022-2027 Bond Program and the water work associated with those projects. He noted that under the \$1.2 billion Bond Program, SAWS work was under the 183 projects identified, and was involved in 65 projects estimated at \$83.1 million. According to Evanson, the SAWS funds transfer to the City increased from 2.7% to 4% in 2019. He added that under the Edwards Aquifer Protection Program (EAPP) and the 2020 Mayor's initiative, SAWS redirected sales tax to public transportation funding, which resulted in \$10 million a year from the SAWS increased contribution.

Evanson stated that Winter Storm Uri had a strong impact on the SAWS Budget but they had met the immediate challenges from the storm and further strengthened their resiliency profile. He noted that SAWS had \$2.4 million in costs associated with the freeze event and provided \$12 million in billing adjustments. Evanson mentioned that the 2021 Texas Legislature Senate Bill (SB) 3 required water utilities to improve system resiliency and SAWS had invested with CPS Energy in the use of shared generators at select pump stations, which had exceeded \$200 million in investments.

Evanson noted that due to COVID, SAWS had met supply chain disruptions and inflation but noted that SAWS' strong financial position allowed them to respond without a rate adjustment. He stated that supply chain disruptions included longer lead times for the delivery of equipment and fleet and required extensions on construction contracts. He added that during COVID, the Budget was impacted by the increased cost of supplies and materials and SAWS had increased personnel compensation to include living wage increases and out of cycle wage adjustments in September 2022.

Evanson reviewed the lead and copper regulatory requirements since 2023 when the Phase I

requirements on data management and service line inventory cost \$3.2 million. He noted that in Phase II in 2024 for continued customer inventorying and sampling, cost SAWS \$9.7 million. Evanson stated that costs under Phase III were still being determined and would include finalizing line inventory and line replacements, if needed.

Evanson spoke to SAWS efforts under water stewardship of non-revenue water interventions which included but were not limited to leak detections, asset maintenance and management, point repairs, production meetings, line replacements, and workforce. He reviewed the SAWS scheduled Water Replacement Plan from 2023 through 2031 in terms of CIP projects, Governmental Water projects, meter replacement, and water main replacements.

Evanson provided an overview of the Connect H2O Program, which was an initiative that utilized the existing AMI network of CPS Energy estimated at \$215.1 million on the deployment of more than 550,000 within the SAWS network. He noted that the focus of the Program was on improved customer engagement, water conservation, and operational efficiency.

Evanson reviewed rates of growth within the City of San Antonio from 2007-2024 and the impact to SAWS in terms of customer connections, total SAWS assets, total sources of funds, and number of SAWS employees.

Evanson provided an overview of the 2025 initiatives, which included water stewardship, safety culture, water/energy Nexus, Emergency Preparedness Plan, ConnectH2O, and chilled water system initiatives.

Evanson noted that under its establishing Ordinance (Ordinance No. 75686) in 1992, the SAWS Board was required to prepare an annual Budget to control and administer the management and operation of the water system. According to Evanson, the annual Budget reflected an estimate of gross revenues and an estimate of the disposition of these revenues consistent with funds flow requirements. He added that the annual Budget was presented and approved by the Board of Trustees at least 60 days prior to beginning of the Fiscal Year. After approval, the Budget would be submitted to the City Council for review and consultation, according to Evanson.

Evanson stated that the rates and charges waterfall to generate gross revenues needed to be sufficient to pay operations and maintenance, debt services, transfers to the City, and that any surplus was transferred to research and related programs.

Evanson spoke to the SAWS Annual Operating Budget in terms of revenues and expenditures. He noted that the total sources of funds were over \$1.08 billion and those funds were used for operations/maintenance, debt service and expenses, transfers to the City, and restricted/unrestricted funds for the Renewal and Replacement (R&R) Program.

Evanson reviewed the different sources of funds for SAWS, which were approximately \$1.1 billion with a mix of unrestricted and restricted funds including operating revenues, non-operating revenues, and capital recovery fees/impact fees.

Evanson noted that 2025 key sources of funding assumptions were customer growth, projected sales, investment yield, bad debt, and impact fees. He reviewed operating and maintenance

expense specifics in relation to salaries/benefits, contractual services, materials/supplies, and other charges. Evanson added that 63% of the Operations and Maintenance Budget related to personnel and purchased water costs.

Evanson reviewed 2025 key operations and maintenance expense assumptions, which included 87 additional water headcounts, living wage increases, brackish desalination production, chemical cost increases, and environmental mandate compliance.

Evanson stated that the total Capital Improvement Program (CIP) was \$625.8 million with allocations to water delivery, wastewater operations, water supply, and chilled water. He reviewed 2025 CIP highlights, which included water main replacements, water tank replacements, generators and resiliency measures, wastewater main line replacements, and expansion of the ASR plant and the Clouse Treatment Plant.

Evanson provided a comparison of residential water and sewer rates of other Texas cities and stated that SAWS was the lowest on average compared to the Cities of Dallas, Houston, and Austin.

Evanson stated that SAWS was proud of their work aiding those in need in the community to include work performed in the Uplift Programs. He noted that the Uplift touch points included a separate Uplift Assistance Program rate structure, late fee waiver instances, and other initiatives to include Plumbers to People, Project Agua, and payment arrangements.

In closing, Evanson stated that the average monthly usage was 6,275 gallons of water and 5,052 gallons of sewer. He compared the City of San Antonio usage to other Texas cities.

DISCUSSION

Chair Rocha Garcia asked for clarification on funding associated with the R&R Program and O&M program costs. Evanson stated that R&R funds were accumulated and used towards future capital programs. Chair Rocha Garcia noted a recent story of the Rainbow Crosswalk being dug up due to maintenance repairs and she asked how the repairs would be covered. Evanson stated that cost allotments depended on whether the asset was a capital or O&M expense. SAWS President, Robert Puente, stated that an agreement was established with the City and that the repairs completed were made due to repairs needed underground and that repairs to the Rainbow would be reimbursed by SAWS.

Chair Rocha Garcia asked of the status of per-and polyfluoroalkyl substances (PFAS) initiatives and costs associated with repairs of landfills and military installations. SAWS Chief Legal and Ethics Officer, Ed Guzman, clarified that legislative mandates were in place that were being followed and continued legislation was being developed. He noted that current legislation would not hold SAWS liable on issues. Chair Rocha Garcia noted that two hearings were expected and asked if SAWS was staying on top of them. Guzman confirmed that SAWS was following all legislation and hearings associated with PFAS.

Councilmember Castillo noted the work performed by SAWS to provide equitable costs. She asked for clarification on restricted and non-restricted funds usage. Evanson stated that restricted funds

were earmarked for specific purpose programs (Capital Recovery Fees, Capital Improvements) and could not be used on any other items to include O&M Projects.

Councilmember Castillo asked how many generators were installed since Winter Storm Uri and were prepared for use. Andrea Beymer, SAWS Chief Operating Officer, stated that over the next five years, there would be 35 generators coming online with 14 going up within the next six months. Councilmember Castillo requested that a heat map be provided of the areas that the 14 generators would be covering. Beymer stated that the map would be provided.

Councilmember Castillo asked how long it would take to relocate a chilled water system and in particular, the East Market site. SAWS Senior Vice President of Operations Support and Innovation, Jaime Castillo, stated that it could cost from \$40 to \$50 million to relocate the East Market facility.

Councilmember Castillo asked what the cost of water main replacement would be. Evanson stated that it depended on the size of the main and associated pipes and work completed but that information could be provided to the Committee. Councilmember Castillo noted that it was a shared responsibility of the City and SAWS on the heat island impact and repairs on the infrastructure for the betterment of the entire system.

Councilmember Castillo acknowledged the services and programs in the Uplift Program. She asked how many main water replacements had been completed in the last year and the associated costs.

Councilmember Whyte noted 50% growth in customer service and asked if SAWS was adequately staffed to meet demand. Evanson stated that he felt SAWS was currently adequately staffed but that staffing needs could fluctuate as when SAWS acquired BexarMet Water System when the utility had ramped up the number of employees to meet the new customer population. He spoke to adding staff in particular areas for water line repairs needed due to the heat island effect.

Councilmember Whyte asked for clarification on debt service expenses and associated increases within past years. Evanson stated that SAWS was conservative in debt assumptions and that expenses were directed due to the CIP Program, which had increased over the past few years and noted that projects were scheduled for the next five years totaling over \$3.5 billion.

Councilmember Whyte asked how sales tax funding was being used in addressing SAWS priorities. Evanson stated that much of the revenue was used for the EAPP and added funding for transportation projects.

Councilmember Whyte asked for clarification on contractual services and if there had been discussion on speeding up construction and incentives for timely completion of projects. Beymer stated that incentives had been looked at for CIP projects and developed for bigger programs such as water supply. She noted that there was a “carrot or stick” program where construction companies were fined for impact to SAWS and incentivized for completing projects early.

Councilmember Whyte stated that incentives should be used by the City and utilities to make sure that work was completed in a timely and efficient manner. Puente spoke to the partnership

between the City and SAWS for projects under the Bond Programs.

Ben Gorzell, City of San Antonio Chief Financial Officer, clarified that in 2019, the City had experienced a revenue loss due to some legislative mandates on cable and telecommunications and that the City and SAWS under the SAWS Bond Indenture, the City could provide up to 5% of gross revenue to fund the budget gap from the loss of revenue. He noted that the City and SAWS staff reviewed impacts to both entities and it was recommended to go to 4% of gross revenue to place funds towards aquifer and public transportation funding. Gorzell spoke to specifics of legal requirements and time frames for debt service management.

Councilmember Courage acknowledged the State Legislature mandate impact to funding sources. He asked what unrestricted funds could be used for and what was identified for use in 2025. Evanson stated that it could be used for cash funding for capital projects and programs.

Councilmember Courage asked what SAWS was required to have on hand. Evanson stated that SAWS was required to have 490 days on hand. Councilmember Courage asked how cash on hand impacted credit ratings. Evanson explained the various cash on hand levels for A+ to Triple A ratings.

Councilmember Courage asked how fluoride chemical costs impacted the Budget. Evanson stated that fluoride costs were \$250,000 per year, which were considered relatively inexpensive.

Councilmember Courage asked if there was any further consideration of selling Vista Ridge Plant water outside of the SAWS customer areas. Evanson stated that it was not recommended to sell Vista Ridge water due to water shortage in the SAWS customer area due to extreme drought. Donovan Burton, Senior Vice President of Water Resources and Government Relations, stated that discussions with other entities were held but due to drought levels it was not recommended to sell water. Puente stated that any action to sell water was to be approved by the City Council.

Councilmember Courage asked what future large scale project costs were anticipated by SAWS. Evanson stated that capital infrastructure was anticipated to be the largest investment that needed to be made in the future to include pipe and main line replacements. Beymer noted that wastewater treatment plant expansions were needed, and a master plan identified \$700 million for wastewater expansions.

Councilmember Courage asked how water loss was being measured over the past three to five years. Burton stated that in 2023, water losses were at 19 billion gallons within the system. He noted that this was not always due to water loss but also meter mis-readings and field work pipe replacement.

Councilmember Courage asked if SAWS would be requesting an increase in rates. Puente stated that a rate increase request was anticipated for years 2026 and 2027 for wastewater treatment plan improvements and other capital expansions. He noted that the recent large scale back up generator installation, AMI projects, and additional recent hirings were made without rate increases.

Councilmember Whyte noted that he had asked CPS Energy to look at costs or rate increases

compared in relation to household incomes within San Antonio. He asked that rate increase impacts be presented in terms of household incomes.

Executive Session

There was no Executive Session.

Consideration of items for future meetings

Adjournment

There being no further discussion, the meeting was adjourned at 11:34 a.m.

Approved

Dr. Adriana Rocha-Garcia, Chair

Debbie Racca-Sittre
City Clerk