

City of San Antonio



Minutes

Municipal Utilities Committee

2021 – 2023 Council Members

John Courage, Dist. 9

Mario Bravo, Dist. 1 | Adriana Rocha Garcia Dist. 4

Melissa Cabello Havrda, Dist. 6 | Ana Sandoval, Dist. 7

Tuesday, May 24, 2022

10:00 AM

City Hall

Members Present: John Courage, *Chair*
Mario Bravo, *Member*
Dr. Adriana Rocha Garcia, *Member*
Melissa Cabello Havrda, *Member*
Ana Sandoval, *Member*

Members Absent: None

Approval of Minutes

1. Approval of minutes from the April 26, 2022 meeting of the Municipal Utilities Committee.

Councilmember Rocha Garcia moved to Approve the minutes from the April 26, 2022 meeting of the Municipal Utilities Committee. Councilmember Sandoval seconded the motion. The motion carried by the following vote:

Aye: Cabello Havrda, Sandoval, Bravo, Courage, Rocha Garcia

Public Comment

James Smyle spoke regarding concerns regarding rate estimates, rate increase and impacts to utility customers.

Terry Burns with the Sierra Club spoke of concerns of water rate impacts to residential and commercial rates and drought impact of rates to customers.

Briefing and Possible Action on

2. **Briefing by the San Antonio Water System (SAWS) on the SAWS FY 2022 Operating Budget and Capital Improvement Program.** [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Doug Evanson, SAWS Senior Vice President/Chief Financial Officer, provided an overview of the SAWS 2022 Annual Operating Budget and Capital Improvement Program. He discussed the rates and charges waterfall which generated gross revenues and the key objectives of the budget and capital improvements program. Evanson reviewed the key sources of funding assumptions which impacted the budget and funding objectives.

Chair Courage asked of the status of the Vista Ridge Project. Evanson provided an update on the project and its future positive impact to the Edwards Aquifer. Chair Courage asked the level of SAWS cash on hand. Evanson stated that SAWS had \$1.2 billion of cash on hand and reviewed the breakdown which included restricted funds. Discussion occurred on the targeted and actual levels of cash on hand. Robert Puente, SAWS President and Chief Executive Officer, provided additional clarification of the level of cash on hand and the benefits on maintaining those levels. Chair Courage asked for continued discussion of the determination of cash on hand.

Chair Courage asked for data associated with performance pay and associated salary increases. Puente expressed concern regarding the request from the Municipal Utilities Committee (MUC) and stated that it was the responsibility to the SAWS Board. City Attorney Andy Segovia provided clarification that the Committee was expressing a viewpoint and not giving direction to SAWS.

Councilmember Sandoval asked at what point did maintenance become a capital expense. Evanson replied that maintenance would become a capital expense when adding to the life of the asset. Councilmember Sandoval asked if this was separate from what impact fees were used for. Evanson stated that it was not, as impact fees were utilized for growth related projects.

Councilmember Rocha Garcia asked how many projects were funded by the budgeted amount of \$62.2 million for water main replacement. Evanson stated that he would provide that information. Councilmember Rocha Garcia spoke of an instance where a water main replacement project began after the City had repaved the street and she wanted to ensure that this did not happen again. Steve Clouse, SAWS Senior Vice President and Chief Operating Officer, stated that monthly coordination

meetings were held between SAWS and the City and quarterly meetings were held between SAWS and the Texas Department of Transportation (TxDOT). He noted that the street that was paved prior to the water main replacement was not on the list that the City provided to SAWS.

Councilmember Cabello Havrda asked if all SAWS employees would receive the living wage increase. Evanson replied that not all employees would receive a living wage increase since SAWS used a performance pay system. Councilmember Cabello Havrda requested more information on the process. She requested a list of water main replacement projects by council district. Clouse stated that he would provide that information. Councilmember Cabello Havrda asked what improvements or investments would be made in SAWS Cybersecurity Program and requested information on capital improvements to be made in response to the need for resiliency after winter storm Uri. Clouse stated that he would meet with her separately to discuss these items.

Councilmember Bravo asked how water restrictions and conservation impacted the annual budget. Evanson stated that Stage I and Stage II water restrictions resulted in SAWS being close to budget or in excess of budget. Puente stated that over the years, SAWS had made water conservation a business tool. Councilmember Bravo requested a Committee discussion on how water restrictions and conservation could be used as a tool.

No action was required for Item 2.

3. Briefing by the San Antonio Water System (SAWS) on the Recycled Water System. [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Donovan Burton, SAWS Vice President of Water Resources and Government Affairs, provided an overview of the SAWS Recycled Water System and the history of the system. He stated that the Recycled Water Program was used for three purposes including water for: 1) reuse (purple pipe); 2) CPS Energy; and 3) instream benefit. Burton noted that water conservation led to lowered effluent flows and greatly impacted the supply of recycled water. He reviewed the largest users and recycled rates. Burton reviewed legislation that impacted the Recycled Water Program, water conservation and other SAWS efforts. He noted that water conservation was a priority for SAWS.

Chair Courage asked for the percentage usage of recycled water by businesses vs public users. Burton said he did not have but could provide it. Courage asked how the recycled water revenue shortfall was allocated. Mary Bailey, Vice President of Customer Experience and Strategic Initiatives, stated that the RAC recommended that allocation based on discretionary use by residential and irrigation classes.

Councilmember Rocha Garcia asked for clarification on the extension of water agreements for recycled water north of Loop 410. Burton stated that development agreements would be key to expanding purple pipe projects and that SAWS was conscious of not developing over the Edwards Aquifer Recharge zone.

Councilmember Cabello Havrda asked how parks were selected for purple pipe projects and how

parks were selected for water recycle projects. Burton stated that discussions with the City were used to determine park project placements. Councilmember Cabello Havrda asked for a discussion of water recycled projects in parks in Council District 6.

Councilmember Cabello Havrda asked if there were any incentives for businesses to participate in recycled projects. Burton reviewed the available incentives and Councilmember Cabello Havrda asked that continued education be provided to businesses for future projects. Councilmember Cabello Havrda asked how the City of San Antonio compared to other cities on recycling efforts. Robert Puente, SAWS President and CEO, stated that the City of San Antonio was looked upon as an industry leader and often consulted by organizations worldwide, therefore, there was no comparison.

Councilmember Cabello Havrda invited SAWS Board Chair Jelynn LeBlanc Jamison to provide clarification on the pay increases and performance pay questions to staff. Jamison noted that she was Chair of the SAWS Compensation Committee. Jamison stated that the SAWS Human Resources Department periodically worked with a consultant to determine market compensation for SAWS positions, but that was very different than performance pay which was rooted on specific objectives that employees must meet or exceed to receive performance pay. City Attorney Segovia clarified that SAWS does not have bonuses, rather performance pay similar to the City's annual review process.

Councilmember Sandoval asked for clarification on the how purple water extension or projects were paid for. Puente stated that the customer requesting a project pay the construction cost for an extension. Councilmember Sandoval recommended that recycled program expansions be reviewed to spread costs for an increase in future expansions similar to the impact fee process. Puente stated that economic development projects such as Toyota and Navistar received incentives for extension.

Councilmember Cabello Havrda asked if the current recycled water agreement with the City and SAWS would be finalized soon since it had expired in December 2021. Troy Elliott, Deputy Chief Financial Officer, stated that the agreement is expected to be finalized soon and would be presented to the City Council for consideration.

No action was required for Item 3.

4. Briefing by the Chair, Frances Gonzalez, of the San Antonio Water System (SAWS) 2022 Rate Advisory Committee (RAC) on the progress to date and path forward. [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Frances Gonzalez, Chair of the Rate Advisory Committee, provided a briefing on the San Antonio Water System Rate Advisory Committee (RAC) rate study to include the purpose and process of the study. She reviewed the three phases of the study which included revenue requirements, cost of service analysis and rate design study finalization. She reviewed the RAC mission, Committee

membership, demographics and meeting schedule. Gonzalez also reviewed the rate setting objectives and the priority of each objective.

Chair Courage thanked Gonzalez on her report and the importance of the MUC having insight on the process for this study. Chair Courage asked for clarification on the history of the RAC and its charge. Mary Bailey stated that the 2019 RAC reviewing the cost of service study conducted by a consultant, but was suspended due to COVID. She noted that the 2022 RAC picked up where the 2019 RAC left off, focusing on the rate design component and the process would be completed in approximately five months.

Councilmember Cabello Havrda asked how the members of the RAC gathered community input in the RAC process. Bailey stated that the diverse composition of the RAC was key to input and that other SAWS engagement and outreach groups would also contribute to the study. Councilmember Cabello Havrda reiterated the importance of outreach and engagement to residents and key stakeholders for input to the study. Mr. Puente stated that once the RAC process was complete, community outreach begins.

Councilmember Bravo asked what kind of rate structure would be needed to alter resident or water user behavior towards conservation. Puente stated that the current residential rates had eight tiers which provide an incentive for conservation. Councilmember Bravo stated that he would want to be able to have a separate rate structure to help lower income residents and encouraged consideration of all possible options to do so. Gonzalez stated that the RAC would be addressing an affordability rate structure element in meetings for possible implementation. Jamison stated that the RAC would also be considering what the City Council considered low income to determine the rate structure.

Councilmember Sandoval asked if a separate rate structure for affordability could be considered for CPS as well. City Attorney Segovia confirmed that both utilities are considering an affordability rate structure. Councilmember Sandoval asked if multi-family was included in the general class. Gonzalez replied that multi-family was in the general class and the RAC discussed ways to ensure that renters benefited from changes to the rate class rather than the building owners but had not been able to find a solution. The RAC decided to leave renters in the general class and call for further study. Mary Baily clarified that pulling multifamily out of the general class would increase their rates.

Councilmember Sandoval asked confirmation that the block tier rates were only for residential class. Gonzalez confirmed and that the RAC was considering reducing the number of blocks and those questions are being addressed in meetings.

Chair Courage asked about block tiered rates for the general class and that is not currently being considered by the RAC.

No action was required for Item 4.

5. Briefing by the San Antonio Water System (SAWS) on the American Rescue Plan Act (ARPA) Funding Agreement between the City of San Antonio and the San Antonio Water System to provide utility assistance funded by ARPA Funds. [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Mary Bailey, Vice President of Customer Experience and Strategic Initiatives, provided an overview of the American Rescue Plan Act (ARPA) funding agreement with the City of San Antonio and SAWS and of the assistance provided to SAWS customers. She noted that SAWS and City staff worked to utilize qualified census tracts to automatically enroll residents into assistance programs. She reviewed the approved amendments to the agreement with the City to establish automatic enrollment of residents in the qualified census tracts and on assistance programs. She stated that an estimated 7,100 customers would qualify for the program and be automatically enrolled in assistance, which would allow for continued water service.

Chair Courage stated that the amendments met the goal of the City and asked for a continued update on the program.

Councilmember Rocha Garcia thanked staff for auto enrolling residents into the program and asked for a final report of enrolled residents in the program.

No action was required for Item 5.

6. Briefing by the San Antonio Water System (SAWS) on implementation of recommendations from the Committee on Emergency Preparedness (CEP) Report. [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Steven Clouse, SAWS Chief Operating Officer, provided an update to the pending items for the SAWS recommendations related to Winter Storm Uri and stated that only one item was pending and would be addressed using an automated phone system.

Chair Courage stated that he was concerned with an automated emergency response system and reiterated the importance of having “live” customer representatives available to customers.

Councilmember Rocha Garcia agreed with the concerns of Chair Courage and asked that allowances be made for non-automated assistance for senior residents and other users.

No action was required for Item 6.

Consideration of items for future meetings

Adjournment

There being no further discussion, the meeting was adjourned at 12:32 PM.

John Courage, Chair

Respectfully Submitted

Debbie Racca-Sittre, City Clerk

DRAFT