

# City of San Antonio



## Minutes

### Municipal Utilities

San Antonio, Texas 78205

#### 2021 – 2023 Committee Members

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

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

Chair John Courage, Dist. 9

Tuesday, August 24, 2021

10:00 AM

Videoconference

To protect the health of the public and limit the potential spread of COVID-19, the Municipal Utilities Committee will hold this meeting via videoconference. These meeting standards are based upon the various suspended provisions of the Open Meetings Act issued by the Texas Governor in response to the COVID-19 crisis. These modified standards shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Texas Governor.

The meeting will be available to the public at AT&T channel 99, Grande channel 20, Spectrum channel 21, digital antenna 16, and [www.sanantonio.gov/TVSA](http://www.sanantonio.gov/TVSA). The meeting will also be available by calling (210) 207-5555 (English and Spanish available).

City Clerk Tina J. Flores took the Roll Call noting a quorum with the following Municipal Utilities Committee Members present:

**PRESENT: 5** – Bravo, Rocha Garcia, Cabello Havrda, Sandoval, and Courage

Once a quorum was established, the Municipal Utilities Committee shall consider the following:

1. **Briefing on the history and governance of the City's municipally owned utilities – CPS Energy (CPSE) and the San Antonio Water System (SAWS)** [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Ben Gorzell, Chief Financial Officer, provided a brief presentation regarding the history and

governance of CPS Energy (CPSE) and San Antonio Water System (SAWS). He reported that City Council had oversight over the local utilities, specifically CPSE and SAWS, and retained oversight over the approval of rates and charges, issuance of debt, condemnation approval and utility board member appointment/confirmation.

Mr. Gorzell described the history of CPSE and noted that the City acquired the San Antonio Public Service Company in 1942 from the American Light and Traction Company. Mr. Gorzell stated that CPSE served 888,000 electric and 367,000 natural gas customers and that as a municipally-owned utility, CPSE was exempt from payment of income taxes, state franchise taxes, use taxes and real and personal property taxes.

Mr. Gorzell stated that management and control of CPSE was vested in the CPSE Board of Trustees. He explained that the CPSE Board consisted of four Board Members that represented the four geographical quadrants of the City (NE, NW, SE, SW) and Mayor Nirenberg, who served as an Ex-Officio member. He listed the current CPSE Board Members: Dr. Willis Mackey, Chair; Janie Gonzalez, Vice-Chair, SE Quadrant; John Steen, NE Quadrant; Edward Kelly, NW Quadrant; and Mayor Nirenberg, Ex-Officio.

Mr. Gorzell reviewed the CPSE Board Vacancy Appointment Process, as follows:

- Nominee to fill such vacancy would be elected by the majority vote of the remaining members of the Board, including the Mayor.
- The Elected nominee was then submitted by the Mayor to the vote of the City Council for confirmation by vote.
- At the expiration of their first five-year term of office, the members of the Board would be eligible for reappointment by election of the other Board Members and confirmation by City Council to one additional term.

Mr. Gorzell described the authority of the CPSE Board noting that the Board had all the powers of the City for management and operations as follows: 1) Expenditure and application of revenues; and 2) Performance of all covenants, undertakings, and agreements from Bond Ordinances. He described the exceptions that required City Council approval as follows:

- Changes to rates and charges
- Issuance of debt
- Condemnation
- Board Member confirmation

Mr. Gorzell reported that Bond Ordinances allowed CPSE to pay the City up to 14% of gross revenues. He added that the projected City payment for FY 2022 was \$361.2 million, which comprised 27% of the City's General Fund.

Mr. Gorzell described the history of the San Antonio Water System (SAWS) and reported that SAWS was created on April 30, 1992 by City Ordinance 75686. He stated that the Ordinance consolidated the operations of the existing waterworks (formerly the City Water Board), wastewater and water reuse systems (formerly City departments). Mr. Gorzell stated that in 2012, the former Bexar Metropolitan Water District (BexarMet) was dissolved, and all its assets and liability were transferred to SAWS. He noted that SAWS served more than 529,000 water and 473,000 wastewater customers in and around

San Antonio.

Mr. Gorzell reported that the governance of the initial SAWS Board was made up of five members and subsequent legislation authorized expansion to seven members. He explained that the SAWS Board consisted of four Board Members that represented the four geographical quadrants of the City (NE, NW, SE, SW), two Board Members that represented the north and south sides of the City, and Mayor Nirenberg, who served as an Ex-Officio member. He added that except for the Mayor, all Board Members were appointed by City Council for four-year staggered terms and were eligible for reappointment for one additional four-year term. He listed the current SAWS Board Members: Jelynne LeBlanc Burley, Chair, North Quadrant; David McGee, Vice-Chair, NE Quadrant; Amy Hardberger, SW Quadrant; Eduardo Parra, NW Quadrant; Ed Belmares, South Quadrant; Vacant, SE Quadrant; and Mayor Nirenberg, Ex-Officio.

Mr. Gorzell stated that Bond Ordinances allowed for SAWS to pay the City up to 5% of gross revenues and the current level of the City payment was 4%, which was an increase from 2.7% in October 2019. He added that the projected SAWS City payment for fiscal year 2022 was \$30.8 million.

Mr. Gorzell reported that the SAWS Board had complete authority to manage SAWS with the following exceptions:

- Change rates and charges
- Issuance of debt
- Land condemnation
- Board appointments

Mr. Gorzell described SAWS authority and controls, and expenditures and applications of gross revenue. He added that SAWS had the authority to make rules and regulations governing the furnishing of service. He stated that the general operations of SAWS were under the supervision of the President/CEO who was employed by the SAWS Board. He added that SAWS had the authority to appoint and employ all other officers, employees, and professional consultants.

Councilmember Sandoval asked about the language included in the bond covenants and how the language had changed over time for both Utilities. Mr. Gorzell reported that several language changes had been made over time for both Utilities.

Councilmember Sandoval requested additional information regarding older bond conveyances compared to recent bond covenants and asked how existing bond covenants restricted the City's ability to issue new bond covenants. She requested further detail on previously issued bond covenants and asked how many had been issued in the past, when they were issued, and what was the lifetime of each bond issued. Mr. Gorzell reported that he would research and provide further data regarding senior lien debt, subordinate lien debt and the different provisions that each entailed. He noted that older bonds could be amended in accordance with their indentured terms or could be defeased, which would make such provisions no longer applicable and therefore no longer outstanding.

Councilmember Sandoval asked of the terms for serving on CPSE and SAWS Boards and why

those terms were different from the terms of City Council Boards. Camila Kunau, Assistant City Attorney, reported that the terms for the CPSE and SAWS Board began on the first date each respective utility was created or on the first date of service, which was also the start of the first four-year term for the respective utility. Ms. Kunau clarified that the CPSE and SAWS Board terms were not simultaneous with City Council terms that were instituted many years ago.

Councilmember Sandoval asked if State Statute determined the terms. Ms. Kunau confirmed that State Law was specific to the terms each member could serve but was not specific as to the date that terms started.

Councilmember Rocha Garcia asked when the Chief Financial Officer was designated to the position and when the position was approved by City Council. Mr. Gorzell reported that he had served in the role of Supervisor of Public Utilities for quite some time and he would provide the Committee with the date he began the position. He added that Russell Huff now served as the Assistant Director of Finance and managed the Public Utilities Division.

Councilmember Rocha Garcia asked how often the Utilities prepared reports and if those reports were provided to City Council. Mr. Gorzell stated that both Utilities provided reports annually and that some reports were furnished more frequently, such as compliance reporting. Mr. Gorzell noted that both Utilities had provided budget information and documents to the City regarding CPSE's 14% indenture payment and SAWS's 4% indenture payment. Mr. Gorzell added that both Utilities provided the Finance Department with compliance report such as the quarterly report provided by SAWS on the Environmental Protection Agency (EPA) consent decree.

Councilmember Bravo asked why the SAWS Board had seven members and the CPSE Board only had five members. He asked if the CPSE Board could be expanded to seven members and noted that the Board Members of both Utilities should have diverse backgrounds, knowledge, and skills. City Attorney Andy Segovia reported that the number of independent Utility Board Members was established by State Law. Robert Puente, SAW President and CEO, reported that the State Legislature established the seven-member SAWS Board in 1993, approximately one year after it was created.

Chairman Courage asked if expanding the composition of either Utility Board required Legislative action. City Attorney Segovia confirmed that Legislative action would be required.

Chairman Courage announced that public engagement was encouraged, and public input would be included in all future Municipal Utilities Committee meetings. He added that a special Municipal Utilities website would be created for the public to present questions or information to the Committee and to access further information. Chairman Courage outlined the public comment process and stated that written public testimonies would be reviewed by the Committee and become part of the meeting record. He added that individuals that wished to address the Committee could sign up to speak two days in advance. City Attorney Segovia clarified that public comments must be based on an agenda item.

Councilmember Bravo asked if the public could sign up to receive email updates from the

Municipal Utility Committee to receive upcoming meeting agendas and presentation materials, once agendas were posted. Mr. Gorzell reported that he would ensure that information was disseminated to the public.

**2. Briefing on Winter Storm Uri including the Mayor's Committee on Emergency Preparedness' Report and Recommendations** [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Mr. Gorzell reported that Winter Storm Uri significantly impacted the State and the City of San Antonio from February 13 through February 19, 2021. He noted that it was the most significant storm since the monitoring of weather phenomenon recordings began in the 1950s. He added that the winter storm created consecutive days of record low temperatures and wind chills and had cascading impacts including electricity outages, water outages, and transportation issues throughout the City.

Mr. Gorzell stated that on February 22, 2021, Mayor Nirenberg created the Committee on Emergency Preparedness (CEP) to better understand what happened during the winter storm with respect to the emergency communications and service delivery efforts of the City's Emergency Operations Center (EOC), SAWS and CPSE. He stated that the CEP was tasked to produce a report of the results of its investigation and provide recommendations that would comprehensively improve preparation, response, recovery and management of emergencies with changing conditions and cascading impacts. Mr. Gorzell listed the Emergency Preparedness Committee Members: Reed Williams, Chair and former Councilmember, District 8; General Edward A Rice Jr., USAF retired, Vice Chair; Dr. Adriana Rocha Garcia, Councilmember, District 4; Ana Sandoval, Councilmember, District 7; Manny Pelaez, Councilmember, District 8; Clayton Perry, Councilmember, District 10; and Lisa Tatum, former Assistant Criminal District Attorney, and President of the Texas Bar Association.

Mr. Gorzell described the Emergency Preparedness Committee actions as follows:

- Conducted 14 public, live-streamed meetings which began on March 5, 2021
- Issued more than 100 requests for information (RFIs)
- Gathered community input through an online portal, 3-1-1 and text messages
- Delivered a full report of its findings to the City Council on June 24, 2021

Mr. Gorzell stated that the Emergency Preparedness Committee Report contained a total of 48 recommendations for CPS Energy (8); SAWS (16); and the Emergency Operations Center (24). He highlighted that each organization worked to address the recommendations. Mr. Gorzell stated that the Report, meeting recordings and RFIs were all captured on the public webpage at [www.sanantonio.gov/emergency-preparedness](http://www.sanantonio.gov/emergency-preparedness).

Chairman Courage requested that both Utilities provide the Committee with their internal reports which detailed the winter storm effects on both Utilities. City Attorney Segovia emphasized that protected information such as security measures would not be provided to the public.

Mr. Puente reiterated that protecting the integrity of SAWS systems was crucial and that certain precautions were needed in order for SAWS to operate successfully.

Paul Barham, CPSE Senior Vice President of Energy Development Systems, stated that CPSE implemented a different approach and provided targeted reporting and lessons learned, rather than a single report.

Chairman Courage expressed concern that CPSE did not immediately conduct an internal assessment of the chain of events, nor did it engage outside consultants to review the CPSE Emergency event. Frank Almaraz, CPSE Chief Power, Sustainability and Business Development Officer, reported that CPSE was respectful of the City's process and did not want to duplicate efforts or undertake competing studies. He confirmed that CPSE conducted internal reviews but did not engage outside consultants but had commissioned a study to analyze State winter weatherization standards to address existing gaps and to develop an implementation plan without having to wait for standards to be created.

Chairman Courage noted that CPSE had eight recommendations and SAWS had 12; however, the public perception was that CPSE had more problems dealing with energy issues than with water issues. Mr. Almaraz pointed out that recommendation number four was to build the team to control what they do, generation transmission, distribution of electric power, and the purchase of distribution of natural gas.

Rudy Garza, CPSE Chief Customer & Stakeholder Engagement Officer, reported that CPSE had 25 open rule-making issues under review at the State Legislature. He noted that CPSE was part of one of the most heavily regulated industries in the country. He noted that CPSE was currently reviewing weatherization of its power plants as well as its community emergency communication system. Mr. Garza indicated that securitization would impact pricing and added that CPSE was actively engaged in all aspects of the changes to the Energy Industry that were underway.

Chairman Courage reported that the City could collaborate with local Legislators in support of the work of local utilities regarding the different rule-making issues under discussion at the State level.

Councilmember Bravo asked if CPSE lost \$1 billion dollars due to Winter Storm Uri. He noted that the Austin newspaper indicated that the cost of energy was approximately \$54 million during Winter Storm Uri. Councilmember Bravo called for an independent third-party consultant to conduct an analysis of CPSE's financial predicament caused by Winter Storm Uri and provide further recommendations.

3. **Briefing on past due amounts for utility delinquencies and disconnection reinstatement plans at CPS Energy and the San Antonio Water System (SAWS); and eligibility of utility assistance under the American Rescue Plan Act (ARPA)** [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Mr. Gorzell reported as of June 2021, the past due receivables growth had accrued since the disconnect moratorium began in March 2020 and was approximately \$110 million for CPSE, and approximately \$50 million for SAWS.

Mr. Gorzell provided status on the past due reserves of June 30, 2021, and the number of homes eligible for disconnection as follows:

- CPS Energy
  - Reserves \$78.6 million
  - Past Due \$110.9 million
  - Subject to Disconnect \$71.9 million
- SAWS
  - Reserves \$38.5 million
  - Past Due \$50.1 million
  - Subject to Disconnect \$38.3 million

Mr. Gorzell described the difference between CPSE Residential and Commercial customers subject to disconnect as of May 31, 2021, as follows:

- CPSE Customer Count
  - Residential 73,133 or 94%
  - Commercial 4,319 or 6%
- CPSE Amount Past Due
  - Residential \$62,088,723 or 85%
  - Commercial \$10,533,433 or 15%

Mr. Gorzell described the difference between SAWS Residential and Commercial customers subject to disconnect as of May 31, 2021, as follows:

- SAWS Customer Count
  - Residential 82,193 or 95%
  - Commercial 4,027 or 5%
- SAWS Amount Past Due
  - Residential \$26,044,383 or 82%
  - Commercial \$5,657,691 or 18%

Mr. Gorzell reviewed the CPSE count and CPSE amount past due on residential accounts which were enrolled in a CPSE income qualified affordability program or who had received Emergency Housing Assistance Program (EHAP) assistance. He reviewed the SAWS count and SAWS amount past due on residential accounts which were enrolled in a SAWS income qualified affordability program or who had received Emergency Housing Assistance Program (EHAP) assistance.

Mr. Gorzell presented the number of accounts that were eligible for disconnection and the amounts past due by Council District. He reported that the major statutory categories in which ARPA funds could be utilized for included:

1. Responding to public health emergency and negative impact
2. Premium pay
3. Revenue loss
4. Investment in water, sewer and broadband infrastructure

Mr. Gorzell reviewed the eligible populations, time frame covered and reporting requirements for ARPA funds. He stated that the final rules for ARPA funding were pending and staff were coordinating services and eligibility/interpretation with the Department of Human Services and the utilities.

Chairman Courage expressed concern that both utilities would disconnect accounts with unpaid bills on October 1, 2021. SAWS CEO Robert Puente stated that the goal was to try to continue to provide service to those with unpaid bills as much as possible.

Mary Bailey, SAWS Vice President of Customer Service and Strategic Initiatives stated that in June 2021, SAWS announced that they would resume disconnections for non-payment on October 1, 2021 and encouraged affected customers to contact SAWS for a payment arrangement which would prevent them from being disconnected. She indicated that SAWS announced that policy changes were made to extend payment arrangements for a longer period of time. She reported that staff communicated with delinquent customers via email, postcards and door hangers encouraging them to enter into a payment arrangement. She stated that staff proposed that if customers did not make payment arrangements by mid-September 2021, they would be automatically enrolled into a payment arrangement and would be encouraged to pay their current balance. She added that SAWS did not want to disconnect customers prematurely who may receive assistance in the near future.

CPSE Chief Customer & Stakeholder Engagement Officer Rudy Garza reported that CPSE was taking a similar approach as SAWS in reinstating disconnection policies. He indicated that CPSE had made over 90,000 calls and spoke with over 60,000 customers, 90% of which had been provided assistance. He stated that the disconnection process would resume on September 1, 2021 for the largest commercial customers which would be followed by small business customers on October 1, 2021. He added that CPSE would phase in their approach over a five to six-month period.

Councilmember Cabello Havrda asked how the utilities had improved since the winter storm and asked of the new plan for communication. She requested a plan and presentation for mass water distribution.

Councilmember Sandoval requested continued discussion on the item at the next Committee meeting. She asked for the number of customers who were in arrears who lived in the census tracts and how many accounts there were. She asked how customers in arrears in other areas of the City would be addressed and asked if CPSE and SAWS could forgive previous amounts due.

Councilmember Rocha Garcia asked if customers on the critical care list would be disconnected on October 1, 2021. Mr. Garza stated that they would not.

Councilmember Bravo asked if customers who were delinquent right now could apply for City funds. Mr. Garza stated that we will need the final guidance on ARPA funds, work with the public utilities, and then provide a recommendation to the City Council as part of a policy conversation.

Councilmember Bravo requested data on the success rate on payment arrangements.

Chairman Courage asked that Councilmembers submit their questions to him and he would distribute them to the utilities. He stated that it was important that customers contact the utilities and noted that

Federal funds would not solve the entire issue.

**Executive Session**

Executive Session was not held.

**Consideration of items for future meetings**

Next Scheduled Meeting Date: September 27, 2021

**Adjourn**

There being no further discussion, the meeting was adjourned at 12:00 PM.

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*John Courage, Chair*

*Respectfully Submitted*

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*Debbie Racca-Sittre, Interim City Clerk*