

City of San Antonio



Minutes Governance Committee 2023 – 2025 Council Members

Mayor Ron Nirenberg, Chair
Dr. Adriana Rocha Garcia, Dist. 4 | Melissa Cabello Havrda, Dist. 6
Manny Pelaez, Dist. 8 | John Courage, Dist. 9

Wednesday, October 18, 2023	10:00 AM	Council Briefing Room
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Members Present: Ron Nirenberg, *Mayor, Chair*
Dr. Adriana Rocha Garcia, *Member*
Melissa Cabello Havrda, *Member*
Manny Pelaez, *Member*
John Courage *Member*

Members Absent: None

Approval of Minutes

1. Governance Committee meeting on August 30, 2023.

Councilmember Rocha Garcia moved to Approve the minutes of the August 30, 2023 Governance Committee meeting. Councilmember Cabello Havrda seconded the motion. The motion carried by the following vote:

Aye: Nirenberg, Rocha Garcia, Cabello Havrda, Pelaez, Courage

Briefing and Possible Action on

2. Rules and procedures for the Council Consideration Request process of scheduling and consideration of items at City Council and committee meetings. [Andy Segovia, City Attorney]

City Attorney Andy Segovia provided an overview of the updates which began with a discussion with Councilmember Whyte. Segovia stated that the original 2003 Council Consideration Request (CCR) Ordinance was last updated in 2007 which changed the number of signatures required from six to five in order to comply with the Texas Open Meetings Act.

Segovia noted that the CCR practice had evolved over time so that the practice did not match the 2007 Ordinance. He reported that CCRs still required signatures by five Councilmembers only for the purpose of discussion, not indicating support. CCRs would be submitted to the City Clerk for filing and tracking.

The proposed Ordinance would set a 60 day timeline for the placement of a CCR on the Governance Committee agenda and outlined that the Governance Committee could take one of the following actions:

1. If necessary, submit the CCR for financial, legal and appropriate department review to be performed within 90 days then placed on the next Governance Committee agenda.
2. Hold a vote to assign the CCR to a Council Committee or the full City Council for consideration.
3. Vote to refer the CCR to the City Manager's Office for consideration in the next Budget Goal Setting Process if the costs associated with the recommended action cannot be practically achieved without the City Council changing spending priorities.
4. Vote to remove the CCR from further consideration.

Segovia outlined the following reasons the Governance Committee or Council Committee could remove the CCR from further consideration:

1. The requested action in the CCR was enacted into law (State or Federal).
2. The requested action in the CCR was preempted by State or Federal law.
3. The requested action in the CCR was already implemented or in the process of being implemented by the City Manager.
4. The Governance Committee determined for policy reasons that the action should not be recommended to the full City Council.

Mayor Nirenberg thanked Councilmember Whyte for bringing forward the request to update the Ordinance to reflect the process.

Councilmember Courage supported the updates as they provided clarification.

Councilmember Cabello Havrda asked what constituted notice to the City Manager. City Manager Erik Walsh stated that a notice could follow a number of routes before filing such as a direct meeting with the City Manager's office. Councilmember Cabello Havrda asked if a CCR Item could be implemented by the City Manager's Office directly from Governance. Overall, Councilmember Cabello Havrda supported the proposed update noting that there needed to be a thorough process without delaying good ideas.

Councilmember Rocha Garcia noted that she had authored 11 CCRs and signed 51 during her tenure on City Council and stated that 18 of them had not been heard. Councilmember Rocha Garcia requested explanation on how the Governance Committee could determine for policy reasons that action should not be recommended. Segovia explained that some Items might be implemented by the City Manager or was consistent with previous action or direction by the City Council.

Councilmember Rocha Garcia expressed concern that since only five Councilmembers signed the CCR maybe they needed to be able to have some input. She also expressed concern with any Item related to utilities. City Manager Walsh stated that any Item related to SAWS or CPS would need to be coordinated with the respective utility. Segovia stated that anything that required an Ordinance would have to be brought before the full City Council.

Councilmember Rocha Garcia supported the dashboard and tracking process and commented that the City Clerk already posted the memos on the website. Councilmember Rocha Garcia suggested a follow up process for those that might need funding or affect the Budget. City Manager Walsh replied that CCRs with a financial cost that was not already included in the Budget or was a new spending priority, should be referred to discussion at the next Budget Work Session.

Councilmember Pelaez supported the creation of rules and a tracking process but thought the Governance Committee should not have the ability to vote to remove the CCR from further consideration noting that three people on the Governance Committee could not recommend a CCR that five Councilmembers had signed. Segovia clarified that the Governance Committee's vote to remove a CCR from further consideration which was the same authority that any other Council Committee could have.

Mayor Nirenberg clarified that the purpose was to ensure that every CCR got a timely hearing noting the conversation on the merits of a proposal was a necessary deliberation of the committees, including the Governance Committee.

Councilmember Courage noted that situations changed over time and needed to go through the process with an ability for any Committee to stop a policy if it subsequently did not make sense.

Councilmember Cabello Havrda moved to Approve. Councilmember Courage seconded the motion. The motion carried by the following vote:

Aye: Nirenberg, Rocha Garcia, Cabello Havrda, Pelaez, Courage

3. Council Consideration Request by Councilmember Melissa Cabello Havrda (District 6) on CPS Energy. [Ben Gorzell Jr., Chief Financial Officer]

Chief Financial Officer Ben Gorzell provided background on the City's ownership of CPS Energy since 1942 which provided the following benefits to the community through reliable energy at a competitive rate. He stated that the citizens of San Antonio were essentially the shareholders who received a return of 14% of the gross revenues in the form of basic services.

Gorzell outlined the Council Consideration Request (CCR) which proposed to return 2-3% of the City's 14% gross revenues to CPS for them to improve resiliency and reliability and stave off rate increases for five years which would impact to the City's General Fund by \$60-\$90 million annually. Gorzell reported that the FY 2024 General Fund Budget was \$1.6 billion with \$1.1 billion for personnel and related benefit costs. He stated that this could result in a 20% reduction in department budgets if Public Safety and Public Works were removed which would result in cutting entire programs or departments. He noted that a B Session discussion would be needed if this was the direction of the Committee.

Gorzell recommended an alternative approach which would include amending the financial policy related to CPS Energy excess revenues which was presented in April 2023 and adopted in the FY 2024 budget. He noted that the policy required City Council to annually assess the City's payment from CPS Energy to determine the portion, if any, deemed to be unusual, out of the ordinary, and one-time in nature and make recommendations for that amount taking into consideration factors such as the City's overall financial position, impact on service delivery, benefit to the community, and responsible ownership. He added that in practice, amounts over 10% of CPS' adopted revenue Budget were set aside for input from City Council.

Gorzell proposed to amend the CPS financial policy to allocate funding in excess of the CPS adopted revenue Budget by allocating 80% to CPS Energy resiliency and reliability projects and the remaining 20% to the City's Resiliency, Energy Efficiency and Sustainability (REES) Fund with no impact to the City's budget and services. Gorzell stated that if this policy had been in place in the last 20 years, \$137.6 million would have been distributed for these projects, of that total \$61.1 million would have been from the last two fiscal years.

Gorzell stated that the policy would be positively viewed by the rating agencies which would keep costs down for the City and would focus on the objectives of the CCR to reinvest in CPS Energy and lower the level of potential future CPS Energy rate increases.

Councilmember Cabello Havrda expressed support for the proposed alternative and noted that her CCR was intended to start a thoughtful conversation about how the City could do better to keep our utilities affordable and reliable for our residents while supporting basic needs.

Councilmember Courage mentioned that he had been reluctant to change a longstanding agreement with the community as owners of the utility, but supported the alternative as it was a good way to support CPS Energy and help our residents at the same time.

Councilmember Rocha Garcia asked how much money would have been sent back to CPS Energy if the 80/20 split had been in place for FY 2023. Gorzell stated that \$22.5 million would have gone back to CPS Energy and would not have been budgeted for expenditure by the City. She recommended discussions with CPS Energy. Gorzell stated that no plan had been requested by CPS Energy. City Manager Walsh added that CPS Energy would need to provide a plan to the City if City Council adopted the proposed alternative.

Councilmember Rocha Garcia clarified that this alternative would not guarantee that CPS Energy would not request a future rate increase. Gorzell stated that it would be a good business practice

for CPS Energy to request a rate increase if there was a business case that it was needed as it might be difficult for them to predict excess funds. Councilmember Rocha Garcia requested a full review by Gorzell if, and when, CPS Energy requested a rate increase.

Councilmember Rocha Garcia asked whether this could impact the City's or CPS Energy's bond rating. Gorzell stated that the internal policy would not be considered a negative item to a rating agency and he noted that the alternative policy would not significantly change anything relating to the City's bond because these are related to unbudgeted revenues.

Councilmember Rocha Garcia commented that if this alternative were adopted, CPS Energy would need to provide a plan for their 80% and report regularly on the use of funds including impact on rates. She expressed concern that the proposal did not guarantee that CPS Energy would not increase rates and might not benefit her council district. Councilmember Rocha Garcia noted that one-time projects that City Council funded with excess revenues would no longer be available which would decrease investment in the community by the City.

Councilmember Pelaez suggested that the City Council, as governors of the utility, should ensure that CPS Energy provided reliable services and be resilient in emergency situations which were impacted by poor management decisions being made by the Electric Reliability Council of Texas (ERCOT). Councilmember Pelaez commented that future mega storms were inevitable and CPS Energy needed to invest in its own resiliency. He recommended that the City Council help define resiliency for the utility, particularly for these funds and asked how the funds would be allocated. City Manager Walsh stated that the plan was for the City to hold the funding until CPS Energy provided a plan for the expenditures. Gorzell recommended excess revenues be calculation after the close of the fiscal year.

Councilmember Cabello Havrda clarified that the alternative did not guarantee a rate increase and even her CCR did not provide that guarantee, however, the plan would provide funding for infrastructure and maintenance if the funding was in excess of 10% of the planned revenues. Councilmember Cabello Havrda argued that the change in policy would help keep CPS Energy more reliable and benefit the community.

Councilmember Courage reminded everyone that the City Council was limited in what it could do with the utilities since the City Council did not manage CPS Energy on a daily basis. He noted that the City Council could only approve debt issuances and rate increases. However, he clarified that the additional funding was an area where the City Council could decide how CPS Energy used the funds.

Councilmember Rocha Garcia commented that CPS Energy had stated that they needed to increase rates to upgrade their software and wondered if this would be considered resiliency. Gorzell stated that CPS Energy was working on a change to their Enterprise Resource Program (ERP) which ran their ongoing operations and he would not advise this as a resiliency expense.

Councilmember Rocha Garcia asked how the process of project approval would work. Gorzell stated that City staff would recommend projects that CPS Energy had stated that they needed noting that some people might argue projects such as the ERP qualified as resiliency but the City Council

would ultimately approve of the use of the funding. Councilmember Rocha Garcia requested that CPS Energy provide a plan to the City Council and suggested a community process to discuss projects.

Mayor Nirenberg thanked Gorzell for the proposed alternative and noted that the policy would only take effect if CPS Energy revenues were 10% greater than the budgeted amount and asked about the final FY 2023 projected revenues. Gorzell highlighted that these revenues could be unpredictable and were highly volatile. Mayor Nirenberg attributed the volatility to changes in the industry, state management of the grid in addition to extreme temperatures.

Mayor Nirenberg closed the discussion by reminding the Committee that this was a policy that could be amended by future City Councils if things changed. He lauded the leadership and management of CPS Energy in balancing energy needs of our community and being responsive to changes but noted that the City had limited governance over CPS Energy. Mayor Nirenberg supported the staff recommended alternative and suggested that staff share this policy with other Councilmembers and CPS Energy. City Manager Walsh stated that the financial policies would be discussed in April 2024 during the trial budget.

Councilmember Cabello Havrda moved to Approve. Councilmember Courage seconded the motion. The motion carried by the following vote:

Aye: Nirenberg, Cabello Havrda, Pelaez, Courage
Abstain: Rocha Garcia

Adjournment

There being no further discussion, the meeting was adjourned at 11:54 a.m.

Approved

Ron Nirenberg
Mayor

Debbie Racca-Sittre
City Clerk