

**State of Texas
County of Bexar
City of San Antonio**



DRAFT

Meeting Minutes

City Council B Session

City Hall Complex
105 Main Plaza
San Antonio, Texas 78205

Wednesday, October 18, 2017

2:00 PM

Municipal Plaza Building

The City Council of San Antonio convened in the “B” Room of the Municipal Plaza Building. City Clerk Leticia Vacek took the Roll Call with the following Councilmembers present:

PRESENT: 11 - Mayor Nirenberg, Treviño, Shaw, Viagran, Saldaña, Gonzales, Brockhouse, Sandoval, Pelaez, Courage, and Perry

1. A Briefing from the San Antonio Water System (SAWS) on proposed rate adjustments for 2018 and 2019, followed by a briefing by City Staff on the proposed adjustments. [Robert R. Puente, SAWS President & CEO; Ben Gorzell, Chief Financial Officer, City of San Antonio]

Ben Gorzell stated that the San Antonio Water System (SAWS) was created in 1992 with the consolidation of the City’s Waste Water Department, the City Water Board, and the Alamo Conservation and Reuse District. He noted that the seven-member Board of Trustees was vested with control and management of the system and outlined the flow of funds through the system. He introduced Robert Puente, SAWS President and CEO.

Mr. Puente stated that SAWS was one of the nation’s largest municipally owned utilities with 1.8 million customers in four counties. He noted that there were 1,700 employees and \$6 billion in assets. He stated that the assets included 12,500 miles of pipe, four major

plants, 73 pump stations, 191 wells, and 117 storage tanks. He noted that two-thirds of the total capital assets were used for water and waste water pipes. He reviewed the rehabilitation spending for 2013-2017 and the spending for the projected Capital Improvement Program (CIP). He stated that SAWS was requesting a rate adjustment of 5.8% in 2018 and a rate adjustment of 4.7% in 2019. He noted that this, along with the Automated Meter Infrastructure (AMI) and Vista Ridge operating reserve, was driven by the CIP. He introduced Steve Clouse, Senior Vice President & Chief Operating Officer.

Mr. Clouse stated that the goals of the CIP were to: 1) Ensure reliable service; 2) Be efficient in public expenditures; and 3) Maximize functional life of public investment. He noted that SAWS grows an average of 135 miles of water and wastewater mains per year. He noted that SAWS supported the City of San Antonio, the Texas Department of Transportation (TxDot), and Bexar County, and coordinated adjustments and replacements with roadway work. He reported that 66% of governmental programs were spent in support of city work and because of this; SAWS was replacing pipe that did not need replacing in advance of road work 50% of the time. He spoke of the 2013-2025 Consent Decree with the Environmental Protection Agency (EPA). He noted that it was a mandated infrastructure investment with the intent of building a system that would be capable of addressing growth in San Antonio through at least the year 2040. He reviewed the water and wastewater facility investments greater than \$2 million in the last 10 years and the wastewater investments in the last 10 years. He stated that the American Society of Civil Engineers rated water distribution pipelines to last 60-95 years and wastewater collection pipelines to last 80-100 years. He noted that the average age of the pipelines was 28 to 29 years old and that SAWS must continue to perform rehabilitation and renewal of the system as it ages.

Mr. Clouse spoke of failed water pipes and wastewater pipes and how those were detected. He noted that because the water pipe was hard to inspect; replacement was planned based on the age of the pipe and its failure history. He stated that new technology today allows SAWS to observe problems in advance such as air in pipes, corrosion, and leaks. He spoke of the replacement funding required and noted that over the last five years; capital spending averaged \$322 million per year. He stated that in the next five years, SAWS' average investment would increase to \$402 million per year. He presented the 2018 and 2019 budgets for capital spending by category. He introduced Doug Evanson, Senior Vice President & Chief Financial Officer.

Mr. Evanson explained that SAWS generated gross revenues to pay: 1) Operations and Maintenance; 2) Debt service and reserve fund requirements; 3) Funds transferred to the city; and 4) Any surplus transferred to Renewal and Replacement (R&R). He noted that the surplus transferred to the R&R would provide a cash down payment for funding a future capital program. He reviewed the 2018 proposed operating budget which was \$781.8

million. He stated that the 2019 Projected Operating Budget was estimated to be \$808.2 million and reviewed the 2018 and 2019 operations and maintenance initiatives and conservation investments. He stated that the need to make investments in water and sewer infrastructure were the primary reasons for the rate adjustments in 2018 and 2019 and reviewed other measures to be undertaken in 2018 and 2019. He spoke of the need for maintaining a high credit rating. He noted that current projections have shown the need for rate adjustments in the subsequent three years to fund the Vista Ridge Water Supply Project as well as to meet SAWS' obligations under the consent decree. He stated that the water rates for recycled water would increase 7.8% in 2018 and 1.8% in 2019.

Mr. Puente stated that over time, SAWS has kept increases to a minimum and SAWS customers have paid below average rates when compared to other major Texas Cities. He noted that funding would increase in all Customer Assistance Programs to provide assistance to individuals and families in need. He reviewed the public outreach to be accomplished prior to City Council consideration of the rate increases and noted that if the increase in rates were approved on November 9, 2017; they would take effect on January 1, 2018.

Mayor Nirenberg stated that the city would pay a far more significant cost if infrastructure was not maintained. He asked of the recommendation of the proposal by city staff. Mr. Gorzell replied that staff recommended said proposal and discussed the city's review process. He stated that staff recommended approval of the rate increase of 5.8% for 2018 and 4.7% for 2019. He added that staff recommended approval of adjustments to SAWS Fees. Mayor Nirenberg suggested that staff review the credit rating for Charlotte, North Carolina, as they have one of the highest credit ratings for peer cities. He spoke of the potential schedule for briefings by SAWS and CPS Energy.

Councilmember Treviño asked of a strategic goal for enrolling people in affordability programs. Mr. Puente stated that SAWS' goal was to increase the number of people enrolled in affordability programs which would be accomplished by very aggressive campaigns. Councilmember Treviño requested a regular report of the number of people enrolled in affordability programs by City Council District. He suggested a Pilot Program to expand affordability programs for renters and others which did not qualify for said programs.

Councilmember Perry stated that he could not support a rate increase at this time and suggested that maintenance be deferred.

Councilmember Brockhouse spoke of the compounding of rate increases and spoke against increasing rates at this time. He recommended that rate increases be proposed one year at a time instead of two years at a time.

Councilmember Saldaña asked of the definition of a consent decree. Mr. Puente stated that

the consent decree meant that SAWS had agreed with the Federal Government, the EPA, and Justice Department to reduce sewage coming from the system. He noted that it was mandated that \$1.1 billion be spent toward same over a 10-year period. Councilmember Saldaña asked of the consequences of not complying with the consent decree. Mr. Puente stated that SAWS would be in violation of a federal order accompanied by stiff penalties and fines.

Councilmember Viagran spoke of inequities regarding wastewater and stated that she would like to see more creativity before supporting rate increases.

Councilmember Perry asked if the rate increase for next year was reflected in the City Budget. Mr. Gorzell replied that it would be reflected in the Budget only after approval by the City Council.

Councilmember Courage asked of public hearings held. Mr. Puente stated that 10-15 public hearings had been held thus far.

Councilmember Pelaez mentioned that everything related to the work of SAWS had increased in cost. He asked if the city was subsidizing water for small municipalities in the area. Mr. Puente replied that it was not.

Councilmember Sandoval asked if the rate increase in 2018 would yield \$36.3 million. Mr. Puente replied that it would.

Councilmember Brockhouse stated that the Impact Fee portion of the SAWS Budget would be critical to the success of multifamily housing opportunities, small business expansion, and incentives.

Councilmember Viagran requested a list of all of the meetings held by SAWS.

Mayor Nirenberg thanked SAWS Staff for the presentation.

EXECUTIVE SESSION

Mayor Nirenberg recessed the meeting into Executive Session at 4:59 pm to discuss the following:

- A. Economic development negotiations pursuant to Texas Government Code Section 551.087 (economic development).

- B. The purchase, exchange, lease or value of real property pursuant to Texas Government Code Section 551.072 (real property).
- C. Litigation options related to opioid manufacturers, distributors, and promoters pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- D. Legal issues relating to the City's lease agreement with Google Fiber Texas LLC pursuant to Texas Government Code Section 551.071 (consultation with attorney).

RECONVENED

Mayor Nirenberg reconvened the meeting at 6:00 pm and announced that no action was taken in Executive Session. He addressed Item 2.

PUBLIC HEARING

City Clerk Vacek read the caption for Item 2:

- 2. Second public hearing regarding the proposed voluntary annexation of a 62.57 acre property located adjacent to the city limits of San Antonio, northwest of the intersection of West Military Drive and West Loop 1604 in Bexar County. [Peter Zaroni, Deputy City Manager; Bridgett White, Director, Planning Department]

Mayor Nirenberg opened the second public hearing regarding the proposed voluntary annexation of property northwest of the intersection of West Military Drive and West Loop 1604 and called upon the citizens registered to speak.

Mark Perez spoke in opposition to the annexation because of annexed properties operating without code compliance.

Nazirite Ruben Flores Perez spoke of water service for citizens in annexed areas and asked the City Council to make strong arguments to those who would oppose the annexation.

Antonio Diaz stated his opposition to the annexation out of concern for lack of resources.

Rhett Smith stated that he was in support of the annexation.

There being no other citizens registered to speak, Mayor Nirenberg declared the public hearing closed.

CITIZENS TO BE HEARD

Mayor Nirenberg called upon the citizens registered to speak under Citizens to be Heard.

Monica Salyer spoke of personnel issue with Parks and Recreation and asked for better accountability regarding staff interaction with citizens.

Liz Franklin spoke in support of City Council approving a new lease for the Ella Austin Community Center and thanked the Councilmembers for contributing to the "Dig That Jazz" Event.

Mark Perez expressed concern with businesses operating outside of zoning restrictions and the San Antonio Police Department failing to investigate non-compliant sites.

Mayor Nirenberg exited the meeting and Councilmember Viagran presided.

Maria Rodriguez spoke of her son being sexually assaulted twice while in jail and not receiving appropriate attention. She asked the City Council to help her obtain legal assistance.

Patricia Godkin stated she represented an authorized animal adoption partner in Bandera County and would no longer be eligible for a rescue license under the recent Chapter 5 revisions. She expressed concern with Animal Control Services response to local needs and provided examples of how the revisions were overly restrictive.

Kelly Walls spoke in opposition to the recent Chapter 5 revisions because they placed unreasonable requirements on rescue organizations. She asked the City Council to reconsider the changes before they are codified.

Nazirite Ruben Flores Perez expressed his disappointment that the city did not give employees a higher Cost of Living Adjustment.

Antonio Diaz thanked the City Council for their participation in Indigenous Peoples Day. He asked for the removal of the Christopher Columbus Statue and the renaming of Christopher Columbus Park.

Faris Hodge, Jr. submitted written testimony regarding the San Antonio Police Department's (SAPD) grant application to support the Child Welfare Strategic Alliance Program. He referenced the grant funds received by SAPD for the High Intensity Drug Trafficking Area

Initiative Grant. He wrote of the bronze sculpture at the Briscoe Western Art Museum. He noted that the city cap on taxicab permits would remain the same.

ADJOURNMENT

There being no further discussion, Councilmember Viagran adjourned the meeting at 6:43 pm.

APPROVED

RON NIRENBERG
MAYOR

ATTEST:

LETICIA M. VACEK, TRMC/CMC/MMC
CITY CLERK