

TRANSPORTATION, TECHNOLOGY, & UTILITIES COUNCIL COMMITTEE
SPECIAL MEETING MINUTES
WEDNESDAY, OCTOBER 7, 2015
12:30 PM
MEDIA BRIEFING ROOM

Members Present:	Councilmember Ray Lopez, Chair, <i>District 6</i> Councilmember Rey Saldaña, <i>District 4</i> Councilmember Shirley Gonzales, <i>District 5</i> Councilmember Ron Nirenberg, <i>District 8</i> Councilmember Joe Krier, <i>District 9</i>
Members Absent:	None
Staff Present:	Peter Zanoni, <i>Deputy City Manager</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; John Dugan, <i>Director of Planning and Community Development</i> ; Rogelio Peña, <i>Assistant City Attorney</i> ; Theodore Sims, <i>Public Utilities</i> ; Pam Monroe, <i>Public Utilities</i> ; Jeff Pullin, <i>Public Utilities</i> ; Tim Salas, <i>District 4</i> ; Raul Olveda, <i>District 4</i> ; Lisa Biediger, <i>Assistant City Attorney</i> ; Joseph Cortez, <i>District 6</i> ; Charles Mazuca, <i>District 9</i> ; Justin Renteria, <i>District 9</i> ; Errol Reid, <i>City Manager's Office</i> ; Alexander J. Pytel, <i>Office of the City Clerk</i>
Others Present:	Robert Puente, <i>President, SAWS</i> ; Roel Lopez, <i>Water Resources Institute</i> ; Alan Montemayor, <i>Sierra Club</i> ; Meredith McGuire, <i>Sierra Club</i> ; Terri Burns, <i>Sierra Club</i> ; Calvin Finch, <i>Texas A&M Institute of Renewable Natural Resources</i> ; Gianna Rendon, <i>Esperanza Peace & Justice Center</i> ; Nicholas Armstrong, <i>East Central High School</i> ; Roger Arriaga, <i>San Antonio Chamber of Commerce</i> ; Hector Morales, <i>San Antonio Apartment Association</i> ; Jonathan Tijerina, <i>CPS Energy</i>

Item 1. SAWS Briefing on SAWS Rate Adjustments

Mr. Robert Puente provided an overview of the SAWS Rate Increase for 2016 and 2017. He specified that discussions would focus on increased operational efficiency, the development of alternate water sources, infrastructure maintenance, and the preservation of the City's credit rating and affordable rates. He spoke to the consolidation of SAWS and BexarMet and noted that efficiency had been increased though the expansion of the customer base without the need for additional personnel. He reported that per capita water consumption has fallen and that conservation efforts would continue to be supported by current programs. He stated that in 2001, the first Water Supply Fee was implemented for a five year increase which was used to invest in:

- Building the nation's largest recycled water system
- Improving the Edwards Aquifer
- Constructing the region's Desalinization Plant
- Implementing Phase I of the Vista Ridge Pipeline

Mr. Puente stated that the risk associated with the Vista Ridge Project had been effectively transferred away from the City and that the Project was currently in the Development Phase. He explained that the Construction Phase would start after the Financial Close of the Project in late spring or early summer. He reported that the Pipeline was expected to be online in late 2019 which would start 30 years of water production. He noted that the price of water would remain stable for the duration of 30 years with a drastic price decrease in year 31 as infrastructure costs were paid off. He added that after the 30 year period; SAWS would retain ownership of the Project and pay only for the water.

Mr. Puente highlighted the role of large banks in the Project and subsequent Due Diligence to ensure that the Project would render a return on financial investments. He noted that the Vista Ridge Project was proceeding at a monthly rate of \$2 million with a total of \$20 million for Project Preparation. He referenced the Attorney General's Bond Allowance Test which bars a Public Utility from undertaking major financial projects without corresponding rates and a financial mechanism to support costs associated with the completion of the project. He stated that the Rate Increase would satisfy these requirements.

Mr. Puente detailed the need to satisfy all permitting and easement requirements prior to financial closing. He described sustainability issues and explained that in the event that the Local Groundwater District limits drawing from the water supply; SAWS would not be required to pay for water that is not used. He noted that the Vista Ridge Project combined with additional Water Supply Projects would add true diversification to the City's Water Supply. He explained that the Project would optimize the Aquifer Storage and Recovery Facility by allowing the storage of unused water underground where it would be free from evaporation and contamination and could be utilized during periods of drought or when the demand for water rises during hot summer months. He stated that discussions were underway with regional entities to examine interest in the purchase of this water supply which would further lower rates for San Antonio.

Mr. Puente added that SAWS could terminate the Contract at any time by paying off the total cost of the Project as well as the total amount invested. He explained that the Rate Increase would benefit Vista Ridge and other Water Projects, including the Brackish Groundwater Desalinization Plant. He highlighted the need for improvements to the underground infrastructure of the Wastewater System in order to comply with EPA Regulations. He reported that there are over 900 miles of underground infrastructure that are in need of repair and referenced a 2011 Rate Increase approved by City Council to fund infrastructure improvements in order to comply with EPA Regulations. He stated that SAWS currently provides the lowest water rates of any major city in Texas and would continue to do so even with the proposed Rate Increase. He addressed the use of Affordability Programs and spoke of the importance of increased visibility and targeted outreach to maximize enrollment.

Chairman Lopez addressed the role of the City Council in providing oversight to utility projects for the City's long term objectives. He stated the need for an independent water source and distribution network to increase quality and availability of water to the community. He noted the diversity of risks associated with major projects and asked for greater detail on how those risks would be mitigated. Mr. Puente responded that major risks associated with the project have been transferred

over including construction and cost overruns, breaks in the pipeline, earthquakes, and other natural disasters. He stated that water that did not arrive in San Antonio would not be paid for. He noted that in order to exit the Project, a penalty would have to be paid. He explained that after the Financial Close; the Project would have to be bought out, with investments and potential gains being paid in full, in order to retain ownership and continue operations of the Pipeline.

Councilmember Krier asked for more information regarding current and future conservation efforts undertaken by SAWS. Mr. Puente responded that conservation is considered an actual water source for the purpose of filling water supply gaps and as a financial tool for lowering water rates. He referenced the closure of a Waste Water Treatment Plant as a result of strong conservation efforts and highlighted the subsequent savings including operational, upgrading, permitting, and maintenance costs. He stated that there was great financial incentive to continue conservation efforts and added that it is also an effective communication tool with the public. He noted that indoor conservation efforts had been met with great success and that there were great opportunities for outdoor conservation efforts. Councilmember Krier asked how the additional categories of consumption would impact conservation. Mr. Puente detailed the new Tier Structure and added that it was designed to lower the price signal so that consumers would be alerted to increasing rates at an earlier stage and have the opportunity to lower consumption and fall into a lower price tier. Councilmember Krier asked for an update regarding recent billing issues. Mr. Puente reported that the SAWS Board had authorized the purchase of a Computer Observation Program to increase efficiency routes as well as hire an additional vendor to assist with meter readings. He stated that SAWS had made additional internal changes to help address issues related to billing. Councilmember Krier asked if excess water could be used to help augment local military bases. Mr. Puente stated that excess water could provide needed flexibility to supply military installations.

Councilmember Nirenberg asked what contingency plans exist in the event that the water supply of the Vista Ridge Project becomes unavailable. Mr. Puente responded that additional water supply projects such as the Desalinization Plant would provide added water security. He explained that the Plant is expected to be online in 2016 and would not require additional regulations.

Councilmember Saldaña asked for clarification regarding the proposed Rate Increases. Mr. Puente explained that the proposed Rate Increases include a 7.5% rate increase for 2016 and a 7.9% increase in 2019. He specified that the Rate Increases would address EPA Regulations, the Desalinization Plant, and the Vista Ridge Project.

Councilmember Gonzales asked for information regarding how the Rate Increases would impact vulnerable consumers. Mr. Puente referenced SAWS Affordability Programs and noted that the Lifeline Rate Program was designed to assist low income populations with billing and payment.

No action was required for Item 1.

Item 2. Briefing on the Texas A&M Institute of Renewable Natural Resources City of San Antonio Water Policy Study

Mr. Peter Zanoni reported that the Water Policy Study was developed by the Texas Water Resources Institute of Texas A&M University. He mentioned that Dr. Roel Lopez, the Director of

the Institute, was leading the team in completing the report. He stated that on May 4, 2015, the City received the first draft of the report which included several inaccuracies, outdated information, and overly opinionated statements. He noted that a second draft was received on July 14, 2015 which still retained inaccuracies, outdated information, and opinionated statements and explained that final recommendations had been submitted to the Institute for completion of the Report.

Dr. Roel Lopez stated that Dr. Calvin Finch was the principal investigator charged with completing the Report and that the Institute identified a three step process to finalize the report which included:

1. Obtaining the latest draft of the Report from Dr. Finch
2. Submitting the draft Report to a Scientific Peer Review Process
3. Releasing the final Report to the Sponsor

Dr. Lopez stated that the Report had been received last week and was currently being reformatted to improve readability. He mentioned that a traditional Executive Summary would be included which will outline and explain the three step process. He explained that the current Executive Summary of 23 pages will become the body of the Report and a section will be added that outlines methods and objectives which are presently absent in the current version in order to further improve readability. He noted that the changes do not change the essence of the Report.

Dr. Lopez highlighted the Scientific Panel Review Process which entails review by four independent reviewers whose identities are not disclosed in order to encourage a candid and scientifically rigorous review of the document. He reported that the reviewers have over 20 years of post doctoral work experience in diverse water fields ranging from Water Policy and Economics to Hydrology. He added that the reviewers have over 15 peer reviewed publications each and are very well respected Scientists in their respective fields. He mentioned that the reviewers unilaterally agreed that the Report would be improved with inclusion of additional information which will be presented in the Final Report. He explained that relevant data would be validated and assessed for accuracy with the intent of creating an objective and accurate scientific report.

Dr. Lopez discussed the competition process of the Final Report and noted that the Report would be kept intact with minor reformatting in order to address findings other concerns from the Review Panel. He stated that the Final Report would provide a broad set of perspectives on which to base future decisions and is scheduled for completion by the end of the month.

Councilmember Nirenberg highlighted the tasks associated with preserving water security and availability and the usefulness of the Water Study in decision making. He stated the importance of reviewing all necessary information before making a final decision.

Councilmember Nirenberg moved to establish a timeline prior to the vote of the SAWS Rate Restructuring to include in sequential order:

1. Receive the results of the Water Study
2. Conduct a City Council Briefing
3. Have a Public Comment Period

Councilmember Gonzales seconded the motion. She asked what impact the motion would have on upcoming City Council Proceedings. Mr. Zanoni stated that the information would be forwarded to the full City Council in the form of a memo if the motion passed. He referenced several possible dates for discussion and noted that there would be an opportunity for full City Council discussion at the B Session on October 14, 2015.

Mr. Puente expressed concern that a delay in the vote could weaken the City's position with the Project and have financial repercussions. He referenced decisions by the SAWS Board and the City Council that authorized the Project and stated that a delay would show a lack of commitment to Vista Ridge Partners.

Councilmember Nirenberg stated the importance of continuing conservation efforts, fiscal responsibility, regional integrity, and public discussion. He explained the need for a public forum in order to ensure that the Project would withstand scrutiny. He added that the motion would not substantially alter the timeline for the Project and noted that the motion was simply a recommendation.

Councilmember Krier referenced a unanimous vote by the City Council in 2014 to direct SAWS to move forward with the Vista Ridge Project. He stated that the Agreement was not contingent on future studies that might be released. He moved to amend the motion to accept the Report as submitted by Dr. Finch and use it as the basis of discussion. The motion died for lack of a second.

The motion by Councilmember Nirenberg and seconded by Councilmember Gonzales prevailed by the following vote:

Ayes: Nirenberg, Gonzales, Saldaña

Nays: Lopez, Krier

Dr. Lopez reported that the timing of the Review Panel was critical due to the inclusion of added scientific annotations. Councilmember Saldaña requested clarification regarding the delay in the Report. Mr. Zanoni clarified that the Report was initially due in February 2015 but was delayed after a requested extension and numerous draft reviews. He stated that the most recent version was received on July 14, 2015. He reported that final edits had been submitted to the Institute and the final version was due for release after the Scientific Peer Review Process.

Adjourn

There being no further discussion, the meeting was adjourned at 2:20 pm.

Respectfully Submitted,

Ray Lopez, Chairman

***Alexander J. Pytel,
Office of the City Clerk***