



City of San Antonio

Agenda Memorandum

File Number:17-6042

Agenda Item Number: 5.

Agenda Date: 11/1/2017

In Control: Governance Committee

DEPARTMENT: Finance

DEPARTMENT HEAD: Ben Gorzell, Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Executive Compensation of the Municipally Owned Utilities

SUMMARY:

On August 8, 2017, Councilman Brockhouse sponsored a Council Consideration Request (CCR) in which he requested a process for City Council to be briefed on the Executive compensation of the Municipally Owned Utilities, CPS Energy and the San Antonio Water System (SAWS).

BACKGROUND INFORMATION:

CPS Energy and SAWS are municipal utilities owned by the City of San Antonio. State law and the Bond Covenants for both utilities outline the ownership/management structure and oversight by the City.. Under this structure, both utilities have in a place a Board of Trustees appointed by the Mayor and City Council. The Board of Trustees of both CPS Energy and SAWS are vested with the authority over the management and operation of the utilities, respectively. The Mayor of the City of San Antonio serves as an ex-officio voting member of each Board. In this capacity the Mayor is the representative of the City Council.

Under the bond indenture, the Board of Trustees of each utility are vested with the complete management and control over the utility systems to include employment decisions and employee compensation. The San Antonio City Council has the regulatory authority to set rates, issue bonds, condemn property for utility use, and appoint members to the Board of Trustees. This ownership structure has been viewed favorably by bond holders and the three major credit reporting agencies, Moody's, Fitch, and Standard & Poor's. One of the key

considerations of the credit reporting agencies is the potential impact of political decisions on the financial condition and operations of the utilities.

ISSUE:

The CCR sponsored by Councilman Brockhouse seeks a process by which City Council can be briefed on the Executive compensation of the Municipally Owned Utilities, CPS Energy and the San Antonio Water System.

ALTERNATIVES:

This item is for briefing purposes only.

FISCAL IMPACT:

This item is for briefing purposes only.

RECOMMENDATION:

Under the established ownership structure, the City Council is not directly involved in employment decisions or employee compensation for the utilities. However, the Mayor serves as an ex-office voting member of the Board of Trustees as a representative of the City and City Council. Staff recommends that working with the Mayor, the City Council, and the Utilities a process be developed so that the Council can provide the Mayor meaningful input regarding compensation of executives at the utilities. The process will need to preserve both the ownership/management structure and the confidential nature of the compensation discussions. The Mayor may use and take into consideration the input provided by Councilmembers as a member of the Board of Trustees as it deliberates employee compensation for executives. Additionally, City Councilmembers can discuss compensation philosophies with potential Board members prior to their appointment.