

**STATE OF TEXAS  
COUNTY OF BEXAR  
CITY OF SAN ANTONIO**

**A SPECIAL MEETING OF THE CITY COUNCIL OF THE CITY OF SAN ANTONIO WAS HELD IN THE COUNCIL CHAMBERS, MUNICIPAL PLAZA BUILDING, MONDAY, MAY 17, 2010.**

The San Antonio City Council convened in a Special Meeting at 6:00 pm Monday, May 17, 2010, in the Municipal Plaza Building with the following Councilmembers present: Cisneros, Taylor, Ramos, Cortez, Medina, Lopez, Rodriguez, Williams, Clamp, and Mayor Castro. **ABSENT:** Chan.

**1. PUBLIC HEARING ON SAWS REVENUE REQUIREMENTS**

Robert Puente, SAWS CEO, highlighted accomplishments made in the areas of water recycling, storage and recovery of underground water, water conservation, and aquifer protection. As part of the 50-year Water Management Plan, new water supplies would be purchased and future water demand would be better managed. He noted that the Water Supply Fee approved by the City Council had assisted the organization in doubling its water supply from 188,000 acre-feet to over 378,000 acre-feet. Additionally, SAWS is planning to acquire 27,000 acre-feet of water from the Regional Carrizo Aquifer and Brackish Desalination.

Doug Evanson, SAWS CFO, provided an overview of the various acquisitions made and services provided as a direct result of the Water Supply Fee that was approved by City Council on October 19, 2000. He noted that \$554 million had been collected via the Water Supply Fee. After taking into consideration other revenue sources and expenditures made, SAWS had a net balance of \$196.25 million. Of this amount, \$18.76 million has been designated as Unrestricted/Undesignated Funds. Mr. Evanson spoke of the expenditures made from the Water Supply Business Unit for Operations and Maintenance (O&M). It was noted that a total of \$333.34 million had been spent with the majority of the funds used to purchase or lease water. Mr. Evanson spoke of Capital Spending efforts and highlighted that \$575 million had been spent to date on various capital projects with most funds spent on Aquifer Storage & Recovery. He reported that SAWS had invested approximately \$65 million since 2001 on its Water Recycling System. However, an additional \$65 million was spent on the System prior to 2001 for a total investment of \$130 to \$135 million dollars. Mr. Evanson highlighted that SAWS spent approximately \$160.72 million for the acquisition of water rights over the Edwards Aquifer.

Mr. Evanson spoke of the net balance of \$196.25 million which has been allocated for Restrictions on Cash and Designations on Cash. He noted that SAWS was required to maintain two months of Water O&M costs in an Operating Reserve Fund. Mr. Evanson stated that SAWS also maintained an account that contained Construction Impact Fees. This account only maintained funds for projects that were designated by ordinance and other regulations. He reported that SAWS has a total of \$120.63 million for Designations on Cash which is used to fund Capital Improvement Program (CIP) Projects.

Councilmember Williams thanked SAWS staff for providing detailed and complete information. He asked Mr. Evanson to identify the organization's best and worst projects, as well as the most costly. Mr. Evanson stated that the best project in terms of value has always been the purchase of Edwards Aquifer water rights. Equally important were the Canyon Lake Water Project and the Aquifer Storage

and Recovery (ASR) Project. He noted that the Trinity Aquifer Project was not sustainable, as it did not assist with drought prevention efforts. Based on the importance of the ASR Project, Mr. Evanson suggested that SAWS invest in another water storage facility since two storage units would prevent the implementation of water restrictions during times of drought.

Councilmember Medina asked for examples of Aquifer Recharge Enhancement and Optimization Projects that SAWS was currently undertaking. Mr. Evanson replied that Optimization Projects included the construction of recharge structures over the Edwards Aquifer Recharge Zone to slow the flow of water, and the ASR Project. Ms. Kelly Neumann stated that she would provide copies of the studies regarding the pumping of water upstream as requested by Councilmember Medina.

Mr. Evanson presented Revenue Requirements and provided the City Council with a list of mandated revenue requirements as denoted in Ordinance 75686. He noted that said governing ordinance require SAWS to maintain rates which allow for the organization to produce Gross Revenues in each Fiscal Year sufficient to pay O&M expenses, allow for two months of budgeted operational expenses, cover debt service, fund transfers to the City of San Antonio's General Fund, and pay any other debt incurred by SAWS. He outlined the sources and uses of the Five-Year Forecast and FY 2011 Proposed O&M Budget totaling \$211.4 million. He noted that Capital Investment and Infrastructure would be the primary rate driver and spoke of the repair and replacement of aging infrastructure that would be required. He added that San Antonio's future would require an Expanded Wastewater Collection System, Increase in Wastewater Treatment Capacity, Increase and Diversification of Water Supplies, and Expansion of the Water Production and Distribution Network.

Ms. Neumann reported that the cost for Main Replacement for Wastewater was \$296 million and \$60 million for Water. She spoke of the Wastewater Collection System Expansion that includes the Medina Sewer Outfall Pipeline and Dos Rios Wastewater Plant Expansion. She stated that the Regional Carrizo Aquifer and Desalination Projects will produce more than 23,000 acre-feet of Non-Edwards water supply. She outlined the FY 2011 Wastewater CIP totaling \$126.9 million; \$48.8 million Water Delivery CIP; and \$79 million Water Supply CIP.

Mr. Evanson spoke of the challenges for FY 2011-2015 including increased Debt Service Funding Requirements. He explained that the Proposed Rate Adjustment would generate \$20 million of revenue and provided a Residential Bill and Rate Projection through 2015. He mentioned that they were beating expectations and keeping rates low.

Robert Puente summarized the Revenue Requirements Presentation and reiterated the projects currently being undertaken by SAWS which include Waste Water Infrastructure, as well as the replacement and maintenance of infrastructure. He noted that revenue generated from the proposed rate increase would be utilized to assist SAWS with maintaining environmental and regulatory compliance, continuing with identified projects, as well as supplementing the water supply by identifying new projects, and increasing water conservations efforts. Mr. Puente noted that SAWS charged one of the lowest rates in Texas and would continue to do so even with the proposed 6.5% rate increase.

Councilmember Williams commented that the Revenue Requirements Presentation helped him to understand the importance of the Water Supply Fee as well as the need to continue with said fee in order to replace aging pipes. He noted that the issue of aging infrastructure for wastewater would also need to be addressed. Councilmember Medina thanked SAWS for their presentations to District 5

constituents. He asked for staff to clarify the amount of the proposed employee salary increase and the fiscal impact to the organization. Mr. Puente noted that SAWS was budgeting a 2.5% employee salary increase to be effective April 1, 2011 and that said increase would have a net fiscal impact of \$1.9 million. Councilmember Medina commended SAWS for allocating funds for salary increases despite the challenging economic conditions.

At the request of Councilmember Medina, Mr. Evanson stated that SAWS budgeted \$207 million for the FY 2009 O&M Budget, however; SAWS actually spent \$201 million. Councilmember Medina requested details regarding the proposed training cuts. It was noted that the proposed training budget for FY 2010 would be \$639,000 and that mandatory certification training would not be affected. Councilmember Medina thanked SAWS for coordinating their infrastructure improvement schedule with that of the Street Maintenance Program. He stated that his constituents were happy to see infrastructure improvements being made at the same time as streets being repaired as it lessened the community's inconvenience. Lastly, Councilmember Medina expressed concern with pipes breaking in the middle of the night and recommended that SAWS not delay the replacement of aging pipes. Mr. Puente stated that SAWS hoped to address that concern with the revenues generated from the proposed rate increase.

Councilmember Clamp requested the cost per acre-foot of water for each source of water as denoted on Page 4 of the first presentation. Mr. Evanson stated that he would provide that information to the City Council. Councilmember Clamp asked for information regarding the transfer of funds in the amount of \$113.05 million from Water Delivery. Mr. Evanson stated that prior to the implementation of the Water Supply Fee in 2001; SAWS had a fund designated for water delivery projects. To date, a total of \$113.05 million has been transferred into the Water Delivery line item to cover operating costs. It was noted that the current Operating Transfer is approximately \$10 million annually and is being used to fund employee costs. Councilmember Clamp requested the number of employees that the \$10 million dollars funded annually.

Councilmember Clamp requested information on the debt being incurred in the amount of \$473.89 million. Mr. Evanson stated that even though SAWS had generated revenue in the amount of \$554 million from the Water Supply Fee, the organization was not left with much to fund \$575 million in projects. Of the \$554 million, \$333 million was designated for O&M costs. It was noted that the only method in which SAWS could fund all projects without incurring debt was for the City Council to increase the Water Supply Fee. After further clarification, Councilmember Clamp noted that SAWS was not spending all of the revenues generated from the Water Supply Fee. He requested that SAWS breakdown the Water Supply Expenditures and overhead on Slide 7. Mr. Evanson stated that everything from the "Communications" line and below was overhead costs and totaled \$120 million. Councilmember Clamp commented that the Operating Transfer Fee in the amount of \$113 million as denoted would cover most of the overhead cost. Mr. Evanson stated that SAWS was borrowing more money than it was collecting for all of its Business Units.

Ms. Neumann provided a detailed overview of the funding required for each Water Supply Project and noted that Water Supply Fees were being utilized to fund these Capital Projects, as well as associated O&M.

Councilmember Clamp asked why SAWS was collecting approximately half a million dollars in revenue while spending approximately \$1 million. He also asked of the strategic expense reductions being recommended. Mr. Evanson stated that line items associated with travel, training, conferences,

and conservation programs were being reduced. He noted that the Public Hearing on the Tier-Structure was scheduled for the June 10, 2010 City Council Meeting, with the vote on the Rate Increase scheduled for June 24, 2010. Councilmember Clamp requested that SAWS provide data on the average water usage by lot size, meter and home size prior to the June 10<sup>th</sup> Meeting. He also suggested that the vote on the Rate Increase be scheduled for June 24<sup>th</sup> or a Special City Council Meeting. Mayor Castro stated that he would consider the recommendation.

Councilmember Ramos stated that her constituents were in favor of the rate increase. She requested information on the 2.4% transfer to the City. Mr. Puente stated that the percentage was denoted in the ordinance creating SAWS. Mr. Evanson clarified that the ordinance creating SAWS states that the percentage could be no more than 5% and that SAWS has consistently provided the city with 2.7%. Councilmember Ramos requested detailed information regarding the allocation of 52% of the Proposed FY 2011 O&M Budget for Salaries and Benefits.

Mr. Puente stated the SAWS was struggling with the issue of providing health benefits for active and retired employees. Mr. Evanson noted that employee benefits were a big component of the SAWS Budget due to the increasing cost of health care and SAWS increasing TMRS deductions to 6%. He reported that SAWS was in the process of evaluating its employee benefits program and that a potential solution was to have employees share more of the cost. He added that employees participating in an HMO were not required to contribute toward their health benefits.

Mayor Castro called upon Faris Hodge, Jr. to speak.

Mr. Hodge addressed the Council and expressed concern that SAWS was overcharging customers. He also expressed concern that the City Council Chambers was not equipped with a fire sprinkler system and stated that the Central Library should be demolished and rebuilt. He requested that SAWS allocate additional fund for citizens to replace their toilets. He requested that the kiosk containing meeting announcements be placed back on the main floor of City Hall and that SAWS provide a 10% pay increase for their employees. Lastly, he suggested that SAWS schedule its Public Hearings on Monday or Tuesday evening and advertise on television and radio.

### ADJOURNMENT

There being no further discussion, Mayor Castro adjourned the meeting at 7:33 pm.

APPROVED



JULIÁN CASTRO  
MAYOR

Attest:

  
LETICIA M. VACEK, TRMC/CMC  
City Clerk