

**SPECIAL BUDGET REVIEW MEETING MINUTES OF THE  
PUBLIC SERVICE BOARD**

**NOVEMBER 13, 2017**

The special meeting of the Public Service Board was held Monday, November 13, 2017, at the El Paso Water Utilities Public Service Board Meeting Room located at 1154 Hawkins Boulevard, El Paso, Texas.

**PSB MEMBERS PRESENT**

Henry Gallardo, Chair  
Christopher Antcliff, Vice-Chair  
Terri Garcia, Secretary-Treasurer  
Dr. Kristina Mena, Member  
Dr. Ivonne Santiago, Member  
Bradley Roe, Member

**PSB MEMBERS ABSENT**

Mayor Dee Margo, Ex-Officio Member

**PSB EMPLOYEES PRESENT**

John E. Balliew, P.E., President and Chief Executive Officer  
Lee Ann Koehler, General Counsel

**EPWU EMPLOYEES PRESENT**

Marcela Navarrete, Vice President  
Alan Shubert, Vice President  
Art Duran, Chief Financial Officer  
Jeff Tepsick, Fiscal Operations Manager  
Ana Pucella, Budget Analyst  
Christina Montoya, Marketing and Communications Manager  
Robert Riley, Construction Engineering Division Manager  
Gilbert Trejo, Chief Technical Officer  
Fernie Rico, Chief Operations Officer  
David Torres, Water & Wastewater Economic Analyst  
Lisa Rosendorf, Chief Communications and Government Affairs Officer  
Juan S. Gonzalez, Assistant General Counsel  
Irazema Rojas, Capital Improvements Program Administrator  
Rene Leon, Intergovernmental Affairs Coordinator  
Jillian Shipp, Executive Assistant  
Gretchen Byram, Computer Media Specialist  
Danny Ortiz, Assistant General Counsel  
Edgar Chacon, Network Systems Manager  
Josh Moniz, Lead Public Affairs Coordinator

**MEDIA**

KVIA  
KTSM  
KINT  
El Diario  
Telemundo

## GUESTS

Jerry Thiedt, Citizen  
Judy Ackerman, Citizen  
Sanaan Villalobos, Carollo Engineers  
Joe Cardenas, Moreno Cardenas  
Steve Ainsa, AECOM

The Public Service Board meeting was called to order by Mr. Gallardo at 6:04 p.m. A quorum of its members was present. After a moment of silent prayer, those in attendance joined Dr. Kristina Mena, in reciting the Pledge of Allegiance.

## REGULAR AGENDA

### **BUDGET WORKSHOP – FY 2018-19 WATER & WASTEWATER SUMMARY BUDGET; WATER & WASTEWATER OPERATING BUDGET DETAIL; CAPITAL BUDGET DETAIL; PROPOSED RULES AND REGULATIONS CHANGES; AND FEE ADJUSTMENTS.**

Mr. John Balliew, President/CEO, made a PowerPoint presentation summarizing the FY 2018-19 Water, Wastewater and Reclaimed Water Budget (**entire presentation on file with EPWU Central Files**). He reviewed the schedule of budget meetings and stated this meeting is the second of possibly three budget meetings. He stated this meeting would focus on the water, wastewater and reclaimed water portion of the budget. He explained if an additional meeting is needed for questions, clarification and discussion, a third meeting would be held on November 20, 2017. If an additional meeting is not needed, the budget can then go directly to the Board for approval at the regularly scheduled PSB Meeting on January 10, 2018.

Mr. Balliew began his presentation by reviewing the FY 2017 accomplishments. Two large accomplishments that were done this year in water supply; Importation-Purchases of land and water rights that totaled \$34 million and Feasibility Study-Aquifer Storage and Recovery with that totaled \$421,000. Next he reviewed four projects which are currently under construction; New Well Drilling, KBH Desalinization Plant Improvements, CERRO Project and Begin Design. In the category of growth there were four accomplishments; Ventanas Elevated Tanks, Edgemere Pipelines, Vista Del Sol Pipelines and Resler North of Transmountain Pipelines. Mr. Balliew went on to discuss three projects that were under construction; Franklin East, North 2 and Boardland Strahan Wateline Phase 1. Photos were presented to show the work in progress for each project. Mr. Balliew then went over reliability accomplishments; Memphis Elevated Tanks, Airport Tank, Americas Tank, Haskell Odor Control, and Rehabilitation. He discussed five projects that were under constructions; Emergency Backup Power, Haskell Street Plant Upgrades, Canal Water Treatment Plant Discharge Main Tunnel, Water and Wastewater Distribution System Construction and finally Fred Hervey Plant Digester Rehabilitation. Mr. Balliew also discussed transportation projects that affect EPWater due to water and wastewater lines that have to be moved during construction; Carolina Bridge reconstruction and Robinson Street improvements. In addition we went over construction; Loop 375 from Montana to Spur 601, GO-10 Project, City of El Paso Streetcar, Montana from Global Reach to Tierra Este, Alameda from Presa to Ivey Project, Monwood/Zaragoza Interchange and Border Highway Expansion. Mr. Balliew reviewed the 2018 priorities for water resource planning; Water supply, customer service, reliability efficiency & resilience, infrastructure rehabilitation and city growth requirements. Mr. Balliew showed a chart with the new water sources needed to meet demands of increasing population; chart includes how much water is needed per decade against anticipated growth, chart also includes water we currently have.

Mr. Balliew presented information on securing our current & future water supply, and progress on diversified water supplies and sustainable water management are essential to our water future. He gave information on costs for each area that effects EPWater in sustaining water supply. He discussed new priorities, increasing customer satisfaction through capital projects and operational investments will help deliver on customer

satisfaction including a new customer service information system, partnering with Ready-One service to help surge capacity of Customer Service Center, an affordability program and improved customer metering. Another new priority is improving reliability, efficiency & resilience by improving and modernizing equipment, technologies and facilities necessary to efficiently and effectively meet demand without interruption of service. Mr. Balliew went over rehabilitating aging infrastructure; EPWater will strategically invest in addressing aging infrastructure through replacements and rehabilitation. Extending service to city growth areas, EPWater will contribute to the vitality of the City through extension of service to the new home and business developments.

In reviewing the FY 2017-18 Water & Wastewater Budget summary, Mr. Balliew stated the total water, wastewater and reclaimed water budget is \$490.3 million. The \$105.3 million operating budget has increased by \$8 million. The capital budget is \$279 million it increased by \$7.4 million. Debt service is \$74.3 million and increased by \$6.9 million. The payment to the City is \$15.6 million, an increase of \$1 million and others was budgeted at \$15.9, increased 3.4 \$million. As for budget usage, 57% is used for capital expenditures, 22% for operations and maintenance, 15% for debt service, 3% for contingencies and 3% for the Utility's payment to City for 10% of the Utility's water revenue. The total capital improvements program new funding request for FY 2018-19 is \$115.3 million, water-funding request is \$78,533,000 and wastewater & reclaimed water funding request is \$36,726,000. Debt service for FY 2018-19 increased by \$6.7 million, since 2015, the Utility has issued \$391.2 million of additional debt net of refundings.

Mr. Balliew went over FY 2018-19 Water & Wastewater Operating Budget, total amount is \$105.3 million, an \$8 million increase from FY 2017-18. This includes increases in personnel services, materials and supplies, maintenance, utilities and other expenses. Mr. Balliew provided information regarding Water Treatment and Production Expense, starting from FY 13-14 to current. The chart showed the amount of money used to purchase water, chemicals used to treat it and electricity to move it to the distribution system. Mr. Balliew also showed a chart regarding budgeted employees per thousand water customers. There has been a decrease from 2010 to current, EPWater continues to ensure we are being efficient in the amount of people we have staffed. Operating ratio (O&M/Total Operating Revenue), we are projected to be 0.41 for FY 18-19, were we at .040 in FY 17-18. In regards to the financial plan, Mr. Balliew recommended an 8% rate increase for water and wastewater. Minimum water charge would go up by .53, Water Supply Replacement Charge (4ccfs or more) would go up by .79, and the minimum wastewater charge would go from \$14.02 to \$15.14, a \$1.12 increase. Mr. Balliew showed a slide showing the volume rate (\$ per CCF) in addition to the wastewater volume charge. In FY 2017-18 the PSB approved waiver of the Water Supply Replacement Charge (WSRC) for all 3/4" inch meter customers with less than 4 ccfs monthly water consumption. On a monthly average 38,000 bills included the waiver of the \$9.83 WSRC, around \$4.5M annually. Mr. Balliew went on to show a graph showing that EPWater's rates remains comparatively low for the region. He also showed a slide showing with the 8% increase, El Paso stills falls in line with being one of the lowest in the region and lowest among the 10 largest cities in Texas. Typical bill comparisons for El Paso, water and wastewater is average about \$65.

In summary, Mr. Balliew said the total water, wastewater, and reclaimed water budget is \$490.288 million. The \$279.1 million operating budget, the capital budget is \$269.7 million with new funding requests of \$115.3 million. Debt service expense increased by \$6.7 million over previous year. The \$105.4 million operating budget increased by \$8.0 million over previous year. After the eight percent rate increase, the average monthly residential bill would be 1.53% of the local median household income, which is well below Fitch's affordability threshold of 2%. Mr. Balliew and Ms. Marcela Navarrete addressed questions from the Board regarding the budget presentation.

**PUBLIC COMMENT: THE PSB WILL PERMIT PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA. THE CHAIR MAY IMPOSE REASONABLE TIME LIMITS FOR EACH**

**SPEAKER.**

Mr. Gallardo opened the floor for additional public comments. The Board heard comments from Mr. Gary Hoff, citizen, Mr. Raul Ramirez, citizen, and Ms. Dorothy Hutson, citizen.

**EXECUTIVE SESSION**

The Board did not enter into Executive Session.


**ADJOURNMENT**

The meeting was adjourned at 7:32 p.m., November 13, 2017.

ATTEST:

  
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Secretary-Treasurer

Chair

  
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