

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

**December 2, 2019**

The special meeting of the Public Service Board was held Monday, December 2, 2019, at the El Paso Water Utilities Public Service Board Meeting Room located at 1154 Hawkins Boulevard, El Paso, Texas.

**PSB MEMBERS PRESENT**

Mayor Dee Margo, Ex-Officio Member  
Dr. Kristina D. Mena, Vice-Chair  
Bryan Morris, Member  
Dr. Ivonne Santiago, Secretary-Treasurer  
Christopher A. Antcliff, Chair  
Henry Gallardo, Member

**PSB MEMBERS ABSENT**

Terri Garcia, Member

**PSB EMPLOYEES PRESENT**

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

**EPWU EMPLOYEES PRESENT**

Juan S. Gonzalez, Assistant General Counsel  
Marcela Navarrete, Vice President  
Alan Shubert, Vice President  
Lisa Rosendorf, Chief Communications and Government Affairs Officer  
Art Duran, Chief Financial Officer

**MEDIA**

KVIA  
Univision

**GUESTS**

Marco Ramirez, Garver  
Richard Dayub, Thunderbird  
Serena Harper, FXSA  
Joseph Valenzuela, Sunrise El Paso  
Fanklin Stubbs, Hunt

The Public Service Board meeting was called to order by Mr. Antcliff at 6:14 p.m. A quorum of its members was present.

**REGULAR AGENDA**

**1. BUDGET WORKSHOP – FY 2020-2021 BUDGET OVERVIEW; FY 2020-2021 STORMWATER OPERATING AND CAPITAL IMPROVEMENT BUDGET; FY 2020-2021 WATER, WASTEWATER & RECLAIMED WATER OPERATING AND CAPITAL IMPROVEMENT BUDGET; PROPOSED RULES AND REGULATIONS CHANGES, INCLUDING RATE AND FEE ADJUSTMENTS.**

Mr. John Balliew, President & CEO, began his presentation by reminding the Board of a presentation that was given to them in November regarding Capital Projects that have already been done. Mr. Balliew began his presentation with a slide of an overall capture for Water & Wastewater and Stormwater. The total amount in Major System Assets was \$1.82 billion. For Water & Wastewater there are; 4 water treatment plants, 4 wastewater treatment plants, 150 number of wells, 2,806 miles of water lines, 2,326 miles of wastewater lines, 11,380 number of fire hydrants, 80 reservoirs, 53 lift stations and 64 pump stations. In Stormwater, there are; 430 ponds, 38 dams/basins, 72 miles of channel, 9 miles of agricultural drains and 7,035 drainage inlets. Mr. Balliew went on to discuss retail customers we bill. For Water, we have 90% are residential or 191,744, with 10% being non-residential or 20,784 non-residential. In wastewater 93% are residential or 187,489 and 7% non-residential or 14,468, and lastly stormwater with 93% being residential or 184,677 and 7% non-residential or 13,596. Mr. Balliew next discussed priority areas for FY2020-2021, which include Water Supply, Infrastructure Reliability, Growth Requirements, Transportation, Flood Control and Customer Service. In area of water supply, there are several projects that are projected for FY2020-2021 with a projected amount of \$27 million. This includes Dell City to El Paso pipeline easements & land acquisition, Advanced Water Purification Facility design, additional source water wells, Source Water Augmentation Pipeline Phase 1, and Haskell to Hervey Wastewater Diversion. For improving infrastructure reliability, the total amount is \$134 million, which includes; Hervey digester improvements, Bustamante new headworks, Bustamante process upgrades, belt filter press rehabilitation, Haskell emergency generator, and Hickerson 5MGD expansion. Under this same topic are water pipelines; planned waterline replacement, pipeline protection, large diameter pipe rehabilitation, Sunset Heights, and Dyer pipeline trenchless replacement-phase 2 are all budgeted for this fiscal year. For wastewater pipelines; routine wastewater line replacement, Boone interceptor, Grouse street force main phase VI, Sunset Heights and Frontera force main and accounted for. In addition, water pump stations is included and festival 1 pump station rehabilitation. Under wastewater pump stations; lift station rehab/replacements, Blue Ridge and Sunrise lift station improvements and valve rehabilitation. Next category is supporting growth requirements, which is \$71 million. Subcategories include storage for Vinton 1.25MG tank and pump stations include North 2 Water Pump Station at 11.8MGD, Ranchos Real Water Pump Station and Westway Water Pump Station. There are several pipelines that will be addressed; Eastside planned service area water main extensions, Westway/Vinton water main, Dyer/Railroad waterline Phase 1, Northeast Franklin waterline phase 2, Montana Vista wastewater collection system, Northeast Railroad interceptor, Dyer/Railroad force main upgrade, Doniphan collector, and Pellicano drive collectors. Other major projects include; water division/customer service building, wastewater operations building, mechanics shop, building various rehabilitation, and Riverside International Industrial Center. In the area of supporting transportation improvements, that comes in at \$13 million. This includes City of El Paso community development, TxDOT Water & Wastewater Improvement Projects, Camino Real regional mobility authority wastewater improvement projects. As far as stormwater flood control, that comes in at \$20 million. This includes; City of El Paso community development, Mesa park erosion improvement, corrugated metal pipe replacement program, Sam Snead conduits, Arroyo 1A dam, Will Ruth pond remediation, open space acquisition, and project land acquisition. Last category is customer service, total amount is \$3 million and under Information Technology there is the Customer Information System (CIS); customer centric payment options, enhanced billing capabilities, modern customer portals, modern analytics and reporting, new or improved communication interfaces such as; IVR, Voice, Text, Email and Chat. Mr. Balliew showed a slide on how Water, Wastewater and Stormwater CIP breaks up into categories on a pie chart for a total amount of \$258 million. The chart shows that 33% goes towards pipelines, 18%

goes towards water resources, 17% is for treatment, 9% for storage, 8% other major items, 7% for pumping, 5% for technology and 3% for customer service. Next slide Mr. Balliew shared was a pie chart break down for priority areas in Capital Improvements for the \$258 million. The chart shows that 51% goes towards infrastructure reliability, 23% towards growth, 13% for water supply, 7% towards flood control, 5% for transportation and 1% for customer service.

Mr. Balliew then went on to discuss the Stormwater Budget Summary for FY2020-2021. Total amount budgeted is \$43.8 million, compared to FY2019-20 at \$48.3 million. The budgeted operating amount is \$7.6 million, the capital amount is \$26 million and debt service is \$10.2 million. Mr. Balliew then explained the breakdown of the \$7.4 million for stormwater operating budget. \$1.5 million goes to indirect cost allocation, \$1.5 is for personnel services, \$3.5 is for maintenance, and \$1.1 is for miscellaneous. Mr. Balliew also discussed stormwater capital expenses five year projection, beginning with FY2020-21 at \$26 million, FY2021-22 at \$19.8 million, FY2022-23 at \$21.8 million, FY2023-24 at \$20.4 million and last FY2024-25 at \$19.6 million. Staff currently does not have any big projects scheduled for the next 5 years helping with keeping the costs down. Mr. Balliew also went over the total stormwater CIP new funding request for FY2020-21 which was \$6.9 million. The budget summary for stormwater FY2020-21 is; total budget is \$43.9 million, O&M budget increased by \$514,000, capital budget is \$26 million with a new funding request of \$7 million, and staff recommends no increase for next fiscal year.

Mr. Balliew then discussed a typical residential rate, current vs. projected. For 2020-21 the rate is \$4.25 that will increase to \$4.38 in FY2021-22, increase to \$4.51 in FY2022-23, \$4.64 in FY2023-24 and up to \$4.78 in FY2024-25. Mr. Balliew showed a slide comparing where El Paso lands compared to other Texas cities, coming in on the low end of the chart. Mr. Balliew then went over the water and wastewater budget summary. For FY2019-20 the amount was \$387.7 million with \$102.4 million being spent on operating costs, \$185.5 million being spent on capital costs, \$75.8 spent on debt service and \$23.9 million on other. For FY2020-21 total budgeted amount is \$445.9 million, with \$111.8 million going towards operating costs, \$237.6 going towards capital costs, \$72.2 million going towards debt service and \$24.3 million towards other, which includes the 10% of water revenue that goes to the city, plus the \$3.55 million franchise fee. Mr. Balliew showed the Board a pie chart further breaking down the miscellaneous expenses. \$20.83 million is payments that go to the City, \$2.79 million goes towards operating contingencies, and \$0.70 million is for farm lease expenses. Looking at the water and wastewater operating budget, for FY2019-20 the actual was \$102.4 million, with personnel service coming in at \$48.7 million, \$10.3 million for materials and supplies, \$19.9 million for maintenance, \$16.4 million for utilities, and \$17.7 for miscellaneous. For FY2020-21 the budgeted amount is \$111.8 million. Of that \$50.6 million will go towards personnel service, \$16.4 million for materials and supplies, \$21.7 million for maintenance, \$14.6 million for utilities and \$19.3 million for miscellaneous. Some of the operational cost drivers are increase in personnel, went up 4%, materials and supplies went up 62%, maintenance went up 10%, and utilities went down 11%. Mr. Balliew went on to discuss the five year capital expenses, for FY2020-21 it is at \$237.6 million, in FY2021-22 its \$242.1 million, in FY2022-23 it jumps to \$262.7 million, due to big ticket items such as the advanced purified treatment plant and updates on current treatment plants. In FY2023-24 it reduces down to \$239.7 million, and a slight increase in FY2024-25 to \$254.7 million. Also discussed was the funding request which was \$179,575 million. Staff has recommended a 5% increase to water and wastewater rate same as per last's five year financial plan. Mr. Balliew addressed if EPWater does a lower rate this year or does not do a rate increase at all, this will cause a double digit increase in the near future to get us where we need to be to move forward with the projects under the CIP. Mr. Balliew then over how the rate change would impact rate payers. The minimum water charge is currently \$7.45, the proposed increase in \$7.82 that is a difference of \$0.37. For water supply replacement charge (4 ccfs or more) it is currently \$11.04, the proposed increase will up to \$11.59 with a difference of \$0.55. Mr. Balliew reminded the Board that customers do not pay this if they use less than 4 ccfs in water. The minimum wastewater charge currently

is \$16.35 with the proposed change it will go up to \$17.17, a difference of \$0.82. Mr. Balliew went on to discuss the volume rate with is \$ per CCF. Block 1 is currently \$2.24, with the proposed increase of \$0.11, block 2 is currently \$5.31, with a proposed increase of \$0.27, and block 3 is currently \$7.59 with a proposed increase of \$0.38. In regards to wastewater volume charge, it is currently \$2.06, with a proposed change of \$0.10. In regards to the residential and commercial, the new proposed bill will impact  $\frac{3}{4}$  meters. A residential home using 11 ccfs is currently paying \$56.70, with a proposed change of \$2.81, and for commercial currently using 14 ccfs, is currently paying \$86.80, with a proposed increase of \$4.28. The total proposed residential bill in 19-20 current is \$60.95 with \$34.17 going towards water, \$22.53 going towards wastewater, and \$4.25 going towards stormwater. For the proposed 20-21, the bill would be \$63.76, with \$35.86 going towards water, \$23.65 to wastewater and stormwater remaining the same at \$4.25. Mr. Balliew shared several slide showing where El Paso lands compared to other border cities, other El Paso county cities, and ten largest cities in Texas. He then shared cost comparison slides of El Paso, San Antonio, Dallas and Fort Worth in regards to water and wastewater operating expense per customer connection, and per million gallons, El Paso being the cheapest in both graphs. Mr. Balliew showed a slide comparing capital investments among the same cities, one chart for water & wastewater capital expenditures to depreciation, with a higher ration showing rate of capital spending, with EPWater coming in at 2.83, San Antonio at 2.02, Dallas at 2.35 and Fort Worth at 2.00. The other slide Mr. Balliew discussed was debt for water and wastewater per customer connection, EPWater coming in at \$2,163, San Antonio at \$3,290, Dallas at \$4,459 and Forth Worth at \$2,247. Mr. Balliew went on to discuss the number of working capital days, EPWater coming in at 114 days, San Antonio at 526 days, Dallas at 288 days and Fort Worth at 146 days. Comparing cost of utilities in El Paso, the average gas bill is \$40, water bill is \$64 with the proposed rate increase, phone bill is \$85, electric is \$90 and cable/satellite is \$100. Comparing cost of goods, \$0.004 gallon of tap water, \$1.22 gallon of bottled water, \$2.69 gallon of gas, and a gallon of milk is \$3.28. Mr. Balliew then went over the budget & rates summary, budget for total water, wastewater and reclaimed water is \$445.9 million, capital budget is \$237.6 million with a new funding request of \$179.6 million, and debt service expense decreased by \$3.6 million, the operating budget is \$111.8 million with an increase of \$9.3 million. In regards to rates, the recommended rate increase of 5% for water and wastewater, typical monthly increase for the average residential customer is \$2.8, after the increase, the average monthly residential bill is 1.63% of the local median household income, well below the EPA's affordability threshold of 2%. EPWater offers customer affordability programs, such as Aguacares. This is an assistance service for low income seniors which helps with money management, payment arrangements, conversation support, emergency payment assistance and agency referrals. Results of the program through September 1; 120 disconnections were avoided, 850 conservation fixtures were provided, 136 customers received money management counseling. New for 2020 is minor plumbing repair program, will help low-income customers with fixture replacements, leak repairs or minor plumping repairs to reduce water waste, the program is available to qualifying low-income customers. Mr. Balliew then discussed water conservation saves money, the Water Supply Replacement Charge (WSRC) waived for customers with a  $\frac{3}{4}$  meter only who use less than 4ccfs per month. In FY18-19, an average of 38,000 bills per month received the WSRC waiver of \$10.62. \$4.8 million annually saved by high-conserving customers. This charge will go up to \$11.59 that will be waived for these customers. There are several rules and regulations that will be updated beginning with rules and regulation number 1 & number 11, section VII F-Water Meter Location, adding the language of and/or easement.

Next for rules and regulation number 5 for leak adjustments in section VI, will include language within a three month consecutive span, and if the customers does not have a previous usage history, the prior customer's history may be used. Next, a change will be done to rules and 7, section IB under definitions will add Residential-Any property that is solely used as single-family, duplex and triplex residence. Commercial-Any property that is not residential and not classified as Industrial. This may include, but not limited to: Apartment complexes, mobile home parks, offices, buildings intended to accommodate

commerce, services and places of employment, construction account, etc. Industrial-Any property used for manufacturing, assembling, production of goods, etc. Under section II B-1, III B-1 and IV B-1 adding section f. construction account deposit of \$300.00. In section II F-2 Fire Hydrant Meters adding language, damage, stolen or lost fire hydrant meter will be change to the customer of record for the meter. The charge will be the replacement cost of the fire hydrant meter. In section II K-1 we are adding Developer/Customer Engineered Water Plans, also adding the full payment shall be due at the time of execution of the development agreement, in addition to Limited Scope Development Agreement for new fire hydrants and/or fire hydrants relocations will be charged a design review fee of \$500. The full payment shall be due at the time of execution of the Limited Scope Development Agreement. Continuing with rules and regulation number 7, in section III C-2 will we will be removing language; the cost to connect a sewer service to an existing manhole shall be \$1,500. In section II F-2 and section III D-2 the frontage fee will increase with the rate increase, this also applies to section II C-1-Water Service Connection Charge-Domestic Meters.

Mr. Balliew then moved on to budget timeline, December 2, 2019 the budget workshop was held, on December 11, 2019 any outstanding items will be addressed during the normal PSB meeting with public comment opportunity, and on January 8, 2020 the Board will consider and approve/adopt budget, rate adjustment, Rules and Regulations changes for Stormwater and Water/Wastewater. Mr. Art Duran, Chief Financial Officer, and Mr. Balliew addressed any questions from the Board regarding this item.

Chairman Antcliff opened the floor for public comment, the Board heard comments from Mr. Joseph Valenzuela.


**EXECUTIVE SESSION**


The Board did not enter into Executive Session.

**ADJOURNMENT**

On a motion made by Dr. Santiago seconded by Dr. Mena and unanimously carried, the meeting adjourned at 7:30 p.m., December 2, 2019.

ATTEST:

  
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Chair

  
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~~Secretary-Treasurer~~  
Vice Chair