

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

**December 3, 2018**

The special meeting of the Public Service Board was held Monday, December 3, 2018, at the El Paso Water Utilities Public Service Board Meeting Room located at 1154 Hawkins Boulevard, El Paso, Texas.

**PSB MEMBERS PRESENT**

Terri Garcia, Vice-Chair  
Mayor Dee Margo, Ex-Officio Member  
Dr. Kristina D. Mena, Secretary-Treasurer  
Bradley Roe, Member  
Dr. Ivonne Santiago, Member  
Christopher A. Antcliff, Chair

**PSB MEMBERS ABSENT**

**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, P.E., Vice President  
Lisa Rosendorf, Chief Communications and Government Affairs Officer  
Art Duran, Chief Financial Officer  
Martin Noriega, Stormwater and Fleet Maintenance Division Manager  
Christina Montoya, Marketing and Communications Manager  
Rene Leon, Intergovernmental Affairs Coordinator  
Zulema Jamis, Secretary  
Martha C. Koester, Utility Public Information Coordinator  
Gisela Dagnino, Engineering Division Manager  
Enrique Ochoa, Engineering Division Manager  
Fernie Rico, Utility Chief Operations Officer  
Gilbert Trejo, Utility Chief Technical Officer  
Elsa Ochoa, Utility Engineer  
Ana Pucella, Budget and Management Analyst  
Jeff Tepsick, Fiscal Operations Manager

**MEDIA**

KFOX

**GUESTS**

Edward Dusina

The Public Service Board meeting was called to order by Mr. Antcliff at 6 p.m. A quorum of its members was present. After a moment of silence, those in attendance joined Ms. Garcia in reciting the Pledge of Allegiance.

## REGULAR AGENDA

### **1. BUDGET WORKSHOP-FY 2019-2020 BUDGET OVERVIEW; FY 2019-2020 STORMWATER OPERATING AND CAPITAL IMPROVEMENT BUDGET; FY 2019-2020 WATER, WASTEWATER AND RECLAIMED WATER OPERATING AND CAPITAL IMPROVEMENT BUDGET; PROPOSED RULES AND REGULATIONS CHANGES, INCLUDING RATE AND FEE ADJUSTMENTS.**

Mr. John Balliew, President/CEO, began by explaining that rather than having separate meetings for Stormwater and Water and Wastewater budgets, the meeting was combined. Mr. Balliew began by reviewing the money EPWater has in Major System Assets totaling \$1.66 billion. Some of the highlights were seven Water treatment plants, 165 wells, 2,692 miles of water lines, 75 lift stations and 53 pump stations. These all fall under Water and Wastewater. Under Stormwater, there are 403 ponds, 38 dams/basins, 74 miles of channels, 7 miles of agricultural drains and 6,526 drainage inlets. Mr. Balliew then showed a slide of the clients we serve as of September 2018. For Water, 10 percent is non-residential and 90 percent residential. Under Wastewater, EPWater serves 7 percent non-residential and 93 percent residential. Lastly, Stormwater serves 7 percent non-residential and 93 percent residential. Next, he discussed strategic priorities for FY2019-2020: water supply, infrastructure reliability, growth requirements, transportation and flood control. Mr. Balliew also went over securing the utility's future water supply. EPWater is securing future water supply via the following methods: Dell City to El Paso pipeline easements and land acquisition, designing the Advanced Purification Facility, and expanding the Kay Bailey Hutchison Desalination Plant. Mr. Balliew included a map of the pipelines. Also discussed was improving infrastructure reliability, which includes the Robertson/Umbenhauer Water Treatment Plant and the raw water intake screens in the plant, and Granular Activated Carbon (GAC). EPWater is also considering the Fred Hervey Water Reclamation Plant equalization basin expansion, Roberto Bustamante Wastewater Treatment Plant expansions and upgrades, backup power, John T. Hickerson Reclamation Facility rehabilitation (Screens, UV). Next, Mr. Balliew went over Water and Wastewater pipelines that will be replaced or improved. Included in the slide show was a map of the aging pipelines, some as old as 1950s-era and some as new as 2010s. Mr. Balliew also mentioned that the color-coded legend on the map shows that the blue areas represent the pipes that were replaced in the 2010s that are in the outskirts of El Paso, while the reds and purples represent the oldest pipes from the 1950s-1960s that are in the core of El Paso. The Water pipelines include Sunset Heights waterline replacement, Dyer pipeline trenchless replacement Phase 2 and Portland 24-inch cast iron waterline replacement. As far as Wastewater pipelines, route sewer line replacement and Boone interceptor were listed. The average age of pipe in the system is 40 years; the utility does not want to go past that. Lift stations are also improving infrastructure, which will be rehabilitated or replaced, as well as the Grouse Lift Station force line replacement. Some other major construction projects that are under way are the Meter Replacement Program and Airport Well Field Improvements (electrical). In terms of supporting growth requirements, EPWater is focusing on storage and pumping which include Vinton (Westway) 1.25 mg tank, Rojas ground storage tanks and air treatment units, and North 2 (11.8 MGD) Pump Station. Also included in growth are pipelines: East Side planned service area water main extension, and Westway/Vinton 16-inch water main. In the areas of supporting transportation improvements, EPWater is working with the City of El Paso Community and Human Development and TXDOT Water and Wastewater improvement projects, which includes the Joe Battle/Montana interchange. In terms of stormwater flood control, the utility is working with City of El Paso Community and Human Development, and EPWater is working on Dallas Street outfall basin and

open space. Mr. Balliew then discussed strategic priorities: Capital Improvements for FY2019-2020. Improve infrastructure reliability takes up 54 percent, supporting growth at 17 percent, flood control at 15 percent, supporting transportation at 8 percent and securing water supply at 6 percent of the Capital Improvement Budget.

Next, Mr. Balliew reviewed the Stormwater budget summary, FY 2018-19 total was \$51.1 million, operating costs came in at \$6.8 million, capital was \$34.1 million and debt service was \$10.2 million. The projected amount for FY 2019-20 total is \$48.4 million, the operating budgeted at \$7.1 million, capital is at \$31 million and debt service at \$10.3 million. Mr. Balliew also went over the projected five-year plan for the stormwater capital improvement program. FY 2019-20 is projected at \$31 million, FY 2020-21 is projected at \$13.5 million, FY2021-22 at \$17.6 million, FY2022-23 at \$21 million and FY2023-24 is at \$16.6 million. The total stormwater FY2019-2020 CIP new funding request is \$19,264,000, with stormwater system coming in at \$18,886,000 and overhead at \$378,000. The stormwater operating budget for FY 2018-19 came in at \$6.7 million, indirect cost allocation was \$1.4 million, personnel services was \$1.1 million, maintenance was \$3.2 million and miscellaneous was \$900,000. The project amounts for FY2019-20 are indirect cost allocation at \$1.5 million, personnel services at \$1.3 million, maintenance is \$3.3 million and miscellaneous is \$800,000. For FY 2019-20 there is no proposed rate fee on stormwater, but Mr. Balliew reviewed the current fees of impervious area. Small residential pays \$2.13, typical pays \$4.25 and large pays \$8.51, non-residential pays \$4.34 per 2,000 square feet. Fast-food restaurants pay \$24.14 for 11,123 square feet approximately ¼ acre. Car dealerships pay \$382.07 for 176,068 square feet, approximately 4 acres. Mr. Balliew reviewed the typical residential rates for the next five years, current versus projected. For FY2019-20 the rate is \$4.25, in FY2020-21 the rate is \$4.38, FY2021-22 the rate is \$4.51, FY2022-23 rate is \$4.65 and in FY2023-24 the rate is \$4.79. The projected amounts are at a 3 percent rate increase per year for the next five years. A chart comparing other Texas cities to El Paso was shown, with El Paso coming in the fourth lowest in the state. Mr. Balliew showed a Stormwater fee increased scenario chart, rising every year beginning with FY2019-20 at 6 percent then jumping up to 10 percent in FY2020-21 and again in FY2021-22 and then slowly dropping annually until hitting a 5 percent increase in FY2028-29. The alternative would be to have an annual 3 percent increase starting in FY2020-21 until FY2028-29. In order to have the CIP work with the recommended action of an increase in FY2020-21, the CIP will have to be at a lesser amount. Mr. Balliew showed a slide of what the monthly rate would be at a flat 3 percent increase: El Paso would be the fifth highest in Texas by FY2028-29 coming in at \$5.55; if the utility were to go with financial plan option 1, we would be the second highest in the same timeframe coming in at \$8.99. Mr. Balliew pointed out that the fees compared with other cities are their current fees. Where the utility stands compared to other cities would change if they raised their fees as well.

Next, Mr. Balliew discussed the FY 2019-20 operating and capital improvement budget for Water, Wastewater and Reclaimed water. The main driving factors are an increase in personnel by 4 percent, maintenance increase by 15 percent, decrease in less river water by 76 percent, and less chemical usage by 24 percent. Mr. Balliew went on to discuss the Water and Wastewater Budget Summary. The FY2018-19 total was \$490.3 million, operating costs were \$105.4 million, \$279.1 million for capital, \$74.4 million for debt service and \$31.5 listed as other. For FY2019-20, the projected amount is \$387.7 million, with \$102.4 million coming in for operating costs, \$185.8 million for capital, \$75.8 million for debt service and \$23.9 million in other. Water and Wastewater Capital Improvement Program projected over the next five years is FY2019-20 at \$185.5 million, FY2020-21 at \$180.1 million, FY2021-22 at \$237.8 million, \$199.5 million at FY2022-23 and \$176.1 million at FY2023-24. The total CIP New Funding Request total is \$143,086,000, with the Water Funding request at \$50,021,000, Wastewater and Reclaimed Water Funding request at \$90,259,000 and overhead coming in at \$2,806,000. Next, Mr. Balliew discussed Water and Wastewater Net Operating Budget. For FY2018-19, total amount was \$105.4 million; personnel services came in at \$47.0 million; materials and supplies came in at \$17.6 million; maintenance was \$16.7 million; utilities was

\$16.3 million; and miscellaneous was \$17.8 million. As far as the projected amounts for FY2019-20, total amount is \$102.4 million; personnel services at \$48.8 million; materials and supplies at \$10.3 million; maintenance at \$19.9 million; utilities at \$16.4 million; and miscellaneous at \$17.6 million. Mr. Balliew then discussed the FY2019-20 proposed rate increase, which is a 4 percent increase in water, and an 8 percent increase in wastewater. The current water customer bill is \$7.16. With the increase, it will go up to \$7.45, a \$0.29 increase. The current Wastewater charge is \$15.14, with the increase it will to \$16.35, a \$1.21 increase. The total proposed residential bill for 2019 totals \$57.95. With the 2020 proposal, it would go up to \$60.95, a \$3.00 increase. In FY2017-18, the PSB approved waiver of the Water Supply Replacement Charge (WSRC) for all ¾-inch meter customer with less than 4 ccfs monthly water consumption. Last fiscal year, in a monthly average of 33,000 bills, the WSRC fee of \$9.83 was waived. This amounts to approximately \$3.9 million annually. Compared to other border cities in Texas, El Paso is the fourth lowest city with the current bill of \$56.70 and will remain in the fourth spot even with the increase. Among arid cities, El Paso is the lowest with its current rate and will remain the lowest even with the increase. Looking at regional cities, El Paso ranks in the upper middle of the top 10 list and will remain in the same spot after the increase. Looking at the top 10 list of the largest cities in Texas, El Paso ranks second to the lowest and will remain in the same spot even with the increase.

Mr. Balliew then showed a slide with the top five Wal-Mart Super Centers in sales, with El Paso coming in at No. 5 and a water bill totaling \$1,754. Mr. Balliew then reviewed a slide comparing the average cost of utilities: Texas Gas Service at \$39, Water, Wastewater and Stormwater at \$61, Cell Phone as per report by J.D. Power released Aug. 15, 2018, at \$73, El Paso Electric at \$81, and cable at \$85 as per Leichtman Research Group-2017. The FY2019-2020 Water and Wastewater budget and rates summary includes the total water, wastewater and reclaimed water budget of \$387.7 million; capital budget is \$185.5 million with new funding request of \$143.1 million; and debt service expense will increase by \$1.5 million over previous year. The \$102.4 million operating budget decreased by \$2.9 million over the previous year. The recommended rate increases are 4 percent for water and 8 percent for wastewater, resulting in the typical monthly increase for the average residential customer at \$3. After the increase, the average monthly residential bill is 1.5 percent of the local median household income, well below Fitch's affordability threshold of 2 percent. Mr. Balliew then discussed AguaCares, a new program in which EPWater is partnering with Project Amistad to assist EPWater customers who are having difficulty paying their water bill. Some key services AguaCares offers is money management counseling, payment arrangement, conservation support, emergency utility payment assistance and agency referrals.

Mr. Balliew introduced Gisela Dagnino, Engineering Division Manager, who discussed the proposed changes to Rules and Regulations 2019. The first change is to Rules and Regulations No. 3: Stormwater Service, Section 1 General Provisions B Abbreviations and Definitions. The request is to add the following abbreviations and/or definitions: PMF-Probable Maximum Flood, PMP-Probable Maximum Precipitation, Compacted Soil, Detention Pond, Developed Property, Properly Maintained Systems and Retention Pond. The requested also changes include revising the definition of Impervious Area to read any area that has been disturbed from its natural condition in such a way as to reduce the ability of the surface to absorb and infiltrate water into the soil by regrading, placement of any material under laid by plastic, placement of millings or any other drivable material. Impervious areas include, but are not limited to, compacted soils, buildings, pavement, parking lots, driveways, sidewalks and any other man-made structure or surface that is built or laid on the natural surface of the land, which has the effect of increasing, concentrating or otherwise altering stormwater runoff so that flows are increased. Xeriscaped properties and turf are considered pervious. Under Rules and Regulations No. 3 Section III D Exemptions 1a, the current reads: Property with proper construction and maintenance of a wholly sufficient and privately owned drainage system, including each of the following elements: \*contains elements (i) through (viii). The request is to add the following: (iii) A post-construction survey of the development must be completed to verify that the

improvements were constructed per the approved grading plan and that all runoff is being retained within the development. The post-construction survey must be performed by a registered professional land surveyor, at the expense of the owner. Under Section Rules and Regulations No.3 III D Exemptions 1a (ii), the proposed change reads: There shall be no discharge of the system into a street, arroyo, alley, creek, river, slough, culvert or other channel that is part of the municipal drainage system. Under Section III Exemption 1a (iv), the proposed change reads: Section III Exemption 1a (v) The owner must provide documentation of (i) through (iv) in the form of engineering reports, surveys, maps, and supporting documentation signed and sealed by a Registered Professional Engineer along with an Application for Determination of Wholly Sufficient. Under Rules and Regulations No. 3 Section III D Exemptions 1a vii, the proposed change reads: The exemption shall be for such time as the stormwater structures are operated and properly maintained as indicated in (i) through (iv). Under Section III D Exemptions 1b, the proposed change reads: Property held and maintained in its natural state, until such time that the property is developed. Under Rules and Regulations No. 3 Section III D Exemptions 1c, the proposed change asks to remove the current language because EPWater does not bill vacant lots. It currently reads: A subdivided lot, until a structure has been built on the lot and a certificate of occupancy has been issued by the municipality in which the property is located. The proposed is to remove this language, as we do not bill vacant lots. Ms. Dagnino went on to discuss Rules and Regulations No. 3 Section III E credits. The proposed change reads: A credit may be granted for non-residential properties that have properly implemented Stormwater management measures that meet the minimum design standards established by the city. A 25% credit will be given after the written application is submitted to the utility and the utility verifies that the Stormwater pond is properly designed, built and maintained to the design conditions and capacity. The applicant must provide a post-construction survey of the development at the time of the application to verify improvements were constructed per the approved grading plan and that all runoff is being retained within the development. The post-construction survey must be performed by a registered land surveyor, at the expense of the property owner. The credit is not retroactive and will only apply to billing forward from the date of approval from the utility. The utility may revoke the credit if the pond is not maintained as designed. Residential properties are not eligible for credits.

Next, Mr. Gilbert Trejo, Chief Technical Officer, went over Water and/or Sewer Service Rules and Regulations changes. Under Section Rules and Regulations No. 1 VII-B Extension and Connection charges, the proposed change reads: A service connection is deemed inactive after a period of 2 years or more. It may be vacated, locked, and/or removed. Reinstallation shall require a new application and a new service connection charge, which shall be paid stipulation in Rules and Regulations No. 7. This is applicable for services removed by the utility or at the request of the customer. The next change is to Rules and Regulations No. 5, Section IV – Tampering Fees. The proposed change reads: Permanent Customer Accounts = \$100, Repeat Occurrence = \$500 fee per incident. Also, add: Construction accounts = \$1,000, Repeat Occurrences = \$1,500 for the 2nd incident and \$2,000 per subsequent incident. The next change is to rule No. 7, Section II C1–Water Service Connection Charges. The request is to remove the charge column and language related to smart meters, and add that the description of the amount of charges includes a column for Domestic and Yard Meter Remote Meters, \$100 additional fee to current Remote Meter (Smart Meter). Also, to add: RF Meters are to be installed in remote areas, medians and other high-traffic areas where access to obtain readings may be unsafe. Fireline services should have a meter installed by the customer on the bypass. EPWater must be allowed access to all meters on a monthly basis to obtain readings for billing purposes. Mr. Trejo went over his last change to Rules and Regulations No. 7, Section II E 2-e – Fire Hydrant Meters. The proposed change reads: e. A water loss fee of \$1,000 will be charged to the customer for first occurrence where unmetered water is taken from a fire hydrant, where the customer tampers with the meter or fire hydrant, or where the fire hydrant meter is removed by anyone other than utility personnel. A \$2,000 fee will be charged for each occurrence thereafter.

Mr. Balliew then went over a national water campaign created by the Water Environment Federation called "Water's Worth It," which helps bring attention to the importance of clean water and the infrastructure that supports it. EPWater will be sharing these messages in the coming weeks, as the PSB considers the proposed FY 2019-2020 budget and rate proposal. Next, Mr. Balliew went over the budget timeline: Dec. 3, 2018, is the budget workshop; Dec. 12, 2018, will address any outstanding items in a normal PSB meeting, with opportunity for public comment; and Jan. 9, 2019, the Board will consider and approve/adopt budget, rate, adjustments, Rules and Regulation changes for Stormwater and Water/Wastewater. Mr. Balliew addressed questions from the Board regarding this item, and Mr. Art Duran, Chief Financial Officers made additional comments.

**EXECUTIVE SESSION**

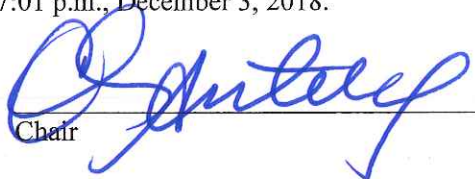
The Board did not enter into Executive Session.

**ADJOURNMENT**

Mr. Antcliff declared the meeting adjourned at 7:01 p.m., December 3, 2018.

ATTEST:

  
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Secretary-Treasurer

  
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Chair