

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	10728	Agenda Number	3.
Meeting Date:	11/10/2011	Department:	Austin Water Utility	
Subject				
Authorize negotiation and execution of an agreement to purchase the Lower Colorado River Authority's Glenlake Water System in an amount not to exceed \$1,994,000.				
Amount and Source of Funding				
Funding is available in the FY 2011-2012 Austin Water Utility Capital Budget.				
Fiscal Note				
A fiscal note is attached.				
Purchasing Language:				
Prior Council Action:				
For More Information:	Bart Jennings, 972-0118, Denise Avery, 972-0104			
Boards and Commission Action:	To be reviewed by the Water and Wastewater Commission on November 9, 2011.			
MBE / WBE:				
Related Items:				

Additional Backup Information

The Lower Colorado River Authority (LCRA) owns, operates, and maintains water and wastewater systems located in its jurisdiction. The board of LCRA determined that it was in LCRA's best interests to divest itself of its water and wastewater systems. LCRA is using a third-party intermediary to assist them with the sale process. One of these water systems is the Glenlake Water System located in northwestern Travis County (near RM 2222 and River Place Boulevard), the Drinking Water Protection Zone, the City's extraterritorial jurisdiction, and the City's service area.

The system is also located adjacent to the River Place Municipal Utility District (River Place MUD). LCRA purchases, from River Place MUD, wholesale potable water for the provision of water within the Glenlake Water System. Customers of the Glenlake Water System use individually-owned septic tanks for the provision of wastewater service.

Approximately 400 customers obtain water service from the Glenlake Water System. The operational components of Glenlake Water System consist of approximately 11 miles of water mains, 90 fire hydrants, two

ground storage tanks, and one hydro-pneumatic water storage tank.

Through a Strategic Partnership Agreement between River Place MUD and the City, executed on September 9, 2009, the City will assume operation and maintenance, and related responsibilities, of the River Place MUD utility system on October 1, 2014, and the City will annex River Place MUD in 2017. Glenlake Water System's service area is not included in the City's three-year municipal annexation plan.

River Place MUD uses a water treatment plant to treat water from the Colorado River to provide potable water to its residents and wholesale water to the LCRA for the Glenlake Water System. The City will continue the use of the water treatment plant for the foreseeable future before connecting River Place MUD to the City's existing water system.

The City proposed to LCRA to pay LCRA a lump sum amount (\$1,994,000 dollars) to defease LCRA's debt for the purchase of the Glenlake Water System. The proposed closing date for the transaction is June 1, 2012. The City's 25-year net present value analysis indicates a positive value outcome for the City's purchase of the Glenlake Water System. Upon the date of the City's acquisition of the Glenlake Water System, those customers will become direct retail customers of the City, and City policies, rates, and fees will apply.

The City's acquisition of the Glenlake Water System is beneficial to the City in that it increases Austin Water's customer base, results in a positive net present value for Austin Water, may allow Austin Water to achieve operational efficiencies when Austin Water assumes responsibility for the River Place MUD water system in 2014, and allows the City to apply its water conservation ordinances and programs to customers impacting the City's water source.