

# Closed Caption Log, Council Meeting, 03/24/11

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Mayor Leffingwell: Good morning. I'm austin mayor lee leffingwell and we'll begin with chaplain geno hildebrandt, apd chaplain, hope chapel.

Mayor and council and assembled guests, please pray with me. Gracious god this morning i want to thank you for leaders to continue to ask for your guidance and your blessing in prayer. This morning i pray for wisdom that each would lead by example as well as in policy setting. We ask for your grace, for each member to get along well with one another, to listen carefully to one another and respect one another's differences. We ask this morning for peace and justice to reign in our city as each person guided by the golden rule dictates your spirit. I ask also, father in heaven, for prosperity and generosity here in austin. Prosperity that none may have to beg for bread for a place to lay down in safety at night and the generosity to gladly o sustenance and i pray for all those gathered in your deliberations, in the name of jesus, amen.

Mayor Leffingwell: Amen. Please be seated. A wore is present so I'll call to order this meaning of the 05 a.m. We're meeting in the council chambers, au hall, 301 west willie nelson boulevard, austin, texas. We'll begin with changes and corrections to today's agenda. Item number 8, add the phrase "recommended by the water and " item number 22, correct the date from october 23, 2001, to october 23, 2011. On item number 28, add the and subject to contractor participation," the date and strike "no subcontractor opportunities were identified therefore no goals were established for " for item number 29, add the phrase "recommended by the water and wastewater " our time certain items this morning are at 10:30. We'll have two briefings, one on the pending special district legislation and another briefing on the solid waste services long-term recycling services contract. 00 noon we'll have our general citizens communication. 00 we'll take up our zoning matters. , our public hearings. 30, live music and proclamations and musicians for today is eliza gilbertson. The consent agenda for today is items 1 through 46 with several exceptions that I will call out in just a moment. First I'll read the appointments to our boards and commissions, which is item number 40. This item will remain on consent for the time being. To the airport advisory commission, mark siegeloff, councilmember cole's nominee. To the library commission, david fox, councilmember shade's nominee. To the planning commission, tina bowie and resource management commission dr. harry chrishna. Items pulled off the consent agenda by councilmembers are items number 11, 23, 24, 29, all pulled by councilmember cole. And the following items are pulled due to speakers signed up. Those are items 17, 19 and 20. Are there any other items to be pulled off the consent agenda by councilmembers? Mayor pro tem.

Martinez: Can we pull item 41 for questions?

Mayor Leffingwell: Item number 41 is pulled by mayor pro tem martinez. And correction, if I did say item number 29 pulled by councilmember cole, that is item number 39. So with that, council, I'll entertain a motion to approve the consent agenda.

So moved.

Mayor Leffingwell: Mayor pro tem martinez moves to approve the consent agenda, seconded by councilmember shade. Any discussion? All those in favor please say aye? Opposed? Before we finalize

the vote, councilmembers, item number 21 is pulled for a staff briefing. So --

Cole: Mayor, I'll make a motion for a brief recess. All those in favor?

Mayor Leffingwell: We stand in recess.

Cole: Mayor pro tem, whenever you think it's beginning to begin the meeting to let the mayor --

Martinez: I think we'll be ready --

Mayor Leffingwell: We're out of recess. We're out of recess. Apparently a minor slip and fall incident. So mayor pro tem, adding -- pulling number 21 off the consent agenda, councilmember shade. The revised motion is on the table. All in favor say aye. Opposed say no. Consent agenda has passed on a vote of 7-0. So we will now go to item number 11 pulled by councilmember cole.

Cole: Thank you, mayor. Before I get to item number 11, I have to make a brief announcement from a media release is that fannie mae will call a three-day foreclosure prevention event in connection with our cdc and it has been approved by h.u.d. And that will happen on 00 to 00, friday, march 25 and march 26 and it's at the framework office at 701 tiller. Moving on in connection with item number 11, I'd like to ask howard lazarus to come forward. This item deals with our 2006 bonds and how we are laying them out through the program that our city manager came up with, accelerate austin, and I'd like him to briefly tell us a little bit about that program and especially how it relates to east austin.

Howard lazarus, public works director. We're in the process of preparing a two-year report. The accelerated austin program was launched in march of 2009 and I think it's prudent for us to come back and report in detail the progress we've made. The intent of the program really was to accomplish three goals. The first was to accelerate construction of 2006 proposition 1 street reconstruction. The second, if you remember at the time, was to put more money into the economy and create local jobs. And we've been successful with that and we'll report on that as well. And the third was to obligate the funds so that we could get a better grip on where we were financially prior to launching mobility bonds. So in the report that we'll send forward to you, we'll report on all three of those criteria. With regard to location, we'll also specify where we are. A large amount of the money has been put into reconstruction groupings both in northeast austin and southeast austin. I do not have those numbers with me, but I will forward them to you as well.

Cole: Thank you, howard. I just wanted to emphasize we're going forward with that work and congratulate staff for that and the city manager because we know there's a lot of angst in the community about the infrastructure especially as relates to east austin.

I will tell you preliminary numbers, we've moved a substantial number of projects to either not being started all the way through engineering and design. And although it does cause quite a bit of inconvenience, there are numerous projects under construction and we'll give you a status report within the next couple weeks as we finish the update.

Cole: Thank you.

Mayor Leffingwell: City manager.

Thank you. Howard, just before you leave, I just really want to take an opportunity to acknowledge you and your team and your project manager with regards to accelerate austin. While I had the notion, you all made it real and you'll note when he ultimately puts his report together and delivers to council that they've done an exceptional job, so thank you very much.

Thank you, city manager. I would like to thank the staff particularly. One of our senior program managers dennis craybill has been instrumental in pulling staff together and getting the project to move. Thanks to dan juarez, our assistant director for project delivery. He's done a great job on the program.

Mayor Leffingwell: Thank you, howard. Councilmember?

Cole: Thank you, mayor, I'm done. I move approval.

Mayor Leffingwell: Councilmember cole moves approval of item 11. Seconded by councilmember spelman. Discussion? All in favor say aye. Opposed say no. Passes on a vote of 7-0. Now we'll go to item 17, which was pulled for speakers. First speaker is joe jones. He is not in the chamber. Gus pena. Gus pena has signed up for.

Good morning, mayor, mayor city manager and councilmembers, gus pena, native east austinite. Proud marine corps veteran. Item 17, we've been dealing with project help, which is an entity at the austin independent school district, it deals with students that are homeless or from homeless family background. One of the things I have to say I applaud this, approve this and it's great. And do you remember my comments of past years continuously when you and i ran against each other, councilmember spelman, my issue was yes, we need to have money for direct services -- excuse me, I apologize. But we're losing the battle in having enough money for direct services. I'll make one comment. You are told to call at 00 in the morning on tuesdays. The phone is busy, busy. I had a lot of people complaints, hardly any people can get through to get funding or help from carizaz. Please see if we can improve the communication system in order to be able to access an intake worker or person to answer. But on this particular item, i applaud the city for doing that and we need more help, more money because more people, more families are becoming homeless and a lot of people are losing their homes. Thank you very much, I'll keep it brief. Thank you.

Mayor Leffingwell: Those are all the speakers that we have. Councilmember morrison.

Morrison: I wanted to just give a brief explanation of this item. It's the city, the county and the school district are going to be combining their resources and in a way that we'll be able to identify -- the school district will be able to identify for a given child which entities are providing what services so we might be able to identify special gaps or redundancy. And this is the outgrowth of great work by the staff, the city, aid that came out of the joint subcommittee that we work together with with the mayor as well as elected officials from aid and the county. I just wanted to highlight that and it's a great example of how we can collaborate and work together, do a better job serving the children of this city for not that much money. So I would like to move approval.

Mayor Leffingwell: Councilmember morrison moves approval. Councilmember cole seconds. Discussion? All in favor say aye. Opposed say no. Passes on a vote 7-0. We go to item 19 where we have two citizens signed up. Joe jones. Is joe jones in the chamber? Gus pena. Gus pena is signed up for.

Mayor and councilmembers, city manager, my apologize, I had my items incorrectly and I spoke to item number -- I think it was 19 when I should have spoken to 17. 17 Is, you are right, the chronic truancy and absenteeism which I believe the county, and I thank you for -- I thank you for explaining that, councilmember morrison, because I had it incorrect. 19 Has to do with homelessness prevention and it calls for more funding for funding and outreach. 17 Dealt with the truancy and absenteeism and my apologize to the listeners and viewers and to y'all. Anyway, number 19 I already mentioned those comments that more carisas, it takes time to get into the phone system and a lot of people -- they need more workers to answer the phone. Not just one hour of calling for help. Number 17, of course, truancy and absenteeism is on the increase, but I will tell you on item 17 I need to get back to that because a lot of families are becoming homeless. It's not a constant stabilization issue that they have homes to remain in school. Not only that, item number 17, the truancy and absenteeism, one of the problems

we've seen is increase in bullying. Kids won't attend school -- you have school resource officers, sometimes they don't do the job and I'm calling the superintendent and we're going to meet on those issues. I thank you for clarifying the issue, councilmember morrison. I guess I'm still asleep. Thank you very much for that. Thank you.

Mayor Leffingwell: Those are all the speakers signed up. Is there a motion on item 19? Councilmember spelman moves approval. Seconded by councilmember cole. Discussion? All in favor say aye. Opposed say no. Passes on a vote of 7-0. So now we'll go to item number 20. We have two citizens signed up to speak. First speaker is joe jones. Is joe jones in the chamber? Second speaker is gus pena. Gus pena declines to speak on item 20. Those are all the speakers that we have signed up. Is there a motion on item 20? Mayor pro tem moves approval. Is there a second?

Second.

Mayor Leffingwell: Seconded by councilmember cole. Okay. Discussion? All in favor say aye. Opposed say no. Passes on a vote of 7-0. We'll now take up number 21 with a staff presentation. And clerk, the motion was made on item 20 by councilmember riley, seconded by the mayor pro tem.

Good morning, mayor, mayor pro tem and councilmembers. My name is patricia link and I'm here to recommend a settlement in cause number d-1-gv-08-002666, city of austin versus magnum tunneling in the amount of \$355,000. As you may recall, I presented this case to you two weeks ago in executive session. It involves a private construction project that caused damage to city property. The city sued to recover its expenses. The parties mediated this case and agreed to settle the claim subject to council approval. The city will receive \$355,000. Each defendant will pay a portion of this amount to the city in settlement of the case and I'm happy to answer any questions.

Mayor Leffingwell: Questions? Emphasizing specific money paid to the city of austin, not paid by the city of austin.

Yes, sir.

Move approval.

Mayor Leffingwell: Councilmember cole moves approval. Seconded by councilmember spelman. Discussion? All in favor say aye? Opposed say no. Passes on a vote of 7-0. Item 23 pulled by councilmember cole.

Mayor, I'm sorry. I do not have questions on that. Move approval.

Mayor Leffingwell: We do have speakers on that item. First speaker is gus pena.

Mayor, councilmembers, city manager, item number 23, I want to issue a challenge to all men out there in the community having to do with funding for assistance to female victims of domestic violence. I'll make this brief because I frequent the county commissioners court and I have been at the capitol on various issues including this specific issue. I'll also give you the information that protective orders sometimes are not sufficient enough to maintain the safety and health and well-being of female victims. It's something I spoke to our district attorney, I worked on the campaign and our county attorney who is a good friend of mine when I -- I met him when I was with municipal court and criminal district co as a bailiff and officer. I send a challenge out to all men, but let's back up, regroup and have respect for women. And, you know, don't take it out on women. You need to take it out, get a counselor, get treatment, get something, but domestic violence is on the increase and this is not good. Let's set the example for a young male sons or male kids or students that this is not acceptable because that's a felony and you can leave you with a bad record. We need to change some of the laws to make it more

stricter. Protective orders really don't protect the female victim and we're working at the capitol. Anyway, that's all have I to say, but I want to let you know everybody has a male out there, respect women, love them and take care of them. Mayor, we need to see more female executive managers here at the city of austin. More women out there in [inaudible] positions. Thank you very much.

Mayor Leffingwell: Thank you. Councilmember cole.

Cole: Move approval.

Mayor Leffingwell: Seconded by councilmember spelman. Discussion? All in favor say aye. Opposed say no. Passes on a vote of 7-0. Item 24. We have speakers. It was pulled by councilmember cole so do you very brief comments before we call the speakers?

Cole: pena did a good job.

Mayor Leffingwell: All right. First speaker is gus pena. 24. Pass on that. Okay. nan smith. nan smith is not in the chamber. Motion?

Cole: Move approval.

Mayor Leffingwell: Councilmember cole moves approval. Seconded by councilmember morrison. Discussion? All in favor say aye. Opposed say no. Passes on a vote of 7-0. Item number 39.

Cole: This item was recommended by the audit and finance committee but because we have so many governmental entities going through budget issues, investment issues, i thought it would be prudent for her to give us a brief summary of what this does.

We are required by the public funds investment act to bring forward the investment policy for the city of austin annually. We typically run that through the audit and finance committee first. We did that in january. And as part of that annual adoption that council is required to approve by law, we actually look at any changes in the law, bring those forward as changes to the policy. There were none this year. Just in terms of the policy itself, it emphasizes ensuring safety of our principal, ensuring liquidity. It actually outlines prudence and ethics standards and there's also a goal in there as well to achieve our yield objective. This year as part of the process we asked the government treasurer's office to review the investment policy for best practices. There is -- there were several changes made, primarily just to documents in the policy, what we're doing in practice, but one of the new things that we'll be bringing forward is providing quarterly reports to the city council. So expect to see those pretty soon. And that's about it.

Cole: Okay. Thank you, leslie. We appreciate that update and we want to emphasize with those investments we are making sure that we focus on safety.

Yes, we are.

Cole: Thank you. No further questions. Move approval, mayor.

Mayor Leffingwell: Councilmember cole moves approval of item 39. Seconded by mayor pro tem. Discussion? All in favor say aye. Opposed say no. Passes on a vote 7-0. Item 41 pulled by the mayor pro tem.

Martinez: Thanks, mayor. If we could have someone from staff speak to this item.

Good morning, I'm an engineer with watershed protection.

Martinez: Hi, chris.

This is a resolution supporting a senate bill filed by senator watson. I just wanted to make sure I'm understanding this correctly because we did receive an email yesterday from s.o.s. That caused confusion for me. So currently discharging effluent over the recharge zone is permitted by tceq.

It's prohibited. Over the recharge zone, but not in the contributing zone.

Martinez: So walk me through what exactly this bill allows and doesn't allow compared with today and if the bill were --

the most short story would be this would apply additional restriction on wastewater discharges in the contributing zone which currently are not restricted specially by rules. Effectively what happens is an applicant applies for a wastewater permit and the city must contest each on a case-by-case basis and the political reality that appears to be getting nor difficult. There was recently a contested case in boerne where a judge said the permit should be denied and the commission overruled them, the texas commission on environmental quality. This is another tool this the toolbox for us to engage with tceq to get as much protection as we can. This is probably -- the government relations office can probably speak more to this. This would probably be the best politically achievable. We would prefer complete prohibition. This is definitely more protection than is out there now. It does include a specific provision to not materially increase the nutrient concentrations of these high quality or low nutrient waters and so that is significant protection.

Martinez: Thank you, chris.

You're work.

Mayor Leffingwell: Councilmember morrison.

Morrison: So you've given us -- so basically what we're talking about, right now its case by case. This would set a standard so we would no longer [inaudible]. Cases a year?

Quite a few. Very few that come up in the contributing zone. There's only within one and that was the belt area permit issued by tceq. It was a multi year contested process that we engaged in. We went through that entire process and the permit was granted. There were additional protections applied to it. But again, our fear is that given the current political situation at the commission that it -- we could go through a similar process and lose outright and it would be granted as drafted by tceq and are very destructive for the contributing zone and the aquifer.

Morrison: [Inaudible] was the permit more or less lenient than the standard in this bill?

This sort of sets qualitative standards. It does not materially increase the concentrations of nutrients. What would happen in this bill was passed, tceq would do a rule making process at which point city of austin and stakeholders would have to engage to define that. It's difficult to answer now. That would certainly -- the problem is tceq says -- this is another way for us to force them to make a quantitative definition and we think that following that language does not materially increase the nutrient concentrations during [inaudible] conditions will lead to a protective rule.

Morrison: In the belltear case, do we think that the permit as it was finalized, did it increase the nutrients

in the contributing zone?

By definition any permit granted will increase the nutrients. We want to try to encourage land -- or beneficial reuse of effluent. Then the additional provision of this bill would improve the treatment levels so that even though you are discharging a smaller amount, it's much higher quality effluent.

Morrison: What was the result of that case? Did we think -- did it increase the nutrients?

Yes, it definitely did. It discharges --

Morrison: It wouldn't have been allowed under this law?

It still probably would have been allowed but more than likely we wouldn't have had to go through that process that has a highly uncertain outcome with the state office of administrative hearings process.

Morrison: Okay, and I have a question for Mr. [inaudible]. It sounds somewhat complicated and I'm wondering what's the timing on this because personally I would like to be able to hear from, for instance, the environmental board on -- on this and their recommendations. Is there -- how quickly do we need to get our position on this bill to the legislature?

The sooner the better. Obviously bills that move have a better chance of passing. A complete ban simply will not pass. It been tried in previous sessions under more favorable political -- more favorable political environment. This session, unsuccessfully, I would recommend that this is absolute the best shot you have at improving the standards under which these permits are issued.

Morrison: Yeah, I guess my quandary is it better to continue case by case or does it make sense to --

well, that doesn't mean that we can't get involved in the cases. Even -- even under the standards. But it does set a high standard that the permits would have to meet.

Morrison: Right. So the bottom line is would we ever be able to do better than this if we went on a case-by-case basis and didn't have this law in place?

There -- there's nothing that prohibits you from being involved and contesting a permit. Even with this language in place. So that you can continue to -- to be involved in a case. So it does not weaken our position in any sense of the word.

Mayor Leffingwell: Councilmember Spelman.

Spelman: Try a way of thinking about this, John, and see if this is fairly accurate. Right now there is no threshold that the developer has to meet. [Inaudible] start from scratch and start with no threshold, no standards and try and [inaudible]. What this would do is set a higher standard and that would be the beginning of our conversation. Is that accurate?

I think that's reasonably accurate. There probably are rules for the contributing zone in place now, but I don't think there they are as strong as this legislation.

Spelman: So we do have some standard right now. This would increase those standards. That would be the beginning of the conversation, not the end of it.

That's correct.

Mayor Leffingwell: Mayor pro tem.

Martinez: John, you just wanted to ask, is the legislation drafted tightly enough to where it can't be used as a trojan horse to eliminate existing standards? I mean could there be amendments that would take us backwards in time?

Amendments are always possible. I mean that clearly is not the intent of the bill and the bill's sponsor has control of that. So no, I don't think that would happen. Bills can be amended that drastically change -- change their effect. But -- but I think that the author will have control over this bill.

Martinez: With that in mind, obviously I want to be sensitive to amendments and made sure council is made aware of any changes to the legislation and that we're kept up to speed through the process.

Will do.

Martinez: Thanks, mayor.

Mayor Leffingwell: So just to clarify, and I said this tuesday in the work session, but along with the belltera case, the council did solve to ask for a complete ban on effluent charge in the contributing zone. So obviously that did not happen. There was not the political will to go forward on that. So what we have done is we have made an incremental improvement. As I said on tuesday, that idea was not perfect, it's not what we wanted, but it's an improvement over what we have now and is recommended by our watershed protection department and as councilmember spelman said it does set the threshold higher than it is right now, the status quo. It's improvement, we still have the ability to negotiate and further this state law will apply over the entire watershed, not just that part of it that the city has purview over, so I think that's the reason[inaudible].

That's correct, mayor.

Mayor Leffingwell: Any further questions of staff? Councilmember riley.

Riley: John, in looking over the resolution, I notice that it doesn't actually even specify a bill number. What it does is set out concepts of what the city supports. We support legislation that balances development and protection of the precious and heavy used resource, that we support legislation to restrict the tceq from issuing permits authorizing direct discharges that don't maintain [inaudible]. And that in the alternative, we encourage wastewater in the contributing zones -- we encourage wastewater in contributing zones receive advanced wastewater treatment [inaudible]. Is that typical that when we pass resolutions relating to legislation we don't -- we don't just sign off blindly on a particular bill.

That's typical because the legislation can be placed in law by ways other than a stand-alone bill. It could be done through amendments and there will be other opportunities to do it, not just through this bill.

Riley: Okay. And that would avoid problems that we support some bill that winds up being amended in some way we don't like.

Exactly.

Riley: We just state the concepts we want to see. Ideally to restrict their ability to issue permits, but in the alternative we want to see better standards if it is going to be allowed in the contributing zone.

That's correct.



Riley: Okay. Got it.

Mayor Leffingwell: Questions? We do have one speaker signed up wishing to speak. Bill bunch.

Thank you, mayor, members of the city council. Bill bunch, save our springs alliance. As I said in our letter that we sent to you yesterday on behalf of our board of directors, the board did vote unanimously to oppose this bill and resolution before you and I want to give you background and reason why. There was a lot of what your staff just said that we agree with but there's critical points we disagree with. It's been the policy of this city, and we've been very appreciative of it, to oppose direct discharges. That's the standard practice in the hill country. You irrigate, you do not discharge. We've had a few pokes at discharging directly. Beltare has been the most direct. There's been a few others which the administrative law judge denied, but then was overturned by the commission. You -- you are fundamentally changing your policy from opposing direct discharges to basically embracing them with conditions. And now as the long that councilmember riley pointed out, the irrigation is the alternative, it's the afterthought. That is flipping something that should not be flipped. herring pointed out, the language is a qualitative standard, material increase in nutrients. That is no different than what the rules say right now. It just says it in reverse. Right now the clean water act implementing rules say you can't -- you cannot degrade water quality more than the minimus. The words should really move news a direction. These words don't move us anywhere. They change the words a little bit. And I wish that the legislative history that this goes forward would reflect herntzer's view of the bill but we don't have control of that. The legislature, all these folks are going to be putting their spin on it and that's not the spin we want. Please stick with your current policy. I think this is a slippery slope and you are playing with fire given the legislature that we have. You are much better off fighting over the rules that are in place right now with direct discharge being an exception that is only granted if in a hearing you are -- you prove something above the standards rather than having it be the standard and you are only denied it, you know, if you get shot down. It's materially weakening where we are today. And fighting over a rule process with the commission, you're not -- [buzzer sounding] -- on any stronger ground than fighting on a permit by permit basis. Thank you for your consideration.

Mayor Leffingwell: And i would just reiterate what has been said previously that we still preserve the right to oppose any direct discharge permits, just that a statewide standard -- a state law standard for what those discharges could be if they were approved. Councilmember spelman.

Spelman: I would likes to ask our staff a question. Probably an engineering question rather than a legislative question. bunch has suggested we've s standard. How would this bill improve on that standard is this.

The extremely key provision it says does not materially increase the concentration of nutrients under nonstorm influence conditions. That is qualitative language but very specific and that's the problem we have is nutrients. Tceq has not addressed them in the application of the diminimus law. So far they ignore them. Wastewater discharges for nitrogen, 20 milligrams per liter. Background concentrations on the or the of less than half a milligram per liter and even lower in some places. The math doesn't work and they have ignored that up to now so this is putting it into state law providing additional protection that doesn't exist now and we need all the tools that we can to combat these individual permits.

Spelman: Diminimus what? Very small changes this water quality generally?

It says cannot decrease water quality more than a diminimus amount. We completing disagree with tceq's methods and this does specifically increase our biggest complaint.

Spelman: Instead of water quality generally and these legal weasel words where we've taken I pretended they mean something, it's nutrients. And materially is still a legal weasel word. We have to define that through administrative process.

During the rule making process that more than likely would be defined in more detail by tceq.

Spelman: But at least we're folks attention on nutrients in a way we were not before.

Yes, sir, which is a key provision in the resolution. That does specifically address these discharges cannot or should not increase the nutrients and also encourages what our current policy is which is beneficial reuse or land application in this area.

Spelman: Passage of this bill have any effect on your -- what effect will it have on our actions with respect to the next beltera.

When the bill is passed, it forces tceq to engage with us in the rule making process. We've tried in the past without the strength of a law forcing them to do so and they effectively ignored us so that would happen. In the meantime, we've been accumulating huge amounts of overwhelming scientific evidence with modeling, documentation, studyings by the usgs and others we can bring and show here are methods you could use to assess. In direct answer to your question, another permit would come up and then we would deal with it when we see the draft permit come out of tceq. Hopefully it would be much more protective. Then he would have to look at the site specific characteristics and deal with that individual permit action. But we would have such a better starting place than we do now.

Spelman: And the biggest reason is because now we're focusing everybody's attention on something measurable, nutrients.

Absolutely, and we would have another legal argument in state law in support.

Spelman: Mayor, I would bunch a question, if I might.

Mayor Leffingwell: Yeah, go ahead.

Spelman: My apologize for going through this back and forth ping-pong battle but i wanted to know. I want to get a sense of what staff thought. Is there something we can do to maintain our current stance with respect to blanket opposition but recognition this might be the best we can do or be an improvement in all respects? See what I'm getting at?

I think so. To me that would be that you say point blank no discharge is really what's needed.

Spelman: Right.

And only if you meet blah, blah, blah. Rather in here you are saying irrigation is the alternative and you are making beltera instead of the exception the rule.

Spelman: Given what it is harrington suggested we were going to do as a result -- what we're going to do going forward on the next beltera or some other case, do you have objection to what he's proposing to do?

We do. Our fundamental disagreement is the water quality standards right now address nutrients. They don't have these words no material increase, but I don't see how that standard is any more protective than what we have now that you can prove up in a courtroom of what does that mean. You know, how much is that? Is that increasing, you know, by triple, four-fold, two-fold, 50%? What does that mean.

Spelman: We need a rule making process to define material.

Or you define it on a case-by-case basis with your experts. And right now that focus is -- is whatever that increase is, what is the effect on the stream. Not, you know, what is it, you know, proportionately. Is it some fraction.

Spelman: That's a potential place where it could go with this legislation that would not go now?

I'm not sure I understand what you mean by that.

Spelman: I'm not sure how this legislation changes the discussion except to focus on nutrients. hair ton was suggesting.

The focus, people understand the hill country streams have almost no nutrients in them. That's why they are crystal clear and beautiful. You put nutrients in, it's like putting it on your lawn, you are fertilizing the stream.

Spelman: Turns green.

You get algae blooms and the oxygen crashes and swings and whatnot. So there's that focus there. There's not these words, you know, materially increase. But I just don't see h adding that phrase without some definition really moves the ball forward. And again, it's the real danger is you're now making what is a rare exception of discharge, the standard with irrigation being the afterthought. And that's not how it's been. In my view, if this goes forward, you are inviting more belteras, you are not discouraging them.

Spelman: Thanks.

Mayor Leffingwell: Councilmember morrison.

Morrison: I have one more question for you, bill, if you don't mind. One of the things you just said caught my ear and that is you said the issue now is the effect on the stream as opposed to the actual number parts per whatever of the nutrients. Can it be a different effect in different streams? I guess I'm asking are you suggesting that --

to some degree. I mean the processes are same but the stream's geometry and there's some factors that vary stream to stream, of course. And it does give you another thing to argue about. So -- but whether it's really helpful or not, you know, we just don't see it's worth what you risk losing that we have, which is right now the presumption that you don't discharge.

Morrison: Thank you.

Mayor Leffingwell: Councilmember riley.

Riley: If I could ask one more question. I'm going to pick up on questions councilmember spelman was asking. Trying to identify any way we could improve it in light of the concerns you've raised. When I look at the be it resolved part, I see the first paragraph is pretty benign. We [inaudible] that balances [inaudible] of resources. We support lift stations to restrict the tceq from issuing permits. That seems -- I mean all it does is restrict the tceq, it doesn't mean empower them. I take it to the extent you have problems with it, it's principally in the third paragraph where it says that in the -- we encourage that in the alternative wastewater receives advanced wastewater treatment and be managed either by [inaudible] or by beneficial reuse. [Inaudible]. Is there some adjustment of that language that would -- that would speak to your concerns and still express our support for legislation restricting this?

I guess I still am concerned about the restrict part too because it has a built-in assumption that you are

not prohibiting. Because you are restricting the discharge. In certain ways. I left my office without the impact language. I don't have it in front of me.

Riley: It's not optimal, but isn't it better if we impose some restriction that's not there now, even if it's not as much of a restriction as we would like, isn't it work making an incremental step forward? We -- well, I think you get -- it's debatable is it improvement or not. What do those words mean. It could be interpreted that way, it might not be. To me it's giving the imprimatur that this is acceptable if you meet these standard when it should be that's something prohibited unless you can overcome considerable hurdles and show that you can get there. I mean, it has been the practice for 20 years that developers didn't even try to get discharge permits because they knew they couldn't show that there wouldn't be degradation of these very nutrient deprived streams that are such high quality. And it's only recently where, you know, they've tried to start chipping away at that, i think in light of who we have at the tceq right now making those final decisions. The administrative law judges, you know, when you fight over the science, they aren't buying off on it by and large.

Riley: Okay. Thank you.

Mayor Leffingwell: Councilmember spelman.

Spelman: It seems to me what we're talking about is a discussion whether a glass is one quarter full or three-quarters empty. Maybe if we could have a few minutes to -- give my staff a few minutes to talk with city bunch and see whether we can put together words which will affirm no discharge directly into the contributing zone is the appropriate policy, still favoring this increase in the standard as a starting point for discussion.

Mayor Leffingwell: So councilmember spelman moves to put the item on the table pending further discussion and take it up later today. Seconded by councilmember morrison. Mayor pro tem.

Martinez: I think we could capture actually what you just said and put it in a whereas. That this is not a reversal of a long-standing policy and add some language that speak to contactly what you just said.

Spelman: I agree, and rather than trying to work it out right now in realtime perhaps we could have staff work it out and give us a proposal.

Mayor Leffingwell: And i would just make the final vote that council is on record as opposing all direct discharges in the contributing zone perez we passed a couple years ago. That remains in place. So is there any further discussion on this? If not, all in favor of placing the item on the table temporarily say aye. Opposed say no. Passes on a vote of 7-0. We'll take it up later. 30 briefings. First a briefing on the pending specific district legislation.

Good morning, mayor, mayor pro tem, councilmembers. If we could have the presentation, please? Thank you very much. My name is bart jennings with the austin water utility. As you know, three district applications have been filed with the city since last fall,

[inaudible] creek, rio devita and pilot knob. The first was withdrawn. The multiple purposes of this briefing are first to provide an overview of legislation filed to create districts in , to evaluate consistency of each proposal at this time as council's policy adopted last month, and this review will be based upon information we have to date and discuss the next steps. The start is a reminder, the policies have several components as to the expected benefits to the city. Land use control, affordable housing, environmental improvement, improved public transportation facilities, additional open space and additional amenities. Some of the basic requirements policy for the include the city as the water and wastewater services utility provider, no impairment of future annexation, compliance with green building program, district taxes equal to or greater than the city's rate, and the district -- and the developer

contributes a portion of the infrastructure without reimbursement by the city or the m.u.d. It also might be helpful to quickly review the process. can be created through tceq or the legislature. The tceq process cannot legally address certain city requirements that would help mitigate historical concerns about m.u.d. The requirements cannot be deferred to a consent agreement. The requirements to mitigate the city's historical concern must be placed in enabling legislation because they waive or modify existing state statutes. Second, it should be noted that inherently the creation of a district has some risks and that bill may not be passed out of committee or passed at all. Minor or major amendments to the bill may be attached and passed. Or legislation can also be passed over the city's objections. The next steps listed on this slide indicate what remains in the process. We are currently at the first bullet, the legislative stage. policy requires -- and we're going to quote from the policy -- that the proposed district's organizational structure and policies and procedures are conducive to a time dissolution of the district which fully meets the conditions or creation of a to implement this, staff recommends the legislative -- the legislation contain certain items. These are, first, requiring the execution of a city consent agreement. A consent agreement would be deemed valid and enforceable. This avoids a later legal challenge to the consent agreement and allows for limits to be placed on the 's power, duties and responsibilities. Second, dissolving the district in one year. A consent agreement cannot be executed by that time. from moving to the next legislative session where changes could be made without city approval and provide the deadline for the city and district to resolve contractual terms and conditions in order to meet the requirements of the m.u.d. Policy. Third, allowing the city to appoint one board director which serves as a place for the city at the table for discussion which may affect the city's future annexation of the district. Fourth, setting forward term limits. The aim of this requirement is to reduce the possibility of board member entrenchment and continue the district beyond the period the city wishes to annex the district. Finally, allowing the tax rate to be equal or greater than the city's so as to minimize sticker shock for district residents, the level of ad valorem tax which could serve as a financial disincentive to the annexation by the city. The bottom line is that these limitations are sought to prevent the creation of a city within a city. And to restrict powers of a district so that they are less likely to create conflicts against the city or its interests. Now we will turn to the proposed districts and their proposed legislation. The two proposed districts are located in the city's e.t.j. In the designated desired development zone. Each proposed district comprises approximately 2,000 acres and proposes similar land use. The main east-west thoroughfare noted on this chart is highway 71. The bold north-south thoroughfare is sh 130. Now I will review the compliance of each proposed m.u.d. with the city's m.u.d. Policy. This review is based upon general information we have obtained from numerous meetings with the developers to date and reflects the developer's initial responses to city staff's inquiries on those topics. The left column of this slide enumerates the requirements. Developers and staff focused on these areas for provision of -- and other city interests. First I'll review pilot knob's responses. Pilot knob proposes a standard m.u.d. powers and revenue. Pilot knob has agreed to the city's key legislation requirements as previously identified. For annexation, there are no issues at this time to indicate that the developers would not agree to provisions allowing the city to timely annex. Typically with such districts, the city and developer agree that the city will delay annexation until at least a portion of the anticipated bonds have been issued and the fees. Green building, pilot knob is willing to provide an equivalent program including some leed certification. Pilot knob is not located in austin energy's service area. With regards to land uses to land use control, pilot knob has agreed to limited-purpose annexation and the use of the p.u.d. process. An extraordinary benefit from pilot knob is the commitment to use development regulations applicable at each phase. policy requires that the city be the water and wastewater service provider. The developer through the tceq decertification process has paid to be released from another provider's c.c.n. For affordable housing the developer proposes to provide a cash donation to the city to further the city's affordable housing efforts. The financing, pilot knob, there are uncertainties around the timing of bond issuance. When will the city require the first bond issuance and at what date will the citylow the last bond issuance. Complying with all the city requirements is marked here as partially. For the developer, predicting the market is difficult in order to comfortably establish time lines for bond issuance. For the city, the city has a vested interest in minimizing the amount of time to annex the district without significant financial impacts. As with any district, INCLUDING P.I.D.s, THE CITY Foregoes the collection of property tax for a period of time until the district is dissolved. The city also foregoes some cost of service for part of that period of time. The city and the developer have not authoritatively ascertained the financial impact to the city in terms of the foregone sales tax, property

tax, service costs, given the current conceptual stage of the development. , an automatic aid agreement will be needed to netted and negotiate in order for the city to address services in a manner to benefit all parties. For environmental and drainage. Compliance with the m.u.d. Policy for environmental and drainage issues is based upon reviewing all of the p.u.d. Tier 2 requirements and ascertain agreement to all of those requirements. A developer believes that they will need a variance for cut and fill but will not seek setbacks for waterways. For transportation, pilot knob tier 2 requirements, and for parks, pilot knob has agreed to exceed pier 1 requirements. I'll review the same policy for the proposed rio devita. The district is seeking additional powers and revenue sources than a standard m.u.d. Contemplated in the m.u.d. Policy which we'll discuss later in this presentation. Key legislation requirement of the city were identified in a prior slide and have been agreed to by rio devita. For annexation there are no issues at this time to indicate the developer does not agree to the -- to timely annex and as I mentioned earlier some annexation delay is typical as far as the consent agreement with the district. Rio devita is partially located in austin energy's service area. Rio devita is willing to provide a green building program. The land use controls at this time, rio devita indicates they will consent to limit purpose annexation and use the p.u.d. process. Water and wastewater. The developer has indicated an interest in obtaining city water and wastewater service for the entire district, but has not yet sought release of that portion of the district for [inaudible] utilities. policy requires that the city be the water and wastewater service provider. This requirement is to ensure appropriate city infrastructure sizing, to avoid a patch work of service delivery within the city's , to provide a holistic menu of services to residents, and to strengthen a revenue source for the city. More importantly, when the city annexes a district, a city is legally required to pay any unbonded developer reimbursement and any remaining bonds. This amendment can total in the millions of dollars. For rio devita, if there is outstanding debt, then the city would pay the debt for water and wastewater infrastructure located in , but would not be able to obtain the ownership of that infrastructure, nor the revenue stream. Hornsby bend would continue to provide retail service to an annexed area of the city with the city essentially subsidizing a competing utility. Affordable house being, the housing. The developer is still considering this. Financing. For rio devita, there are uncertainties around the timing of bond issuance, but complying with all city requirements is marked here as partially. Additionally, in alignment policy, we have requested that the city's approval of each bond issuance be conditioned on compliance with the consent agreement. The developer agrees except for bonds to reclaim the topography of the gravel pit. We have requested limitations on developer reimbursement. This has not been agreed to. But rio devita may be willing to further discuss these city requirements. Again, as with the creation of any district, the city foregoes the collection of property tax and cost of some services for a period of time until the district is dissolved. an aid agreement will need to be negotiated in order for the city to provide fire services in a manner that benefits all parties. Environmental and drainage. Based upon viewing all of the tier 2 requirements and ascertaining agreement to all of those requirements. The developer believes they will need a variance for cut and fill and some other regulation. The developer would like to have the option of building a gas and solar power plant which may contribute to air or water pollutants. For park, rio devita exceeds is amount of open space required for tier 1 requirement n summary, overall, based upon our preliminary review of both projects, the projects have similar benefits to the city with the exception of rio devita in two areas. Additional district powers and revenue sources and water and wastewater services provided by both the city and hornsby bend utilities. policy addressed familiar and traditional development financing mechanisms, ie, m.u.d. While is request for additional powers and revenue sources have not been able to fully analyzed by staff due to time constraints of the legislative session as well as the lack of information from the developer, the consent agreement can place restrictions on these powers and revenue sources so that rio devita must obtain city council approval prior to the use of some powers or sources of revenue.

facilities are conceptual and tentative at this point. The developer also requests additional revenue sources for funding potential projects that are not clearly defined at this time, but the developer has suggested a solar gas power plant, maybe one of the projects. This plant nt would not be a district facility but some -- would not be a district facility but some other incentivizer would be located in the district. It's important to note that the collection of sales tax, hotel tax as the use of 380 agreements are not included in standard mud legislation. In lieu of some or all of the additional powers a standard mud bill could be proposed. In summary. The lugs for proposed districts should contain the requirements that

the city believes will help mitigate historical concerns about mud. A vast majority of extraordinary benefits, superior development and enhancement of its interests will be negotiated in a consent agreement city council adopts a resolution for each proposed district's legislation, as to its support, modification or opposition as you did in the 2009 proposed karma bill. That would provide legislative representatives and the developer some indication of interest in the district. Again, support or modification of the proposed legislation would only address the creation and the consent agreement would be negotiated thereafter. City staff would then bring it to the city council for consideration. Finally I note that you have a statement from senator watson relate to his support for districts in the sh-130 area. We recommend that resolutions be considered in an april agenda because of the relatively brief remaining time in the legislative session and we are available should council want any additional briefings. That concludes our presentation.

Mayor leffingwell: okay. So all the issues that you've identified with the mud application would be addressed -- should be addressed in the consent agreement, which would have to be approved by council.

Except for those that previously we talked about that needed to be included in the enabling legislation because they either modify the state statutes. So those particular things -- can we go back to the presentation, please? To the beginning? Pardon? If you can just go back to the beginning I'll scroll to it. Pardon me here. In this particular slide it indicates the five things that the city would want to see in the proposed legislation in order to be able to get those kind of things addressed, historical concerns with mud's, so it would lead to a timely dissolution of the mud's and avoid the experiences city has had. Other than that everything else will be addressing the agreements. thank you. Further questions? Council member riley?

Riley: I appreciate it. I have a couple questions. One with respect to the affordable housing districts within the two mud's. I know you said that the pilot nob has partially complied with policy and proposes to provide a cash donation while rio de vida is considering it. If they provide a cash donation, does that go to support affordable housing within the mud or does that go to the city's -- is that made available to the city for affordable housing throughout the city?

Those specific issues have not been negotiated and discussed, so we would wait and see first where city council wants to decide related to the support, the legislation, for modification of it, and then if you're supporting or modifying it and the legislation has passed, for those provisions that the city wants to have in it, then city staff would initiate those discussions and negotiations and we could figure out then what's the best, particularly from the experts within affordable housing.

Riley: okay. And then in your discussion on rio de vida, I know there were some aspects of the proposed mud in which the rio de vida does not clearly comply with mud policy, and, well, in particular with respect to city and -- water and wastewater services, and it sounded from your comments that there is some concern that the city could ultimately be stuck with some costs based on the proposed mud, and I just want to make sure i understand the potential fiscal ramification foss the -- for the city. Could you he labor rate with respect to city and wastewater services in rio de vida?

The particular issue related to water than a wastewater service is this, that with a ccn they are designated and giving a certificate by the state that allows them to essentially be a monopoly. They provide the retail and water and wastewater service. Such as we have one, honors hornsby ben has one, and when you place the district on top of those ccn,s, then those state requirements come into play than and what those requirements are related to annexation is that the city annexes the mud and the mud either has development reimbursements or the bonds are not fully paid off, then the city becomes liable for those expenses and has to pay those. Well, when you do that, then the infrastructure in hornsby ben ccn, the city is paying for that, but because hornsby ben is lee leffingwell legally the retail provider and the district is just a funding mechanism to make that infrastructure happen because the district conveys over that infrastructure to hornsby ben, then essentially what happens is that the city is

subsidizing the extension of infrastructure in hornsby ben ccn without either gaining the infrastructure or the associated revenues to that. So that kind of expense can be in the millions. For example, for circle c, there was \$14 million in outstanding debt that the water and wastewater utility took on. For southland oaks there was \$5 million that the city took on. For tanglewood forest there was \$4 million, and then for the north growth corridor mud that was about \$3 million, and so it goes on with different mud's, the amount varies based upon where we are when the city decides to annex, but it is in the millions of dollars typically. Now, I do have to say that for lost creek when the city annexes that in 2015, there is no debt whatsoever. when the legislature looks at bills generally, they typically will have a fiscal note indicating the impact on the state with respect to the physical implications. Do you expect that with the legislation for both of these pud's, that we would have a -- be able to provide an assessment of fiscal impact to the city based on the proposed legislation?

Our expectation is that when we bring the kept agreement to you, is that -- consent agreement to you, we would have sufficient enough information to be able to tell you the financial implications to the city as part of our due diligence. And as part of that, to be able to do that for you, we're going to need additional information from the district's financing staff so that we can -- so that our financing group can do the financing analysis of that. So we are expecting to bring that information to you so you can see particular impact of that, and that may play into the kinds of restrictions on revenue sources or additional powers you may want to have in there based upon that potential impact.

Riley: okay. Thanks.

Yes, sir.

Mayor? mayor pro tem. but isn't it also on the responsibility of the developer, in order for them to go issue that debt, they have to have a financial structure that a lender can look at to determine whether it's a financial risk.

That's true, and usually with a mud, it becomes a more stable and easier way of financing because the mud versus a pid has been going on for years and years and years. Now, the way that the ponding process works is first the developer puts the up-front money for some part of the phase of the infrastructure, and then when the tceq -- when the district goes back to refund developer based upon bonds that they want to sell, tceq requires a certain amount of av on the ground to be able to do that. Tceq also, as part of the bond issuance process, takes a look financially at that analysis to ascertain whether that's properly being done and that there is enough av on the ground to be able to pay back those bonds. Also, what we are suggesting in the consent agreement is a requirement that before bonds are issued, that the consent agreement is complied with. That includes adhering to the city's financial regulations and requirements that we have related to mud's in terms of financing, for example, levelized debt so that you're not ballooning at the end of it, so when you annex you have a tremendous amount of debt to take . on a project this large, it says if after 12 months we don't have a consent agreement it goes away.

Yeah, that's the blow-up provision. are we going to be able to negotiate a project of this scope in 12 months?

We believe so. If we take the example of 1994 when we negotiated the agreement for the creation of the wind fields now known as sun field mud's, within four months we had negotiated a consent agreement, a strategic partnership agreement and associated necessary agreements that were exhibits to the consent agreement. A lot depends upon a couple of things. One, how the developer works with the city in terms of being able to give the city sufficient amount of extraordinary benefits and superior development as well as addressing those city interests, as well as being able to give us the information we need to be able to do analysis to indicate to you that we've done our due diligence to make you feel comfortable with the proposal. I think traditionally when you're talking about mud's you're talking about single-family neighborhoods. This is an entire community, not just homes but potential hotels, offices,



businesses, retail. I just want to just -- just wanted to put that caution out there, that it's going to take a lot of work to get something done in 12 months.

Yes, sir, we recognize that, and city staff has committed to have that done. If I could add just a little bit, some of the other mud's also have a component of commercial development in them. Some of them don't, but you're absolutely correct that this is a massive amount of infrastructure and different types of land use to be able to hit multi-family development single, residential, hotels, commercial, office, yes, sir. thank you for all your work on this. Thank you.

You're welcome.

Mayor Ieffingwell: okay. Council member morrison. I want to shift gears a little bit. I know there's a lot of very complicated issues here, and if we look at the big picture and as senator watson has said, it's about trying to promote the kind of growth we want that's superior, and that's why we have the policies that identify, for instance, affordable housing, which is one of the things that i wanted to focus on a little bit. Just to make a couple of comments and ask how we're doing these negotiations. One is, you know, a lot of this we really need to be thinking in terms of how it fits within our framework for the comprehensive plan, which we have now identified, and that specifically addresses affordable housing and needing to make sure we have varied housing times and affordability in all parts of town, which raises for me a bit of a concern about having potentially not on-site affordability within c development, rather just doing a contribution that would push it somewhere else. And then the other thing that comes to mind is that we did approve a pid a while back in the same area with some very -- pretty reasonable on-site affordable -- affordability commitments. So I guess my question to you is, how are you -- how are these conversations going in terms of affordability with each one of them, and are we bringing to the table sort of the priorities and the values and the guidelines that the council has already adopted?

I have several responses to your multiple questions.

Morrison: great. Sorry about that.

First is the mud policy specifically states that the mud must be in alignment with the comprehensive plan. In terms of how would staff proceed forward, again, if the legislation was passed with the requirements the city is requesting and that we move forward, we would include in the discussions those subject matter experts to be able to work with the developer to see what is acceptable on both sides. You are absolutely correct that for the whisper valley and indian hills pids, they agreed to immediate affordable housing goals. We would have to explore further the type of barriers that these two developments see in meeting that goal to see if we can find some ways to surmount those barriers and be able to give the city what they need. So at this time we don't have enough information from the developers to be able to do that. We haven't gone into negotiations. We didn't want to do that until council has given us direction related to each of these but that would be the next step if we move forward, that we need to pull in everybody and start those discussions and then be able to convey that information to you so that it makes clear of what direction we're heading and why.

Morrison: okay. I appreciate that, because i think it's a really critical element of this whole discussion and, you know, this is sort of laying down some big pieces of our future city, and so I think getting it right, especially in the area of affordable housing, is really critical.

Yes, ma'am, I appreciate you pointing that out for us.

Mayor Ieffingwell: okay. Thank you very much.

Yes, sir. see you next month. We'll now have a briefing on the long-term recycling city mager.

Thank you, mayor. geherh approaches to make the presentation, i know this has been a long awaited presentation that comes to you today after a lot of work but also comes to you with recommendations that you're going to hear in the course of bob's presentation. I wanted to take a moment, really, at the outset to acknowledge his efforts. You know, I don't know that bob has even been with us quite a year yet, and so, you know, he stepped into, really, the thick of, you know, a pretty heavy and controversial set of circumstances and has done an exceptional job, as you'll hear in the course of this presentation. His efforts, of course, have been supported with some very steady guidance by howard lazarus, an assistant city manager, robert goode, and, you know, that combination of individuals i think has enabled us today to bring forth not only an analysis, you know, relative to this process but some conclusions and recommendations that take into account -- fully into account the community's values, council's strategic goal of most livable community as well as best managed. And I think, you know, that really characterizes the essence of what he has to say, and so my hat is off to bob and to howard and to assistant city manager robert goode for a job well done. So thank you very much.

And, mayor, council, today, as the city manager noted, a long awaited presentation. Just as a brief starting point we're here to talk about the long-term recycling agreement, and upon discussion with council about six months ago, direction to negotiate a long-term agreement with two parties, tds and balcones. And what I'm about to present to you is detailed analysis of our negotiations that does lead to a recommendation. We are on the agenda for april 7 for council action, and this is a staff briefing as to the status of the negotiations, and we look forward to your questions as well. I'd like to dive into the powerpoint here and begin with a basic starting point of where we recycle. And it is important to start at this point because we will be talking about cost factors of recycling. And I'd like to quickly note that zero waste is a community-driven value. It was a resolution by council from three years ago, as well as the development of a zero waste plan and now a development as we proceed with a departmental master plan. Recycling adds resources to our product manufacturers, and this can be an economic development tool as well too. But important in this presentation as well as those two important reasons is that recycling reduces disposal costs, so when we dive into this fiscal analysis of these proposals, I'd like to note that if we land filled all of the recyclables we have today the cost would be \$5 million a year. As we currently recycle and the tonnage we collect the 7 million a year, and the differential is about a \$3 million a year savings. As we enter into this discussion there is a cost to recycling. There is that cost of collection at the curb is offset by market revenues, and that has been a driver in these negotiations, to be able to have a city benefit, a financial benefit to the city of market revenues as we market these recyclables, and offset some of these costs to widen these costs between landfilling costs and recycling. The city has committed to this, and I note thad with a resolution from council, and the doochtion our zero waste plan as well, and these services that I wish to discuss with you are considered only for our current single stream collection program. Our master plan addressed larger issues. These negotiations address the current single stream collection program. The expiration of the previous recycling contract, and this was noted in council discussion six months ago, this is a very unique opportunity to integrate our zero waste goals in our new mission into a new recycling agreement. We took that to heart in our negotiations. This is a unique position of the city to try to move towards a zero waste platform with a new contract, a new recycling services agreement. Parts of the negotiation sessions is crafting the legal language of an agreement, and this is a very unique starting point for this situation. As council advised staff to negotiate with two vendors, pbs and balcones, we at the beginning and throughout the negotiations have considered various options, various scenarios, contracting with both vendors and splitting the loads or contracting one or the other vendor. By exploring the concept of contracting with both vendors and splitting the volumes, that necessitated a different approach in negotiations on contract language, and so what we have done is created some priorities from and framed the discussion through a different type of contract setup. One of the highest priorities of the city is most favorable pricing for the rate payers. We have engaged in much discussion, public discussion, in the last few years on what is best revenue package and expense package for the city and its residents and its rate payers. So we are looking for the best combination of processing fee and revenue sharing. We are looking for protection against long-term cost escalation. We were looking for benefits from process improvements. Recycling has advanced significantly. When I began my career 35 years ago in crushing glass by hand with a crowbar, and now we have much, much more advanced equipment and conveyor belts and processing equipment sortation, optical sorters and so forth, life has changed in the last 35

years. Life will change in the recycling world in the next 20 years. This is a 20-year agreement so we wanted this contract and these negotiations to reflect the changing world of recycling in the next 20 years. We also analyzed total cost of our recycling services in comparing the offers, and that implies city cost as well as contractual cost, and we'll get into that. There's four components in our financial analysis and we'll get into that in detail. I also desired in these negotiations to provide adequate capacity for the city. As we develop our zero waste goals we will aggressively increase our recy agreement. We wanted to adopt to the ever increasing tonnage that will be collected for recycling, and that also implies the promotion of regional facilities. There is enough volume to share among various facilities. It does not necessitate contracting with one vendor, so there could be the option of a couple of vendors there. Regional demand is adequate to support the two processing facilities and perhaps even a third facility, depending upon the regionalization and the coordination of the waste flows there. To achieve objectives of the zero waste plan we built in the flexibility of adding in new materials. The contracts that we have negotiated require the ability of the processor to add one new material each year at the designation of the city. With advance notice from the city. For instance in 2012-2013 i would like to add septic capers to our collection. They're juice containers often used in schools with kids, and currently there is a limited market. In two, three years there may be a strong recycling market. I would like to add that in. These contracts allow for new material to be added each year as we see the need. We also want to ensure that the materials are recycled and re-enter the marketplace and that is a very important value of our community here. As I mentioned earlier, we approached this contract at a different juncture point, different starting point, because of the potential of contracting with two vendors, and so we have split the contract into two parts, a master agreement and a service schedule. The master agreement are terms that apply to both vendors if we desire to contract with two vendors or more. The concept that everybody signs, the master agreement, and the service schedules, are very particular to that particular vendor. A master agreement standardizes the terms, the conditions, the definition, the quantifiable metrics, the service schedules, the deliverables, and it clearly defines recycling versus diversion. What it does do, also, is it protects against cost escalation through a perpetual competition concept, and we have the ability through the reset dates, which are described later, to reallocate the market shares and bring in additional vendors at a future date, if desired to do so. The service schedules are very specific to the vendor and their pricing and technical requirements as proposed by the vendors. And these schedules would be adaptable at each of the reset dates, which I will mention momentarily. Our process improvement credits is a concept that we introduced into this contractual negotiation as well. As I mentioned earlier, life has changed in the recycling world. It will change in the next 20 years. Improves through the next 20 years, the processor will gain more efficiency and more benefit, and we desire in the contract that the city gain some of that benefit as well in the negotiation throughout the life of this 20 years. Also, the city here -- city council has engaged in -- with a high priority on offering living wage wherever possible in contractual agreements. We entered that discussion from the very first negotiation session, we introduced that concept, and we have negotiated with both vendors for the agreement that living wage will be paid to all workers that are involved in processing the city's materials. Both vendors have agreed to that. There is a cost factor to that. We asked both vendors to calculate the cost so that we may evaluate what is the city paying for this added living wage. We have that in a cost package later on in a presentation. Our city negotiation team believes that it is a very acceptable cost from both vendors, and we believe that we should proceed with living wage within this agreement. Facility fees, our carbon offset fund was also a high priority and a very unique concept that is not normally found in many contracts, and the vendors provide a very -- a fixed fee per ton in addition to the processing fee, and that goes into a carbon offset fund. This is -- this is a payback to the community in a sense. This is a community value of reducing our carbon footprint, and as we move our vehicles around the city, even when we green our fuel from diesel to cmg, we still have a carbon footprint with our recycling program. This is a way to offset that footprint by establishing a facility fee that pays into a tree-planting program in a sense, a carbon offset plan. We also have a very high value in our negotiations from the city's perspective on most favored nation pricing, and this concept is that as the city engages in a contractual agreement with the vendor, that vendor has the ability to contract with other municipalities, and we encourage that. We'd like to see single stream recycling catch fire throughout the community and the region throughout central texas, and these facilities can finance themselves through multiple contracts. As they engage in a contractual agreement with another city, suppose they gain a better pricing proposal through that negotiation that is more favorable to that city than the city of austin contract. We

desire in contract language that if that position happens, that the city automatically gain that favorable pricing as well too. This is -- this is a controversial element that I'll mention later on, among the vendors. One vendor has accepted this concept. The other vendor protests this concept. I would like to note that from a city's perspective in negotiating this contract, this topic came up in public discussion on a previous recycling contract where there was claims of a better deal at San Antonio versus Austin. That is the concept and why I feel this is an important clause within our contract, that we engage in the best possible benefit to the city in these negotiations. The reset date -- and I kind of referred to this earlier -- the reset dates are a new concept as well and allow for new renegotiation of pricing based on the variable markets. We had noted and council has seen the demonstration of very low market in previous years. That was a 50-year market low. We hope we don't see that again in 50 years, but it is unpredictable when that might occur again, and the reset dates actually allow for us to renegotiate based on ESCA decreasing -- processing cost and the increase or decrease in market revenues that are happening throughout the marketplace. We have offered years 3, 8, 13 and 18. There is reason behind those dates. In the third year of the agreement we would reentertain new proposals from the vendors and new competition for a percentage of the market share of the city's recyclables, at the -- recyclables, at the current market value. This allows us to reengage in at specific points. After three years each vendor has very specific knowledge of how to operate their facility and the expenses and conditions of their facility, so it's a good juncture point for the vendors as well. And then every five years after, with year 18 being a good juncture point for renegotiation, and if the city desires to renew the contract, that discussion is engaged at that time. If the city desires to rebid at year 18, it gives us two years before the conclusion of the contract to finish that bidding process. So that's an important reset date as well. The reset dates provide continuous competition between two vendors. We are not locked into pricing for 20 years. We are locked in through each reset period. It allows the vendor and the city to reflect the current markets in those proposals within the reset dates. Some of the -- that the status on the agreement of the remaining issues, we are closing in on finalizing our negotiations. Our last negotiation session was last Friday. We have three remaining issues -- I'm sorry, two remaining issues with PDS in negotiations. We have concluded negotiations with Balcones. Included in the master agreement that was described earlier as the most favored nation pricing clause, TDS does not accept that clause and Balcones does. Also we have asked the vendors to agree to no CPI adjustment, no increase in the rates within the reset dates. The purpose of the reset dates are to address the pricing based on economic and not have an escalation in the price each year. TDS protests that desire, and Balcones has agreed to no CPI increases within the bracketed time of each reset years. The facility fee is a concept that was accepted by Balcones in a pricing scenario and that is noted in our fiscal analysis. TDS has offered a substitute to the facility fee, where they will offer three inch caliper trees for every thousand tons of recyclables for the city. This is in lieu of payment to a carbon offset fee. The elevated share scenarios that we have discussed and asked for pricing proposals and have analyzed from a fiscal point of view include 100% of the flow to TDS, 100% of recyclables to Balcones or a split market share of 50/50, 60-40 in favor of Balcones, 60/40 in favor of TDS, 75/25 splits as well and we discussed a pricing of a minimum, 2,000 tons, with the concept that that's the bare minimum flow that sustains a recycling processing facility. Each market share presents the different values. As we look at those values, we fiscally analyzed the 100% shares, the 60/40 and the 50/50 as advantageous to the city for comparison purposes. We also asked -- we had asked for two sets of proposals. The primary proposal is based on an index value, and I'll describe that momentarily. But we also asked for an alternative pricing proposal, a creative proposal from each vendor that we could also entertain in our pricing comparisons. Balcones offered an alternative pricing proposal, what I call pricing proposal B, as an actual market revenue as opposed to an index value, and it would be through their sales repeats as they submit each month, and that particular economic analysis was a little difficult to ascertain in doing an apples to apples comparison. That particular proposal is very strong in the strong market. It is a weak proposal in the very low market, so the city has decided not to fiscally offer, analyze and propose that alternative. TDS has offered an alternative pricing proposal of 5 percent processing fees and zero revenue. That is a strong proposal in the weak market and weak in the high markets, in the high markets in recycling. The important part of that discussion is that as I noted in an earlier slide, the city desires a market share of the revenues to offset some of its collection costs and that is not afforded in this proposal. So at this time the negotiation team decided not to entertain this and -- this alternative pricing and we kick back to proposal A in Balcones and proposal A of TDS, the original proposal. I'd like to stop just for a moment, because I failed

to mention our negotiation team. Our negotiation team, I have taken the lead in the negotiation team. Howard Lazarus, director of public works has been my co-partner. Our law office representative is Clark Cornerwell and we have outside -- Cornwell and we have outside assistance with Chip Rainy and it's been a good foursome in this process. Tremendous amount of labor and hours of dedication over the last six months. In consideration of these proposals that were submitted by TDS and Balcones, we looked at service delivery qualifications, we looked at environmental impacts, and we looked at community values. In the service delivery, facilities operation and experience capacity for growth, we were very satisfied with the package of information supplied by both vendors and they both pretty much satisfied the interests of the city in that category. Environmental impacts through LEED certification of their building, their facility configuration and their carbon footprint, once again the city was very pleased with the package and the environmental considerations from both vendors. Also in the community values discussion, each facility operator submitted a community outreach program and education programs and noted the location of their facility within the routing structure of the city, and that will be noted later in the powerpoint, but of those three elements, both parties satisfied the interests of the city very well and were pleased with the proposal from both parties. The living wage provision was finally agreed to by both vendors, but does have a fiscal impact, and that is noted later in the fiscal analysis. The facility fee that one vendor has offered the financial facility fee, the other vendor has offered a tree trade for the carbon offset. A little difficult to evaluate, but we do have that in the pricing proposal as well too. Of note, of those major evaluation opponents, both facilities meet and exceed the city's standards and interests, and therefore this evaluation comes down to a fiscal analysis, a financial impact, what is the best financial package for the city. I don't want to undermine those community values and those environmental matters, those issues and that evaluation. That was very important to me at the outset, but in the first two negotiation sessions we discussed those community values, those environmental impact and their experience in the field and so forth, and we are very satisfied that we were dealing with two very qualified vendors that can definitely service this community. Going from that point into a fiscal analysis here, we -- the revenues are contractually based on published indexes. This was an important point that I raised based on prior experiences. When you create a market share based on sales price, that requires digging into the private company's bookkeeping and validating the sales price and validating that the city is getting its fair share. That is a tremendous amount of bookkeeping and accounting responsibility, and chews up a lot of staff time. The alternative to that path is to take a nationally published index of recyclables that varies each week and take -- and attach the revenue packages to those indexes. If the vendor sells above that index, that's a benefit to the vendor. If it sells below that index, that's a risk that is taken by the vendor. The city is always paid based on that index and that stabilizes the risk for the city. Both vendors have agreed to proposals that are based on indexes and you'll see those terms. The standard terms and conditions using these indexes allows us to do an apples to apples comparison. The fiscal analysis has four monetary factors that we evaluated a processing fee, a facility fee, carbon offset reimbursement, a revenue share and a collection and delivery cost. This presentation was presented to SWAC commission last Wednesday and the missing element was collection and delivery cost. We now have that calculated as of yesterday morning, so we are prepared to show you the full fiscal analysis. We will reengage in the discussion with SWAC next April 6, SWAC commission. The processing fee begins with a processing fee per ton. This is a typical approach to contractual agreements on processing. You have a processing fee and you have a market revenue share, and then you look at the net, and that is a typical approach. TDS has offered a processing fee that is variable based upon the tonnage that's delivered to their facility. If they received 100% of the share of recyclables of 76 -- it's -- if it's 98 it's a sliding scale in between there. Balcones is offered \$79 a ton for the first 2,000 tons delivered and \$75 a ton for every ton after that first 2,000 tons. That allows us to do some fiscal calculations on processing fees, and so the actual cost of processing the recyclables, we looked at various scenarios, 100% to each facility, and 60/40 splits and 50/50 splits. The lowest annual processing fee under this analysis is the TDS 100% proposal. However, that is one leg of the four legs of the full fiscal analysis. The second leg of that fiscal analysis is the facility fee, reimbursement to the city. TDS has offered a 3-inch caliper tree, which we have evaluated at \$180 a ton -- \$180 a tree, and Balcones has offered a \$5 facility fee for every city ton -- city of Austin ton delivered to their facility and \$1 a ton for every ton of municipal single-stream material delivered to their facility from other municipalities. That creates a revenue flow that we evaluated. With that offer from both vendors and looking at it from a fiscal perspective, the Balcones 100% generates \$262,000 in a

moderate market. This -- and with current tonnage flows, as opposed to the tds proposal, evaluation, and that is an economic evaluation of the 3-inch caliper trees for tds. That is the second leg of fiscal analysis of the four legs. This is an additive effect towards the net. The third element that was considered by the city in fiscal analysis was the city revenue share, and the city revenue share varies through the tds proposal based upon the tonnage delivered -- ga ter, how much time do you have remaining in your presentation?

I would say ten minutes.

Mayor Leffingwell: We are out of closed session. In closed session we took up and discussed legal issues related to items 49, 50 and 51. So council, without objection, since our zoning agenda is going to be very brief, basically consent agenda with some postponements, with no objection we'll take that up first and then go to item 41 and then resume our briefing on solid waste. So mr. guernsey.

Thank you, mayor and council. Greg guernsey, planning and development review department. I would like to go through our 00 items, items we are offering for consent. First item is item 52, c14-2010-140 for 1406 to 1506 parker lane. Staff is requesting postponement. Case qen 186 for 416 congress avenue. This is to zone the property central business district, historic landmark, central urban redevelopment district, this is ready for consent approval on all three readings. The planning commission, the historic landmark commission, the downtown commission and the design commission have all recommended this item for your approval. Item number 54 has been with drun, qen 0192. No action is required this evening. Item 55 is case c14-2010-0199 for the property at 403 corral lane. Staff is requesting postponement of this item to your may 2 agenda. Item 56, c14-2010-0205 at 5501 to 5617 lacrosse avenue. This is to change zoning to community commercial, mixed use commercial overlay. It was recommended to you by the zoning and platting commission to grant the gr-mu-co zoning to change the conditional overlay. This is ready for consent approval on all three readings. Item 57, c 14-91-0015 rca, staff is requesting postponement to may 12. Item 58, c 14 h 2010-0032 at 800 edge cliff terrace, the applicant has requested postponement to your may -- excuse me, april 21 agenda. 02 for 1406 to 1405 parker lane. This is an amendment to the east riverside oltorf neighborhood and a change of future land use. Staff is asking postponement to april 21.

Mayor Leffingwell: And i believe on item 55 that was POSTPONED UNTIL MAY 12th.

Excuse me, that is may 12th. Thank you.

Mayor Leffingwell: So the consent agenda is postpone ITEM 52 UNTIL APRIL 21st. Close the public hearing, approve on all three readings item number 53. To withdraw item 54. And to postpone item 55 until MAY 12th. To close the public hearing and approve on all three readings item 56. To postpone item 57 until may 12th. TO POSTPONE ITEM 58 UNTIL APRIL 21st. And to postpone item 59 until APRIL 21st. So that is the consent agenda. And I'll entertain a motion for approval. Councilmember riley moves approval. Sectioned by councilmember cole. Any discussion? All in favor say aye. Opposed say no. Passes on a vote of 7-0.

Thank you, mayor and council, that concludes the joining items we have today.

Mayor Leffingwell: So council, we still have item 41 outstanding which was placed on the table this morning to consider again this afternoon. If we're ready, we'll go ahead and all the speakers who were signed up have spoken so we'll entertain discussion or a motion on item 41. Councilmember spelman.

Spelman: Thank you, mayor. bunch is still in the room. He's left. I made a phone call to him a few minutes ago and let him we were going to pick up item 41. We concluded, my staff and i concluded the best resolution would be to acknowledge some bunch made in a whereas as mayor pro tem martinez suggested and to make a small relatively cosmetic change in the third therefore be it rewhich you are

getting right now.

Mayor Leffingwell: Councilmember, could we check herntzer is in the building because he may have some questions with regard to the motion.

Spelman: Good idea, mayor.

Mayor Leffingwell: Go ahead.

[Inaudible]

Mayor Leffingwell: You got it.

Spelman: The first change would be to add a whereas annualing the city council has opposed and continues to oppose direct discharges into contributing zone and describes the resolution number. And the only other change would be to change the first clause of section 3 to consistent with city policy. It is in fact consistent with city policy as recommended by a staff person who suggested this language may be a bit stronger but would also be accurate than the original language. Other than that, this is -- everything else would stand as it is.

Mayor Leffingwell: So item number 3 of the resolve that you are making changes to.

Spelman: Yeah, i pencilled in number 3 just a moment ago. Mayor, I would offer this as an amendment, one hopes a friendly amendment, to the item before you.

Mayor Leffingwell: Amended resolution. So do we have anyone from watershed protection, and i think we're trying to locate mr. herntzer. I they -- I think I'm okay with this, but I want to make sure that we're not substantively changing this resolution to the detriment of supporting the proposal that's made by senator watson to the bill that has been proposed by him.

Chris with watershed protection. No, sir, watershed protection supports the changes to the resolution.

Mayor Leffingwell: And herntzer, could I ask the same of you from a legislative perspective?

I'm sorry, could you repeat the question.

Mayor Leffingwell: The question is we added one whereas to the resolution, which states the fact that the city council has opposed, continues to oppose direct discharges of effluent into the contributing zone of the edwards aquifer as described in the resolution, which is the existing resolution that we talked about. And then councilmember spelman, could you lead herntzer through the actual changes on item number 3 of resolved.

Spelman: I do not have a markup copy. My staff was in a hurry because I thought we were acting in realtime a few hours ago. But the text of item 3 would change to this text. And the change which I was aware of up until a moment ago was just that first clause, to change it to consistent with city policy. This is at recommend dogs of staff.

And I think that's fine.

Spelman: I'm not sure, and mayor pro tem, perhaps you could explain to me, are there any other changes in this version because I don't have a markup copy from your original or is this --

Martinez: It didn't appear to be. It just seemed to shorten it just slightly, changed the verbiage in the first sentence, but it's very minimal.

Mayor Leffingwell: Okay, so what we're talking about here is the original resolution -- maybe it would herntzer to have a copy.

He does. He has the original and the proposed amendment.

Mayor Leffingwell: The original resolution with the addition of the whereas and the change to item number 3 of resolve to what you see before you.

Right. The change is deleting the city encourages that and replace it with language that is, quote, consistent with city policy. Et cetera.

Mayor Leffingwell: Seems roughly the same to me. Do you agree?

I agree.

Mayor Leffingwell: Okay. So motion by councilmember spelman for the resolution with the changes noted. Mayor pro tem.

Martinez: Procedurely, don't we have to bring it off the table first to consider the item?

Mayor Leffingwell: I would ask my parliamentarian. Councilmember morrison -- councilmember morrison moves, councilmember shade seconds. All in favor. Opposed say no. So the motion is back on the table and I don't think we need to restate it. It's been discussed at length. So councilmember spelman has made the motion and we need a second. Seconded by the mayor pro tem.

Morrison: Now I would like to ask a question.

Mayor Leffingwell: Councilmember morrison.

Morrison: I'm trying to read through this language because I think there's a little more that's changed. It used to read the city encourages that in the alternative wastewater receives advanced wastewater treatment. Now it says consistent with city policy wastewater should receive advanced wastewater treatment, all the same, or by other beneficial reuse of such effluent. So that should receive is different. And I'm confused about the construction of this. It almost makes it sound as if beneficial reuse of the effluent or this wastewater treatment and -- and subsequent discharge are equivalent. Where I thought we were trying to accentuate that, we really prefer there be no discharge. So it's not clear to me that we really achieved that.

Mayor Leffingwell: Councilmember, I believe that's covered in the whereas. The existing resolution. I don't think we needed the whereas, but it never hurts to restate the obvious. We have a resolution on the books which continues to be enforced which says we continue to oppose direct discharges of effluent in contributing zones.

Morrison: I think I'll abstain from the vote then.

Mayor Leffingwell: So -- councilmember spelman.

Spelman: My apologize for bringing this up and i didn't -- I did not have a chance to crosswalk this language against the language in the ordinance until just a moment ago. But I think councilmember



morrison, we might be able to address your she by changing the wording very slightly. It says consistent with city policy. Perhaps we could put in the words any wastewater discharged into the contributing zone of the edwards aquifer should come at a minimum, comma, receive advanced wastewater treatment and be managed. Would that address your concerns?

Morrison: I think that would help to get you closer to where I think you wanted to be and I think I'll continue to abstain.

Spelman: Okay.

Mayor Leffingwell: And if you said any water discharge, would that not include storm water?

Spelman: Any wastewater discharged.

Mayor Leffingwell: Any wastewater. herntzer where that would be an issue. From a public perception point of view.

I think that makes clear what your position is, and i do not think that it changes our support for the legislation. So I think that achieves your purpose. Do you agree?

Yes, I agree.

Mayor Leffingwell: I think we want to be crystal clear that we support the legislation. That is the primary objective of this, and we can work in other words as needed or desired, but we have to make sure we're clear in our support for the legislation and I want to get that affirmed. By you, mr. herntzer. Please.

Yes.

Mayor Leffingwell: Okay. All right. Motion on the table. Second. Further discussion? Is everybody clear on what the motion is? Provide that language to the city clerk. All in favor say aye. Opposed say no. Passes on a vote of 6-0 with councilmember morrison abstaining. I believe, council, now we can go to -- resume our briefing on solid waste services.

Mayor, mayor pro tem, city councilmembers, I appreciate the intermission. I had a healthy lunch and we're back on the power point again. And I also appreciate the chocolate chip cookie that i ate too. Reenergized. We left off at the power point evaluating the city revenue share, and I wanted to just refresh your memory real briefly where we are within this evaluation. There are four legs of the financial evaluation, and we are just beginning to discuss the third leg of the four legs. The first was the processing cost. The second was the facility fees. The third that we're now discussing is the gross revenues. And the fourth will be the collection and delivery cost, which will yield to a net calculation and a net financial evaluation. So I had ended in the description of the revenue share as proposed by both vendors in the different scenarios. As we calculate out the -- the proposals, we recognize that there are multiple plays with these numbers in a low and a high market as well as a moderate market, but that's proposals react differently in different market trends and pricing. So what we looked at was a current market perspective, pricing an annualized based upon the last five months of operations. Historically looking at the recycling markets the last five are considered a moderate market, so the current market is a good base to start from. We annualized those five months to a 12-month picture and all of our statistics are based on 12 months. I also projected out a 20% higher statistic for a high mark and a 20% lower for a lower market. Traditionally in the recycling world that is -- it is an industry standard to compare proposals in that type of a structure, low, high and a moderate. So we're following a long tradition in calculating how these proposals react in different markets. So taking those proposals that were finalized through negotiations, we yield this chart here. And this, I remind you, is the third leg. It's not the final evaluation. This is the third leg in the evaluation. Annual gross revenues for the city and the

best proposal of all the options would be balcones 100%. And that yields to the city 5 million to \$6.6 million in revenue. Offsetting some of our costs. And I remind you from the beginning of the power point that our cost for delivering recycling services is a net cost and we balance that net cost with the desire for recycling revenues. So this is an important leg in the evaluation is making sure that the city receives a fair market share of the revenues from the recyclables so our ratepayers see a lower fee in the recycling versus landfilling of the material. Before I move into the fourth leg of the calculations, I do want to note that the processing costs, the facility fees and the gross revenue, the first three legs of the financials, were evaluated by both vendors. What I did was I created a spread sheet of evaluation and I presented balance conies evaluation to balcones for their review and tds for their review to make sure I was characterizing their proposals accurately. They both confirmed the calculations so I feel we are using correct calculations in this evaluation. In the fourth leg of the financials, we worked on what is the collection and delivery cost. This is a cost factor that the city experiences within its own city budget in the solid waste services department. And this is not varied from the proposals on the table from the two vendors; however, if we select a split between two vendors, our calculation on collection and delivery costs can vary based upon which routes are delivered to which facility. So we analyzed each route. We designed each market share alternative to minimize the costs, assigning routes that are closest to each facility. For instance, southern routes to tds, northern routes to balcones. We determined this cost factor fully loaded costs, this is not just mileage costs on the vehicles, this includes personnel time on the road, equipment, fuel and maintenance. Our collection and delivery cost is from the start in the morning till the end in the evening for all routes. So this is full collection cost for each of the routes. As a quick understanding of location on the city of austin's map here, our start point and our end point is at lane service center. The tds facility is located on the southern port. The balcones proposed side is on the northeast side represented by that red star. And the next map here, I'm moving through the maps a little quickly here for your paper versions there, the color represents days of the week. Monday and tuesday on the southern part of the city, wednesday, thursday and friday on the northern parts of the city. And that is our current route structure and our current delivery to our -- pickup schedule with our residents. So we looked at that particular structure, and if we pr 60%, 40%, the routes would be approximated by the river and the lake. It's a natural boundary and tends to match the tonnage as well as the days of the week. Our 50/50 proposal would be sort of a fuzzy line but north of the downtown area somewhere around the university area and straight across the city as you see on that map there. And our 40/60, 40% balcones, 60% tds would be along that line. That's an approximation that they are based more on tonnage mayor pro tem mayor pro tem can we ask a question as we go along?

Mayor Leffingwell: Unless it's just a clarification question, I prefer you let him get through his presentation and then ask it.

So on our annual delivery cost as we calculated the route miles and the cost per mile, we came up with this calculation charted, and i remind you this is a very recent calculation that we finalized yesterday morning in preparation for this presentation. And the -- the lowest collection delivery cost appears to be that tds 40%, balcones 60% at the river-lake split. That's the least amount of miles traveled on the road and the least amount of delivery costs to the facility. What all four legs combined together and calculating a net value for all costs, all four legs of the financial assessment, yields this net annual program cost chart right here. And the best value for the city is the 100% balcones, calculating all financial costs including the processing fee, the facility fee, the revenue package as well as the transportation network fees that the city encounters internally. The calculation is displayed in low market, current market and high market, and in all three scenarios of marketplaces and market valuations, the balcones 100% is the best financial value to the city. I have a second look at the exact same chart right here. Thereth is a bar chart that represents the exact same statistics. Some are statistical charts people and some like the bar charts and representation. This represents it in the bar chart form with the top line being the balcones proposal, the bottom line 100% tds and the middle bars represent the mixtures, the split volumes there. As a summary of our evaluation, the best financial proposal is 100% balcones based on our financial assessment. Our best bottom line cost package, it saves the city approximately -- if you look at low, medium and high markets, about \$400,000 a year from the next proposal, the next closest proposal or 2 million over the first three years. So we're comparing to the second lowest alternative 60% balcones, 40% tds. Balcones has agreed the all master

agreement service schedule contract temperatures. We are finalizing -- terms. We are finalizing the language and ready to sign with all the agreed terms. Balcones has agreed to the most favored nation. I mentioned that earlier in the presentation and of high value to the city in our negotiation because of the need for the city to get the best value and the best pricing as noted in previous conversations from last year. The reset dates are unique and we find high value in resetting and renegotiating between the two vendors at the three-year mark and the 18-year and that allows for continuous competition so the decision is a three year decision out of a 20-year contract. It is of value to the city there be no cpi adjustment in any given year. It's a predictable expense to the city with a variable revenue based on market revenues and for the first three years. Then we reset based on current market conditions, that is fair for the vendor, fair for the city, rather than having an annual cpi adjustment. I would note that the three points that I just raised are a national model that we're being watched fairly carefully by zero waste communities across the nation. And as we design this contract, including the master agreement and the service schedules and these concepts here, this is a model agreement that will set the tone for future recycling contracts across the nation. I've had inquiries from new york, about boulder, from san francisco and seattle and many other communities, so this is a new trend that we are creating for recycling markets and praised by the zero waste community around the nation. The 100% proposal, revisiting a slide from the very early part of the power point, and this is in comparison to land costs. If we landfill it would cost 7 million a year, with the 7 million a year, approximately a \$3 million a year program savings. If you calculate that over the first three years through the reset date where we renegotiate, that's about a \$9 million savings in the first three years, from land zoning. This is in comparison to the land zoning material. This is the economic benefit to the city. Staff's recommendations is execute the master agreement with balcones. Tds has not agreed to all the terms and conditions and we remain open to negotiating with tds, but concerned about those three points that we just raised. We recommend executing the master agreement with balcones because of the their agreement to the terms. We recommend allege caught 100% to balcones for the -- allocating 100% for the first three years until the first reset date. We plan on evaluating new pricing from balcones and tds at the reset date. That's that continuous competition there. And continue the short-term contract with tds until balcones plant is completed. Balcones has indicated within the 15 months they will be up and running and that fits with the remaining 18 months that are on the tds contract for the short term. So that fits within that time window there. The next steps as we move through this process is another briefing, the swac presentation did not include transportation costs that is correct is a new element, and we will reengage with the swac COMMISSION ON APRIL 6th. We desire to present a recommendation for contract award to council on APRIL 7th. And I'm open to any questions. Any discussion.

Mayor Leffingwell: Mayor pro tem.

Martinez: Thanks, mayor. Thank you, bob, for the presentation. I wanted to ask, and I don't know if you can elaborate on this, but if you can, can you address or provide us more detailed information on why tds is choosing not to agree to the most favored nation pricing and the cpi adjustment?

It's probably best that tds represent themselves on that issue. I do know that we've engaged in various conversations and various negotiation sessions and our last negotiation sessions with tds was last friday, and the position leaving that table was that those are remaining open issues that they do not agree with.

Martinez: Okay. And so I guess under your recommendation, this next question really doesn't matter, but if we are going to continue to contemplate a potential split, one of the things that I notice in your 50/50 split, 60/40 split, in either downtown is not in one of those splits. In my mind, that severely changes the commodities. Whoever has downtown I believe is going to have exponentially more glass. So the numbers wouldn't be cut and dried if you split it 50/50 because your commodities fluctuate if you have downtown.

I think there's two answer. You are correct, it would not be cut and tried and in a. 50-50 Split and 40-60, it would be the desire to treat each vendor as equally as possible within the controls of city and its loads.

I would also note that the downtown service contract downtown district is a separate contract and not included in this single stream agreement. So there is a differentiation there. There is some service areas in and around the downtown area that is not serviced through the downtown service agreement and that is included in this -- if it is serviced by the city. There are many commercial sites serviced by commercial vendors and that is not in this proposal. So there's a large amount of that volume from the downtown area is not affecting this single stream contract.

Martinez: And in either scenario with tds or with balcones, in your negotiations, are we -- is this agreement the city of austin using all of our fleet for this service?

Yes.

Martinez: We just haul it to them and then this process it.

That's correct. In a previous agreement we hauled to our transfer station, transfer trailers to san antonio through the green star agreement. In this case we will continue our current working arrangement. All of the transportation is through our route trucks. We are not considering any transfer station agreement. And it would be delivery to each facility, depending on the final agreement, it would be direct haul to the receiving facility.

Martinez: I just want to close by saying thank you for the work you put into this. Regardless of the outcome, I truly think we're going to get the best deal for the citizens because of the way we structured, you know, having two of the best companies in this community competing, you know, for this contracted and I appreciate the work you all put into it.

Thank you.

Mayor Leffingwell: Councilmember shade.

Shade: I know you suggested getting the representative to answer the question, but I'm curious before about the living -- about the favored nation pricing. Can you explain that more in depth what it means and what it means to the companies to agree to that?

I'd be happy to. The favored nation clause is a protection of the city that basically states we sign an agreement right now, it's for three years. Whatever the final agreement may be. And that is the set terms of the agreement for three years. However, if the receiving facility finds an agreement with another city of like material -- and I have to specify, like single stream material, we're not talking commercial streams because that's priced differently. If they sign more favorable net revenues in that agreement, then the city would -- would engage in conversation about acquiring that same better pricing proposal. There is contract language that protects the vendor so that it is arbitrary at the city's desire. If that situation arises, there is a third party neutral party agreed upon by the vendor and the city that would look at the other city's proposal and the city of austin's proposal and determine if there is a better offer there that the city would then acquire. So there would be a neutral party evaluation. To protect the interests of the vendor.

Shade: But the -- but -- but this potential competitive city might not have a four-stooped approach, it could be three items, so the weighting on these various issues, it's not necessarily comparing apples to apples.

That's the protection of the third neutral party review. They would look at the -- at the stream of material that is collected and determine if it is an applicable apples to apples comparison. It would also look at -- when you are pricing proposals out, as you can see in this presentation, there's complexity in pricing recycling proposals. It's not a simple bottom line cost. There's several components. The neutral third

party would really look at apples to apples comparison and try to determine if it is an applicable situation that has a lower cost and higher net benefit to that city, if that would apply to this most favored nation clause, and therefore the city would gain that benefit.

Shade: Okay. And another question I had, you mentioned the living wage issue before. And I just wanted you to clarify what -- how is that defined?

The definition would be a living wage at current calculations is \$11 an hour. If it is in the service schedule so that if council changes that rate for other contracts, this contract can be amended easily for different rate per hour. But in the calculations it's calculated out at \$11 an hour and it applies to all employees of the receiving facility that directly handle the city's material. It is recognized that these facilities will be multipurpose, multi-volumes, multi-contracts with many other vendors, so this clause applies to the employees that directly handle the city of Austin's material flow.

Shade: And what's the expectation of number of employees? Do you have a guess? How many employees are we talking about at these kinds of facilities?

Both facility operators have projections of employees. I do not recall those numbers. I possess them in the documents. I don't recall the employee count.

Shade: Okay. Thanks.

Mayor Leffingwell: So it seems to me, I would just like your comment on this, there's probably some inherent value, probably hard to quantify, not only having two different mrf's, to provide someplace to go if something goes wrong on the contract. Seems like we were in this situation not too long ago where we had 100% of our recycling resources dedicated to one -- to one recycler, and we had problems with that because when the economy went down, we were in a situation where it was hard -- we were kind of stuck and we had to look for our things we could do. And that's where we are now. Would you comment on that briefly?

After we've compiled the transportation cost and come to the net value, the question is how much of a differential, how much of a financial differential, how much do the pricing proposals need to be where we more seriously consider a 40-60 split the best financial proposal. There is a high value in the negotiation team throughout the negotiations to seriously consider a split whether it be 40-60, 50-50. Throughout the negotiations we considered that a high value to the city. You stated as well as other reasons it keeps continue just competition between the vendors. Taken reset dates are intended for that as well. When I look at the financial assessment and we have a final net, what I was looking for was that deliver even shall between the first -- differential between the best financial offer and the second best. The best 100% balcones, the second a 40-60, 40% tds, 60% balcones. In the current financial assessment, I see approximately a \$400,000 difference in net revenue to the city per year for a three-year city of \$1.2 million. The question is is the value of that split load worth sacrificing that 1.2 million. And sacrifice ing is a harsh term. It's a tradeoff. Is that value a good tradeoff. And I find that differential too high to make that tradeoff. But from my professional judgment.

Mayor Leffingwell: Well, it seems it's not only a redundancy or safety factor for the city, someplace to fall back on, there's also the fact a lot more traffic on more miles of road, more emissions in the air, which is a challenge for us, especially big vehicles like this. All those things kind of have to be thrown in the mix. When we make our decision, it will be more than just strictly numbers because those numbers are estimates anyway. There is no guarantee what those numbers are going to be. We thought we had one before and we didn't. So I think we do need to bring into play these other factors. Councilmember Spelman.

Spelman: I just want to be sure I understand that final calculation. I'm trying to do the same calculation on the spread sheet. I want to make sure I'm doing it correctly. We have two sets of costs and two sets

of revenues.

That's correct.

Spelman: We have processing costs and delivery costs and you add those up. We've got the city's revenue share, low, medium and high market. And the carbon off set facility fee. And you add those two things up.

That's correct.

Spelman: You add up the costs -- you add up the benefits, add up the cost, subtract the -- and that ends up with net value to the city.

In that final bottom line chart.

Spelman: You left out the carbon off set facility fee in the numbers you presented to us. Almost sure that's true, but it's not a big deal. It doesn't change anything material.

The carbon off set revenue package?

Spelman: Yeah. Yeah. From my understanding, it's included in there, but I can double-check the numbers. I can double-check.

Spelman: I'll compare my spread sheet with yours.

I'd be happy to have a second check on the numbers.

Spelman: Either way we're talking about something like the way I calculate it a half a million dollars split.

Yeah.

Spelman: Somewhere between a four and a half and five and a half million dollar split -- I'm sorry, 450,000 or \$550,000 per year split. Depending whether we're talking about low, current or high.

That's correct, yes.

Spelman: And the 60-40 split makes a lot more sense if year talking about a low market and talking about high market.

That's correct.

Spelman: That led me to the next question I guess is we're talking about current market and adding and subtracting 20% and saying that's high and low. Is that enough of a change from the current market conditions to cover the gamut of possibilities or do we need to go up higher or down higher? What do we expect the market to do?

The volatility can be more severe than the 20%. The typical evaluations are looking for an average high and an average low. An average high would be 20% above market. An average low would be 20% below the moderate market. The volatility can be more -- 25, 30% below moderate. Up to about 10% below moderate. I'm using an average mark for low and an average mark for high.

Spelman: So something like standard deviation. So plus or minus 20 seems like a reasonable way to think about what kind of revenues we can expect over the three-year period.

I think it is. It is a crystal ball how the markets will perform. That is a difficult prediction. Currently the markets are rising. We're happy to see that. But we are evaluating the proposals in a low, high and moderate market just to see how they perform under these specifications. [One moment, please, for change in captioners]

Spelman: Have representatives of either of those firms contacted you or anybody in your staff to suggest that we may be willing to make some adjustments here?

No. And in fact, we've engaged in conversations with both of them in the last week. Sealing up final contract language. And met with one of the proposers on Friday of last week. And we have not heard any adjustments in pricing in that eight-day period.

So there's probably no value for your negotiating this any further. We should just pick -- pick spot.

I am happy to receive any adjustments from either vendor until there is a signing of the contract. I'm open to any variations between now and then, but at some point council needs to look at a final proposal and vote on it. And we believe that after six months of negotiation we've reached that point.

Spelman: That makes sense that after six months of negotiation you have to pay the plug and that's a reasonable place to do it.

Yeah.

Spelman: One last minor question. You're suggesting the balcones plant would be ready to take our recycled materials in 15 months, is that right?

12 To 15 was the quote that I received, yes. 12 To 15 months. They are going through a permitting process for their site right now. Permitting process.

Spelman: And the three-year term of this proposal would start at the moment when they begin -- if we decided to contract with balcones, at the moment when they began to accept our recycling.

It's undetermined, and we work with both vendors, but in the stated negotiations it's been my desire to start this -- regardless of the scenario selected, to start IT ON OCTOBER 1st, 2012 With the current short-term expiring September 30th, 2012. We could vary from that timeline with agreement by both vendors.

So roughly it's consistent with that timeline, but it's an actual date rather than a pending when you actually get your facility ready.

Right. I have pegged the date on the calendar and we can move from there, but that is the predictable date that we're assuming.

Spelman: Makes sense. Okay. At least in current form, on OCTOBER 1st, 2012 WE WILL Make a deal with balcones or tds and for three years we'll go with that and on OCTOBER 1st, 2015 IS GOING To be a reset date and things could change.

That's correct.

Spelman: Thank you, bob.

Mayor Leffingwell: Councilmember riley.

Riley: I want to thank you for the presentation and for all the work that went into this. Just a couple of questions. Back on slides 4 and 5, you mentioned a couple of times that you expect that we would be adding one new material per year. You mentioned the flexibility on slide 4 and you mentioned adding one new material per year on slide 5. In the discussions with the two vendors, did you go through the possibilities as to what particular streams one might be adding?

It's hard to predict the future, but I did mention to both vendors aseptic containers. And there is the desire at some point in the future when markets allow to add in additional metals, small appliances or something like that. The current markets and the current equipment will not allow for that material, but that's been on the table for -- and I also want to note that I missed -- didn't state in the presentation. Not only does the contract allow for an added material each year with advanced notice from the city by 12 months. A 12-month notice by the city so the vendor can adapt to it and definitely secure the market for it. But also this contract through additional service schedules that can be added, the master agreement allows for one off-service surfaces. What that means is an unpredicted added service like tire recycling or something. An added, related service, must be related, but an added service that's not predicted on the plate right now, but could be an added service schedule under the confines of the master agreement. Both parties have agreed to that.

Riley: What about organic materials, compostables?

Compostables and any organics are not included in this agreement. It is not stated and defined within the master agreement. It would be a separate process.

Riley: Help me understand how that would work. Suppose at some point we decided we wanted to start accepting soil and pizza boxes and with the expectation that they would be composted along with yard trimmings. Is that -- how would something like that work? Would that be a whole different deal through the water utility handling those? What would you expect?

The city would have multiple options in handling soils or any types of organics. Food waste is under consideration for collection as well. But that requires a completely different type of facility than a single strain recycling facility. We're dramatically into a different processing style, operations, facility, start-up costs and so forth. And because of that, that's not addressed in this master agreement.

One of the vendors is able to accept that sort of material, then isn't that an added benefit looking to that vendor?

Yes. But under a different working agreement. It would be a different process, a different negotiation process and a different master agreement.

Riley: Is that something that could be under consideration at the first reset point if we're ready at that point? Then the negotiations at that point would cover that and that would be one added value associated with that vendor if they were able to accept that?

In that timeline, that three-year timeline for that reset is modeling well with our master plan. We are progressing with the development of our master plan with regards to zero waste programs. And in 2015, 2016 we'd like to introduce organics in a stronger composting program. So we would be engaging in contractual conversations in 2014, 2015.

Riley: Okay. That leads into a related question. Over on slide 12 you talk about the community values



and get into community outreach, education programs. In the past we've talked about a green district where near the mrf you would have -- -- near the mrf you would have various functions related to zero waste and school kids could come out and see how all the items in our waste stream are dealt with. And not just the items that we currently put into our bins, but other potential things. And we've also talked about the potential for developing spinoff technology. You've talked a lot about that, but there is a whole world of possibilities out there with respect to taking what we now consider waste and actually putting it to some kind of use.

Beneficial review you our other forms of upgrades in the use of the material.

Riley: So there's been some discussion in years past about a campus sort of approach where in the same general area of the mrf you would actually -- you could have -- the mrf could essentially be a zero waste incubator, where all the waste stream arrives here and we have these start-up companies or experimental technologies that are in progress around the mrf. Did that sort of community value enter into the consideration? Did you look to the range of possibilities associated with each vendor northward to that sort of effort?

Yes, that's a good point. We did enter into that conversation and that is of value with both vendors. Both vendors have a good platform for economic development around their facilities. Both of them have good amount of acreage around each of the facilities and there is potential expansion of economic development, reuse of materials or even a recycling plant that processes the materials that they process through separate working agreements. The concept of a resource recovery facility is possible with both vendors. I see very good strengths by both vendors in that topic of future growth around their facilities.

Riley: And last question which related to that. At times during your presentation it sounded like you were contemplating that over the course of this 20-year contract that we would have these reset points and these two companies would be the two companies doing the bidding on the waste stream. And if we really are serious about the potential for developing all these spinoff technologies that are doing various things with different parts of the waste stream, then it seems like you might at some point, some of the start-up points or each at different times over the 20-year period, you might have other companies that might have something to offer in terms of the handling of our waste stream. What's your expectation in terms of opportunities for other companies to enter this discussion and have an opportunity to participate in the zero waste effort?

In each of the reset dates there is an opportunity for the city to reset the volume assessments for each vendor, and it -- it begs in each reset time period for new pricing options. So we would evaluate our new pricing options and new technologies that they propose. In this master agreement as well as the service schedules, there's no guarantees that 100% of the volume of the material goes to either one or both of these facilities. In the first three years there is the desire to have 100% of the city's flows either split between the two or 100% to one. But the contract allows for the city at the three-year reset, at the eight-year, 13-year, 18-year resets to split the loads with other vendors too. That there is no guarantee of volume and there is no guarantee that 100 percent is always split between these two vendors. Life changes over time. Conditions change. Markets change. We like the flexibility at those reset dates to consider other options.

Riley: Right now we've been talking about each of the two vendors taking 100% of the -- taking all types of materials at any of those reset points could you picture some other vendor taking some -- not just a percentage of the waste stream, but particular components of the waste stream?

I definitely think that is a possibility. The recycling industry is in a change. It's in a flux right now. The load market has really slowed down the progress of recycling. It's not regaining its footing. There are new technologies being developed. Most of the recycling community around the nation is looking at the waste stream and saying what else can we recycle? So one of my goals is that every five years we contract with an interlocal agreement austin to study our waste flow, do a full waste assessment, full

characterization of our waste flow and start to identify those additional recyclables. When we identify them, they might be able to be added to the blue cart for single stream recycling, they might be items that need and can be recycled, but cannot be co-mingled in the blue cart. And that's when we could engage into another facility handling those materials. They're unknown to me at this time. They may be known at the three-year mark or the eight-year mark and so forth. We want to leave that open door for that flexibility. And that's the advantage of the reset dates in this contract.

Riley: Thanks.

Mayor Leffingwell: Councilmember morrison.

Morrison: Thank you. Thanks, bob. I really -- it's really interesting to see how you sort of crafted the mechanics of the contract around the values thatting get laid out, which are not so clearly defined. It's been interesting to listen to this. A couple of specific questions. When you say we're asking for the contractors to agree to a living wage, what number do you use?

The economic proposals -- let me see if I've got those numbers here. Yeah, I do. Let's see. I have the total dollar values.

Mayor Leffingwell: I think you said \$11 an hour before.

\$11 An hour, but there is a cost impact per ton. We asked for each proposal to have a cost impact per ton, and I don't recall exactly what those numbers are, but we calculated that and added that in as an additional processing fee. So when you see the processing fees calculated in this powerpoint, it includes the offered processing fee plus the living wage. And that is -- and that is calculated into that final number. I cannot recall. Each vendor had a different number on the cost per ton, but from our perspective they were very reasonable costs for the benefit.

Morrison: But when you started the discussion, you said we want \$11 an hour.

Yes. We started with that discussion, \$11 was a the table from the very beginning.

Morrison: And the different potential vendors may well have a different differential between what they would pay otherwise.

And the different differentials are based on the number of employees impacted. With each facility there's a different number of employees impacted by that living wage. So it's a different cost factor for each facility.

Morrison: It's a different number of employees, but also one of 50 an hour now and the other might pay 9.50 an hour. There's those two and that's where we started from. You used those assumptions to get to a processing fee.

That's correct. And when we labeled \$11 right from the beginning and they came back with their cost factors, we did not negotiate those cost factors any point after that. They were reasonable figures on the first offers and we accepted them. There is also contractual language for validation of payment to the workers to make sure they are being paid \$11. And a reevaluation periodically to make sure that the cost per ton fee matches the added expense. So there is protections and validation that the living wage has paid.

Morrison: Okay. The second thing is I'm trying to get real clear where -- what the specific positives for having two versus one are. And one of the issues -- a couple of issues that have come up, the mayor mentioned that if it's split, there would be fewer miles traveled. Do we have any measure of that, the

number of miles traveled, if it's say, just 100% balcones versus 60/40?

Yes. I'm looking through my reports here. I believe I have that number here. Thank you. The differential between the 100 percent balcones and the 40% tdf, 60 percent, is 33,000 -- 33,784 miles difference on an annual basis. So the 60/40 split is 33,784 miles less than the 100 percent balcones. So there is a lower carbon footprint in that proposal.

And is there any way to put some -- some numbers around what that is worth to us, that lower -- is that pretty substantial?

What we did was we calculated the miles and the cost per miles in the collection and delivery cost factor. That fourth leg in the financials. So in that slide you'll notice that the 40/60 is a better deal financially on that leg. So we put a dollar figure on that. We did not calculate the carbon footprint, but we did calculate the dollar cost, and that was seen as one of the four legs in the final net.

Morrison: But it seems that there's a missing cost differential just in terms of impact to the environment.

I think that's fair to say. And we can calculate that.

Morrison: If there's a way to calculate that, I think that would be interesting. On the flip side, one of the things that councilmember morrison was bringing up was the potential for sort -- that councilmember riley was bringing up was the potential for sort of a campus that is able to have businesses that actually use the recycled material, and that's some of the great stuff you talked to us about, emerging technology. I would think that there's a threshold amount of recycled material that you would have to have available to actually stimulate generation of that campus idea, and which would then be one reason perhaps to actually favor just one versus two vendors. Is that -- could you comment on that?

You have a fair point. There's a couple of perspectives. And the facility operators might have a different perspective than I do. I operated some mrf's in ohio in past years, and I recognize there's a minimum flow of material to operate a single stream facility. I did a check around the nation with facilities and I found that to be about -- you know, from my rough estimate about 2,000 tons to generally make or break a single stream facility. I also look at the tonnage that the city is currently creating for recyclables. In the first year of this contract I project that that might be around 60,000 tons as we grow our recycling program. This will be one of the top 10 single stream contracts in the nation as far as total volume. So there is enough volume there. It's a large contract. It's a significant contract. To build that resource part, that facility that you're speaking of with spinoff technologies, it does lend itself to favor 100% to one facility of the other. There is more synergies that way. I would also say on a counter argument that there's enough volume split that it could generate that activity with both facilities. So to be fair, I think the split as well as the 100% would generate that activity.

Thank you. That's very helpful. If you could get back to us with some kind of evaluation of the environmental impact of the mileage differential, that would be great.

I certainly will report back to you on that.

Mayor Leffingwell: Councilmember shade.

Shade: These are all helpful questions and trying to work through this, but I keep going back to your slide that talks about the master agreement, service schedule contract, but there's three points that these are non-negotiables, so therefore the discussion we're having is all just --

a good point. It is my desire to have continuous competition, particularly at the three-year reset. If the desire is -- I believe many of our environmental community values are equally weighted between the two

proposals, and so I'm looking more at the financial assessment. The financial assessment lends itself to the 100% balcones recommendation. However, it is my desire to sign a masterster agreement with both companies. Keep the other company in the mix, through a master agreement. That would prevent the need to renegotiate three years later for contractual terms. We have the base contract signed. And then the service schedules that are renegotiated at the reset dates are the pricing and the volume and some specifics related to each facility. To do so, to sign a master agreement with tds would require coming to terms on those three outstanding issues. I believe as part of the negotiation team that the most favored nation clause is very important to me. I saw that issue come up on a previous recycling contract and the discussions. I've heard that from the community in community meetings. So I find very high value that the city of austin gain the best pricing that is offered in contracts in this region. I also see a high value on the cpi index. We believe that the three-year reset gives a golden opportunity to reset the pricing based upon current expenses. My prior experience in managing mrf contracts in the past is that the cpi index does not measure the expense increases in operating a mrf. It doesn't even proximate the cost of operating a mrf if there are escalating personnel costs or field costs or so forth, the cpi index is not a valued index. You can look around at other industrial indexes and attempt to find one closer, but I feel that we're addressing that issue at the three-year reset. I find those two issues to be extremely important in the city negotiations.

So I guess the other --

Shade: So I guess the other -- well, I might have another question later.

Riley: Mayor, if i could pick up on that last question that councilmember shade was asking about. Help me understand what exactly tds gains from signing on to the master agreement if they're getting zero percent of the waste stream? Is it the opportunity to participate in the bidding at the first reset?

Yes.

Riley: But I thought you were saying that you expected that there would be opportunities for other vendors to participate at that point anyway?

Yes. There is -- by presigning on the master agreement, it also offers the opportunity of one off services if the city desires to develop say a tire recycling program or something like that, that -- anybody that has seend the master agreement, that's an easy service schedule negotiation to add on. So the master agreement by signing on allows for interjecting that company back into the discussion with the city at any time during that 20 years and particularly at the reset state.

And you expect that you will have at least one off deal within that first three years.

It's hard to project the future, but I would imagine five or six --

five or six within the first three years?

Not within the first three years. Within the 20 year period.

Riley: How about the first three years?

I can only envision one at the moment, the one that I'm quoting. I have -- I cannot predict what future may bring, but i do know that we will be analyzing our waiflt streams more carefully and I believe there may be more one off services that may be available in the future.

Riley: Thanks.

Mayor Leffingwell: Councilmember shade.

Shade: Playing off that too. I'm trying to remember, but it seems to me that part of the challenge that we face getting into this situation is that there already was a master agreement in place with tds, but not for this. Isn't that --

we currently have a short-term recycling contract that is one year with two six-month options that the city can renew. Shade shea I know that's the --

Shade: I know that's the short-term, but if i remember correctly, the whole reason why we got into this is because there was this issue of there was already -- there was already a master agreement in place that they thought could be amended or could be added to whatever the correct terminology is so that we wouldn't have had to compete in this business in the first place. So I'm just curious about how that plays out.

There is a landfilling and disposal contract with tds. I believe we're in year 10 or year 11 of that agreement. That agreement has options for engagement in other topics, other activities. That contract language is there. I have looked at the contract language and it does not lend benefit for the city at many of the negotiations points we have in this master agreement. This master agreement generates far more benefits to the community and respects the community values. And that contract is 10 or 11 years old and did not incorporate those values. So I find it more important to negotiate on the current legal platform rather than the legal platform from 10 years ago.

Shade: I totally understand that and respect that. I wanted to make sure and clarify that. I guess the -- what I'm weighing here is the benefits of having a 60/40 type of deal for some of the things we've been talking about versus a 100% deal one way or the other, but if it's not -- if there's no point in having that conversation because you have three deal breakers that make the master agreement impossible, then the rest of the analysis about how to evaluate the other benefits that councilmember morrison was laying out is really just intellectual exercise.

I do feel strongly on the issues there. I recognize this is a council decision. I do recognize that.

Mayor Leffingwell: Thank you very much.

Thank you for opportunity to present this.

Mayor Leffingwell: You're welcome. I believe that takes us to our one remaining item, which is item 60. Conduct a public hearing and consider the ordinance adopting local standards of care for the parks and recreation department, etcetera.

Good afternoon, mayor leffingwell, mayor pro tem martinez, councilmembers, city manager ott. My name is patrick corona, division manager with the parks and recreation department. Today I'm here seeking your support for an ordinance adopting local standards of care for the parks and recreation department's youth programs, specifically summer day camps and after school programs for children between the ages of five and 13. The public hearing is a part of the annual review process conducted by city staff. And it has been approve by the parks and recreation board. I'm happy to answer any questions if you have any.

Mayor Leffingwell: Questions of staff on this item? We have no citizens signed up to speak on this item. If there are no questions, I'll entertain a motion on item 60. Councilmember cole moves to close the public hearing and approve item number 60. Is there a second? Seconded by councilmember spelman.

Any discussion? All in favor say aye? Opposed say no. It passes on a vote of seven to zero.

Thank you.

Mayor Leffingwell: And those are all the items on our agenda for today, so without objection we stand adjourned. At 4:58 p.m.