

Public Utilities Committee Meeting Transcript – 2/17/2016

Title: ATXN 24/7 Recording

Channel: 6 - ATXN

Recorded On: 2/17/2016 6:00:00 AM

Original Air Date: 2/17/2016

Transcript Generated by SnapStream

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>> Garza: Good afternoon. I'm Delia Garza. I'm the chair of the Public Utilities Committee. We're incapable 308. I'm calling the public utilities to order on February 17th, 2016. Our first item is approval of the minutes. I'll entertain a motion. We'll come back after citizen communication. And I have copy of the minutes. We're going to go ahead and move to citizen communication. This is for anyone wishing to speak on something that is not on the public utilities agenda. The first person I have is Stewart Hirsch. You have three minutes, Mr. Hirsch. >> Chair and members of the committee, my name is Stewart Harry Hirsch, and like most in Austin, I rent. I'm here to discuss the incomplete February 8th, 2016, pilot knob planned unit development memo from the city manager to the city council. The memo is incomplete because it did not include reference to or a copy of ordinance 20071129-100, that established 100% fee waiver policy related to community land trusts or the requirement in that ordinance that affordability impact statements be prepared when new fees or increased fees were proposed, that impact housing

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affordability, so I provided you a copy of that ordinance myself sense nobody else apparently was willing to. The proposed mud/pud agreements did not authorize fee waivers for pilot knob. They merely reflect entitlements to fee waivers already on the books. Based on the backup that I've had available so far, council actions in 2015 should have had no fiscal impact on city departments including, but not limited, to the water utility. If these departments had acted each year since 2000, in accordance with the 2007 ordinance. I cannot understand why you and reporters covering this issue have not been presented information that is readily available. Please review the 2007 ordinance and the testimony on pilot knob I left with the city clerk has Thursday that you did not have an opportunity to discuss last Thursday after midnight because I couldn't stay here that long on the agenda. I only made it till 10 o'clock. I know this is not on your agenda for action today but it is certainly worthy of discussion in the future, and I think the council has been unfairly criticized on fee waivers when, in fact, those fee waivers were already on the -- on the books, and the agreement merely reflected what the law is, which doesn't sound like a physical impact to me. Thank you very much. >> Garza: Thank you. Our next speaker, Ross Smith. >> That's my water meter. It looks like a shaky photo but that's actually what the lens looks like. >> I've seen lots of those. >> I'm sure you have. >> Y'all went over this last

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time you all met, but I wanted to lay something on you very quickly. I did some quick calculations based

on the job posting the courts had for meter readers. For an eight-hour day, they say you may read up to 300 meters a day. By my calculation that gives you 1.6 minutes per meter, which means take the lid off, look at the meter, clean it off if you need to, put the lid back on, and move to the next yard and start over again in 1.6 minutes. Now, with a lens like I just showed you -- and I checked the meters around me. They're all like that. I understand that an audit was done that showed 96% accuracy. But in the older neighborhoods like mine where all of the lenses, all the meters look like this, there's no way that a meter reader in 1.6 seconds could hit 96% accuracy. The only way that I know to get past this is to move the city as quickly as possible to smart meters to electronically read meters. That's the only way you're going to move past all of the reading issues that you've been having. Thank you. >> Garza: Thank you. Councilmember Zimmerman, have you had a chance to look over the minutes? >> Zimmerman: I make a motion that we approve the minutes as written. >> Second. >> Garza: All those in favor, say aye. That passes 3-2, and councilmember troxclair is absent. The next agenda item is discussion and possible action regarding stage I and stage II water restrictions. And we have a couple speakers. Item 3, first speaker is Mike burnet. Hi. You have three minutes, sir. >> Hello, ladies and gentlemen.

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I wanted to say thank you for your time this afternoon, and unfortunately I blew through the information provided by Austin water, and I signed up for both actions, both the general fund transfer and the once a week watering because, frankly, I don't see them as being any different, but clearly related to each other. However, if you go through the action to look through the presentation information that Mr. Shlosser is going to give you, you'll find 46% approval for once a week watering. I attended the meeting on the wrap-up, and the way the statistical questions were worded, it was completely open to interpretation as to, you know, what that meant, and the same thing in the work sessions. So I guess I'll go ahead and speak at the second section where I have a little more concern, a visual on what transpired with funding on pilot knob, transfers to general fund and impact to the community, so I thank you and have a nice afternoon. >> Garza: Thank you. The next speaker is Stewart Hirsch. >> Chair and members of the committee, I still am Stewart Harry Hirsch and I'm still renting. I signed up as neutral on this item because I have three questions that I cannot find the answers to in any city documents. The first is, what is the projected increase in water utility revenue if Austin returns to twice a week watering? We have a current revenue projection based on once a week watering. What would that revenue be on twice a week watering? The second question is, what are the associated costs to reinstating twice a week watering? I assume that some of those would be treating more water than we would because people generally use less water for irrigation if they only water

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once a week than they do twice a week. And, finally, what are the projected affordability impacts on homeowners and renters if twice a week watering were to be allowed? As a renter in this town, I generally live at places that have a whole lot less landscaping per housing unit than homeowners do, so I would think there would be differential impacts on those of us who are utility customers as renters, as opposed to those who live on single-family lots that tend to have more vegetation and more grass. I'm asking you to get the answers to these questions Mr. You make a recommendation to the city council, and I'm available to answer any of your questions. >> Garza: Do you have a question? Thank you. Ross Smith. S. >> Zimmerman: I did. Sorry. >> Garza: Oh, you have a question. >> Zimmerman: Sorry, a quick question for you. Could I suggest one more question? And that is, what is the lower Colorado river authority going to do if the water levels in the lake are sufficiently high that it triggers the interruptible customers, the rice farmers downstream, who pay ten times less for water? In your understanding, isn't

that going to make Icr release the water we haven't used that we paid for already and sell it downstream for a fraction of the cost? >> Yeah. My assumption was, the answer to that is yes, and that's why I didn't ask the question. >> Zimmerman: But, see, that's never been raised. I think the ire and anger of the city is going to hit a fever pitch when they figure out that we've been restricted on our water use, and that allows Icr, Icr, to ship the water that we prepaid and ship it downstream to rice farmers. I mean, what do you think the reaction of the public is going to be when that happens? >> Well, different throughout the state than it will probably

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be here in Austin. >> >> Zimmerman: It'll probably be worst in Austin, huh. Thanks. >> Garza: Ross Smith. >> Thank you. I am very familiar with all of the issues regarding the rice farmers and what could happen and this and that and the other scenario. The long range weather patterns that I have -- meteorologist friends of mine have been telling me about say that we have a very strong possibility of going into the summer with a water deficit. The Lakes are full now. We've only had a third of an inch of rain since the beginning of the year, and that is not likely the change. Regardless of what happens with other customers, Austin's job is to do the right thing. The Lakes are full now. Now is the time to conserve water. If we wait till we're desperate, it's too late. And I urge you to especially don't that in mind. Think of it like somebody has lost their job, but they don't cut back on how they eat, where they live, how much they go out, how much they drive. They don't make any sacrifices because they're certain that there's going to be a job right around the corner, two weeks from now. Two months from now, four months from now, still no job. They're desperate, but it's too late because they've gone through the bank account and faxed out the credit cards. What going to twice a week watering, loosening the watering restrictions does, it's like us assuming that there's going to be rain six months from now and playing fast and loose with a credit card. And we can't do that. The time to conserve is when you have something to conserve. If we wait until we're desperate, it's too late. Thank you.

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>> Garza: Councilmember Zimmerman. I don't want to you cross-examine the people who come to speak. You're welcome to discuss it when we're discussing this, but I'd prefer we not cross-examine each person who comes up to speak. >> Zimmerman: Sure. Not the intention. You mentioned something about the potential for drought, and of course that's correct, but there's information I want to put on the overhead and get your reaction to it. Yeah, this shows it here. This information, it says based on the results from the graph under development, to reflect provisions of the recently approved water management plan. Maybe Mr. Shlosser can tell us -- excuse me, this is important to the session. >> Garza: And we can have that discussion when we discuss this item, but I don't think it's appropriate. We can ask staff that question but can you please take that down from the overhead and we'll move on to the next speaker. >> Zimmerman: All right. We'll move on to the next speaker. That works. >> Garza: The next speaker is David foster. >> Thank you, committee members. Once again, David foster to speak on behalf of. I signed up at neutral on this because I'm not sure you're voting to take an action or not. I want to make it clear my organization is favor in making once a week lawn watering permit. I spoke to you about that. To me it's a no-brainer. It's worked. It hasn't cost the city any money. Per capita water consumption that's client. We've moved toward water conservation in this city and I don't think we should fall prey to where at the beginning, you're watering as if everything is fine, then the drought begins and you start to worry a bit, then it deep he knows and you panic and take steps to

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preserve water, but then as the rainfalls as we've seen recently, you go back into your old ways and the cycle just perpetuates itself. We can't afford to do that at a time we're adding population at this rate, or when climate change is altering the patterns of rainfall that we receive, so if this does come up for action, I urge you to vote for making this permanent. And I would also just suggest that, in my opinion, you shouldn't really be voting on this now because the staff has done, I think, a pretty good job of reaching out to the public to full it's pulse on this. The process has just gun. It's slated to go before the task force March 1st, to water/wastewater commission on March 9th, and to resource management commission on the 22nd, and I think it's prudent on you all to take the advice of these committees whose members you have appointed, it's scheduled to go to the council on April 22nd, so I think that it makes sense, as a matter of process, to hear from those bodies before you vote on this. Thank you. >> Garza: Thank you. And I believe those are all the speakers unless there's somebody else that I don't have listed. And I think we have a staff report. >> Good afternoon, council. I'm Darrell Slosser, assistant director of Austin water. If you'd load that up. I'll go ahead and get started. First, since this item is on the agenda, we'll give you an up on where we are in our process. We have finished the public meeting. First, just to review a few reasons why we undertook this in the first place, why we're considering this change, trying to build on lessons we learned from the very extended drought, the worst one at least since the record drought of the

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1950s. The watering restrictions, in particular stage I, have been very effective in conserving water, protecting the lake levels, in particular during the drought. There's financial reason, the longer we're able to delay the Icara trigger, we save rate payers money, estimated 10 to \$15 million a year. I think this strengthens our position, Austin's position in regional water policy deliberation, I think it strengthens us in the management plan which has left us in a much stronger position, I think it's critical for future climate conditions, what we've heard from our scientists, Catherine hejo and others, we're going to get what the future holds as hotter, a hotter climate here, generally a dryer climate that's going to be interspersed often with heavy rains, drought interrupted by floods will be occurring more. We've already been seeing that. We're seeing another drought period right now. It continues encouraging residents to switch to drought-tolerant landscapes, which is -- which goes along with all those above bullet points. We're just to remind, we're not -- we would change some things around -- we would do the one day a week, if that ends up being the direction that we head permanently, but we would roll back some others to make things like fountains, car wash, we might change those around, those are the kinds of things we've been asking the public about. And just to -- and that goes along with -- I skipped a little bit ahead to this first bullet, and overall, we want to maintain an effective and forcible code. That's what we've had now, that really helped us get through the drought. People embraced that so we would want to continue that. Now I'm going to go on to water schedule, then I'll go on to some of the results of our public surveys and public meetings. We had a kickoff meeting in

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December at Austin water's offices at waller creek center, had five open houses around the city, we had a wrap-up meeting back at waller creek. Here today at the public utilities committee. One of the speakers mentioned we're going to the water/wastewater commission, the resource management commission in March, we're going to huddle as a staff management with city manager, come up with a recommendation, and then move forward from there. Down at the bottom, it talks a little bit about some of the things we did. We had the conversation core speakupaustin, we had those meetings that I

told best of your recollection we had an online survey. And here's some of the things we've heard. Heard strong opinions on both sides. I think that second bullet probably should go under the third one about concerns about one-day per week watering. I've heard folks that want to protect their investment, landscape, foundations, cars. Some people think they're overregulated on their water use. We had questions about the response to the drought conditions, with the Icra, questions about rising costs. We've heard some of that today as well. You've heard that, and we've heard that, also like we heard today, that once per week is adequate, it works, and that some folks say it's overdue. We heard from both sides. What this is, is a -- this is a -- from the -- I know y'all are familiar with elections. This is some of the turnout graph here by district. You can see that the two leading districts were approached, turned out were district 10 and district 6. We had, in all, 1850 responses to this, so that's how it broke down as far as where the folks responding to this came from. And by the way, I'm only going to have -- I'll only show you the answers to one question. I've got a handout that I can give that you has them

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all on it. This is one, if you see here, we asked this same question twice. That was sort of inadvertent, but one of them says as for one day per week to serve the region's water supply, the other doesn't have the part about conserving the region's water supply. Frankly, that was an edit to add the last part to the first question, and the other one didn't get cut, so we'll just give you the results, they're pretty much the say. You can see if you combine the strongly agree and disagree, that's 58% are saying don't, don't switch to -- don't go to one day per week permanent, so it would be about 56 to 40, in that second one, it's 57 to 39. So that's the overall. Now, if you go to by district, if I could, say maybe like the electoral college where this is the popular vote, then by district you have -- you can see that six of them, four were against and six were for, going to one day a week, so it's a little bit more split up there. I should point out that in district 5, it wasn't a majority either way there. So if you discount the majority, it would be 5-4-1. But overall, among the people that turned out were against it. I can leave that up so y'all can focus in on whatever you want to for a second. And I think you have a handout, too. So that's about it. I'm sure there's some questions, and I'm ready for that now. >> Kitchen: Do you have -- I apologize if you've already provided it to us -- the backup information? I'd be curious about comments that you may have gotten, if you have that information, particularly by district, and if there's a report or something that I could look at with more detail on the information that you've gotten? >> We can -- I'll hand this

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out when I sit down, as far as this. >> Kitchen: Okay. >> It doesn't of comments in it. >> Kitchen: Okay. >> But it does have all the questions that we asked. >> Kitchen: Okay. >> So I can give you that, and we'll go back and look at what we have and be happy to provide that. >> Kitchen: It would be helpful to have that kind of detail. >> As we've gone through this we said the council is going to want district information, so to the extent we've been able to do that, we have kept that. >> Kitchen: Okay. >> Zimmerman: Thank you, Mr. Slescher. If you go to second bullet point, this saves rate payers 10 to 15 million, this is long and complicated. We've been digging into the contracts that date back to did 1960, and these documents, we're talking hundreds of pages of contract, details between the Icra and Austin. They talk about run of the river. >> Yes, sir. >> Zimmerman: Rights, you know. >> This comes from the 1998, I believe it is -- >> Zimmerman: 1999? >> 1999, I'm sorry. >> Zimmerman: Yeah. So on that point, I've heard that we have prepaid for water up to maybe 250,000 acre-feet? >> 201,000. >> Zimmerman: 201,000? But we've paid something like a hundred million dollars? >> That's right. >> Zimmerman: A hundred million dollars. And so I appreciate the slide here that says we want to save rate appears 10 to 15 million, but it will be helpful to show what we've already prepaid for water. Here's why this is

important. >> Okay. >> Zimmerman: Because if we conserve our water, Austin has the ability to, don't they, under the contract, resell the water that we're not using, to other wholesale customers or potentially other municipalities? >> Well, we could take on

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new wholesale customers. We're not -- we're not doing that. We haven't been doing that for the last number of years, I can't remember exactly how long. >> Zimmerman: The point being that -- I mean, it's just misleading to me to put this in here and not say we've already prepaid about a hundred million, so we should be using the water that we already paid for. I don't think the water customers understand this. >> Well, we'd be happy to point out the hundred million. I acknowledged right here that I mean, the city did pay a hundred million in advance to set this up, but if we -- but if we use it because we've paid for it, then we're much sooner going to get to this point where we have to start paying for it by the acre-foot again. At first, when the contract -- when that contract was signed, that hundred million dollars was paid, that estimate was that we would -- it's either 2017 or 2019, that we would reach that trigger, and now, because of our conservation program, that's up around in the 2030s. So that's 15 years or more that citizens won't have to pay that amount. So that's why we advertise it, but it out there like that. But we're not shy about pointing out the hundred million. That's fact, and, you know, we don't try to hide that. >> Zimmerman: So one other point to make on the lcra, I also think people don't understand that the lcra is an independent body. Invite? >> Well, they're independent of us. >> Zimmerman: They're very independent of us, and they have contracts with other water users and other purchasers; right? Upstream, downstream. Most people have heard of the rice farmers. You know, they have interruptible contracts. And so what I'm afraid that might happen here is that there will be a trigger point, if it's not already in play, where lcra is obligated, contractually, to open up the flood gate and ship down hundreds of thousands of acres -- of acre-feet to the interruptible customers based on the fact that the lake levels are very high.

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Is that not still the case, that lcra, independent from us, can release hundreds of thousands of gallons down to the people that pay a fraction of what we did? >> Well, it's not -- they can -- it's not totally independent from us because we have the water management plan, which we now have a new water management plan in place, and the city is in a much stronger position, as far as when those -- what triggers those releases and when those releases occur. And we could -- we could detail -- we could send you a memo or have an item about where we could go through that in more detail, but we feel like the city is in a much stronger position than weren't in, say, 2011 when I think it was 450,000 acre-feet were released. That year they released three times as much as the city of Austin uses in a year during the worst year of the drought and hottest year we've had in decades, maybe ever. And that would not happen under this water management program. >> Zimmerman: To the water management plan, was that post the 2012 drought contingency plan? Please send that to us. >> As far as the negotiation, it stretched over many years, but it was approved last year. >> Zimmerman: It was approved last year so that's very recent. >> By tceq. >> Zimmerman: Okay. We would love to have that. That's very important information. But we're still under the 2012 drought contingency plan, as far as our lake levels and the stage I, stage II restrictions. >> That's correct. Yes, sir. >> Zimmerman: Okay. Thank you. If we could put this back up, and if you could tell me what's behind this. And first I want to point out that -- and I've made this point many times publicly and I'll just keep making it. We are above where we should be for stage I restrictions according to the 2012 drought contingency plan. Once you get over 4 million

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acre-feet for four months, and we're stable and way above. >> That's true, but it gives the city manager the discretion to stay? Stage II, and he's determined to do that because for some of the reasons I listed at the top of the presentation, but did you want me to -- >> Zimmerman: I'm just reading the graph here. It looks like there's -- let's look at the extreme dry conditions. And it says 99th percentile. I'm going to read that to say there's a 1% chance that by, say, August of 2016, we could be back below 1.4 million-acre present, a 1% chance. Is that the way you read this? >> Not entirely, with the -- it's very complicated. We've gone back and forth with the Icra on this, but I will acknowledge to you that we have looked at this chart over the years of the drought when, just like you're saying, those Numbers were much lower, and we were in danger of going below that 600,000 acre-feet emergency level. And that's part of what we went through at that time, is the reason, and the reason we brought this one day per week forward now, because we think we should preserve this water while it's -- while it's in the Lakes because we don't know when we might go back into that kind of situation again. And we think that people have adapted pretty well to that. >> Zimmerman: Okay. But you do -- you acknowledge, I appreciate that you acknowledge the survey showed 57% disagree. Yes, sir. >> Zimmerman: That these stage II restrictions -- and the final point I want to make, I'm going to go back to the summary that was passed out February 3rd, 2016. >> To the -- are you talking about at the -- >> Zimmerman: The wrap-up - >> Wrap-up meeting, yes, sir. >> Zimmerman: And I did go to the meeting at the spicewood library, spicewood

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springs. I went to that meeting and I saw the poster boards and presentations. That in my view were very based toward permanent restrictions, my opinion from being there. But on page -- the page is -- yeah, page 4, it says -- this is the report, based on the survey, it says, page 4, what is our goal? Second bullet: Establish permanent once per week watering restrictions. And I'm reading from the water utilities document. This is the summary document. So the goal is establish permanent once a week watering restrictions. So my cynical side say, I thought the goal was to take public comment, but, no, the goal was to establish permanent once per week restrictions. The second, on page 5, it at the bottom, what have we heard? Belief that once per week is adequate and overdue. >> I'm sorry, where is that one? >> Zimmerman: On page 5. The fifth page. It says: Belief that once per week is adequate and overdue. But the survey results, as you point out, show 57% -- >> Kitchen: See, it's under support for one day -- >> Let me approach this. >> Kitchen: Oh, I got you. Okay. >> Zimmerman: I just wanted to point those out. I appreciate you being here. >> And that one, that first one you mentioned, that's probably a little strongly worded because we do want to hear what the public has to say. But you can tell me understand I will acknowledge that we are leaning in the direction of the one day per week, and we really want y'all to strongly consider that. Thank you, sir. >> Zimmerman: Thank you. >> I think I have another question. >> So I want to understand, I think the last figures, at least that I see in front of me, are from June of 2015,

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saying that the Lakes were 70% full. Is that still the case? Or do we know what the lake levels are today? >> I should have checked that before I came over. I think the combined is a little higher than that, but in that neighborhood. >> Troxclair: Do you know about how much? I had heard recently that we were about at 1.8. >> You're talking about the combined of Travis and -- >> Troxclair: Right. >> 89. >> 89. We're above the number you had in June. Yeah. >> Troxclair: So 89% full. >> That's the combined

volume of Buchanan and Travis. >> Troxclair: Okay. And the total -- the max storage is about two million acre-feet. >> Yeah, 2.1, I think. >> Troxclair: Okay. And we're at 1.8. Which is 89% full. >> That percentage, yeah. >> Troxclair: Okay. So can you help me understand, what is the water use difference, or do you know what the water use difference is between stage I and stage II? Because there's going to - there's going to be some water that's used regardless, under both of those watering restrictions. What is kind of the value add or the extra water that used -- >> I'm going off the top of my head, but I think that's about 15,000 acre-feet a year. >> Troxclair: 15,000. >> So it's a significant amount. >> Troxclair: So even if -- I mean, have you done the math to -- okay. Actually, that matches up with what I had thought. So have you done the math to see what percentage of the Lakes -- how full the Lakes would be under -- if we switched to stage I? If we're at 89% full right now and we're using about 15,000 acre-feet a year. >> Yeah. I would have to do some kind of calculation, like councilmember Zimmerman was showing with the Icra, but I think it would go down

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some then you would have other people taking water out of there, too. But you could just, for sure, take out that 1,000. >> Troxclair: So based on those Numbers, when I did the math -- because I was trying to understand. I mean, it's hard for us to grasp what 1.8 million acre-feet looks like, how different is that from two million acre-feet. But when I did that math, I found that if we switched to stage I watering restrictions, we would go from 89% full to 88% full. And so -- >> I can't -- I'm old enough to be able to do math in my head, but not quite that. >> Troxclair: Well, I mean, I think that that helps to put it -- helps the put the decision in perspective, for me, because, of course, we all want to be good stewards of our resources and to conserve our resources, but at the same time, if we're really talking about a difference between 89% full and 88% full when we're talking about the difference between stage I and stage watering restrictions, I think that that's an important piece. >> I'd like to add some comments to that. First, it depends on the weather, but if you compare 2011, which was the last full year that we were in two-day per week watering, to current water use under one day a week watering, it's about 30,000 acre-feet, so it's more than what Darrell had said. Now, that's probably the maximum. It's probably in more the 20 to 30,000 range each year, depending on use. And that's cumulative. That happens every year. So if he were to go five years, that would be 120,000 or 150,000 acre-feet. The other thing, councilmember, is, you know, we would get into this more, there's financial considerations, as Darrell indicated, every year we postpone our trigger is a year that we put another 10 or \$15 million in our pocket. We have extensive financial

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net present value calculations on the value of the trigger, and the value of the postponement that we've already achieved, as director -- assistant director Schlessler described, we've postponed that for almost 13 years. Another decision, what would we do with the water we save? It wouldn't necessarily have to stay in the lake. We're evaluating strategies to improve our resiliency as a water utility, your integrated water resource panel that you put together has been meeting for a year, we're starting greater water resource planning. For example, one technology that we've been very serious about advancing, we're just completing some feasibility work, ace technique called aquifer storage and recovery asr, where you take water and pump and store it in underground aquifers, it's a reserve for you, doesn't it evaporate, it's fully treated, ready to go, and you could take the water you're saving each year, rather than sticking in one day per week water, and in the future, store that underground where we have full control of that water, not Icra, and it would be a strategic reserve. I'll give you an example. Just a year ago, the Lakes were about to plunge to all-time lows. We have a million people we serve and we were about to go

below 30% of our reservoir capacity. I mean, that is just -- that is a very frightening scenario. And, you know, that's when you take steps, years in advance of that, to try to prepare for those -- those contingencies, and that's why we're really considering things like one day per week water because it may facilitate other avenues for us like asr in the future. It's a difficult decision. And two-day per week watering horrid choice, it's skill a conservative approach, but we've been trying to work with the community to think about other options. >> Troxclair: But if we are truly talking about literal one percentage difference between -- as of right now, between 88% and 89%, that is

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not -- going from stage II to stage I isn't going to be the reason that we plunge into a drought. And if we were going to go below 30%, it wouldn't have been because we made the decision to go from stage II to stage I, because if it was -- it would be the difference between 30 and 31%. I really think when you look at the overall picture, the amount of water usage between those two stages is really pretty minimal. And I don't know why -- I mean, it sounds like the technology that you're talking about I great. I don't know why we wouldn't be able to -- I mean, are we prohibited from doing that if we're in stage II watering restrictions? >> No, but the more water you use, the closer you come to your trigger, eventually, once you hit that trigger, then you start paying 10, \$15 million a year every year for infinity, so, you know, you want to -- if storing extra water puts you over that trigger, you know, that's much more of a cost. I don't disagree with your math. I mean, you can apply that math to all of our conservation programs. I think in total, all of our conservation programs probably generate, I don't know, Darrell, what, 50,000 acre-feet a year in savings or something? >> I think that's correct. And it was enough to where during the drought, if not for Austin's conservation programs, those Lakes would have gone below that 600,000 feet emergency level where they've never been. >> But the combined effect year after year adds up, where it may -- you know, in total it might be hundreds of thousands of acre-feet. >> Troxclair: So -- help me understand the financial -- the financials, because I understand that once we reach a certain trigger, that we're looking at 10 to 15,000 -- or 10 to \$15 million, but how -- how does that compare to -- I mean, I don't think that it's a secret that the water utility has had some financial struggles in recent years so how does that compare to the impact that conservation measures

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or one day a week -- one day a week watering has had on the revenues of the water utilities? >> Couple thoughts. When we come forth with our full package of final recommendations for the council to consider, we'll have some of those Numbers factored out. Bought we haven't even had a chance to sit down and work through our final recommendations with regards to, you know, how we would kind of take the public input drought and other kind of things and come back to you with that. So I'm really not in a position today to go into a lot of detail on that. However, the more water you sell in the short run, that generates more water revenue for the utility. I mean, clearly, that's something that a utility would see more revenues in the short run, as we've been discussing. In the wrong run, it can lead to higher costs as you hit the trigger, as you maybe need to upsize infrastructure, or apply for more water supplies. But if you sell more Barry in any one year, that generates more revenue. >> Troxclair: So I think that that -- if we don't know what those Numbers are I think that would be important information to have made available for us because it's hard when we're presented with a figure that says that this would save us 10 to \$15 million a year, and we really -- that's not taking into account the revenue loss that the water utility is experiencing, because people are using less water. So I mean, I think we just need to understand both sides -- >> We'll have certainly more detail as we lock into our final recommendations. >> Troxclair: Okay. I guess my last question is, so you wrote -- the drought

contingency plan, you were director of the water utility in 2012? >> I've been director since 2007. >> Troxclair: So -- and were you here in 2012? >> Yes. >> Troxclair: Okay. So you both had a big say in putting together the drought contingency plan. >> Absolutely. >> Troxclair: Okay. And I mean the first -- the very first sentence of it, it says the city of Austin adopted this drought contingency plan to conserve the available water supply to protect the integrity of water supply facilities, in

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particular with regard to domestic water use, sanitation and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage during the drought or other emergency water supply conditions. So the whole purpose of the triggers that we have in place, those are conservative measures that are designed to save water, and I'm -- it's unfortunate that we're being put in a conversation where the context, well, if you don't go to -- if you veer off of the drought contingency plan, somehow you're not conserving water, or somehow you're making a subdivision against conservation, when, in reality, this is what was put in place to make sure we were being responsible stewards of our water. >> Yeah. I think I acknowledged that, as I indicated two-day per week watering is a conservation-minded approach, that it's not a horrid choice compared to one day per week watering. But what's changed since 2012 is, we experienced the worst-ever drought from an info perspective in '11, '12, '13, '14, '15, that was the worst by far. It got so bad I lowered the yield to highland Lakes. That I think certainly changed my thinking, and I certainly consider claimant risk to be amplifying that, and I think that's the kind of thing that, you know, we should come forth and talk about that, is, is the risk profile changed, and should we just revert back to two day, or stay in one day. I think that's a reasonable alternative. You know, before the 2012 drought plan, the discussion was, should you go to two-day. There was a big debate about, we didn't have mandatory two-day before that. There was a big debate in the community, why are you do that, and why don't you just have unlimited watering days, and just make it voluntary for two-day. So process and thinking he involve, and we're at kind of a pivot point for that again. >> Troxclair: But we have to -- I assume that in 2012, when you set that trigger at

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1.4 million acre-feet, that you did so based on your extensive knowledge and scientific facts and research and all these other things; right? That 1.4 million acre-feet was the direct trigger to make sure that we were being responsible with our resources, and that once we've gone above that level, that we would be able to go back to stage I. >> Certainly, there's been a significant change since that contingency plan was done. >> Troxclair: Okay. >> Kitchen: Well, I just want to thank y'all for bringing this information, and I think that those are a lot of good questions. But it's my understanding that you all have not completed your work yet. Is that correct? So you're still doing your analysis and you're not here today making a final recommendation or giving us final data. Is that right? >> That's correct. >> Kitchen: Okay. And that you'll be bringing us back further information to answer a lot of these questions. I guess your timeline was March or so, something like that? >> Additional work in March. Boards and commission input in April. Then I think our final date to give council, Darrell, what, in may? >> That's right. Late April or may. >> Kitchen: Okay. I look forward to the additional information y'all are going to bring us, so thank you. >> Through. >> Garza: As part of the final recommendation, Mr. Hirsch asked a good question, was, what is the projected revenue, I guess savings, when we stay at one, some of the two, will those Numbers be provided? >> Yes. >> Garza: Okay. >> We can provide them. >> Garza: And -- oh, another one was the cost, if we moved from one to two, that could be provided as well. >> Yes. It's pretty minimal cost. It's more of just a -- like a -- like, you know, going from 1 to 2 is more of just like a

paper change. Now, there's some education and communication cost to -- you know, but we do that every year. But we'll factor all that

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in. >> Garza: Okay. Somebody -- go ahead. >> Zimmerman: I was going to make a motion. >> Garza: Does anybody else have any discussion or questions? >> Kitchen: I'll wait till after you make the motion. >> Zimmerman: Okay. Okay. So, I'd like to move that our committee pass on for consideration to the full council the question of moving from stage II to stage I. So my resolution is that the city council would direct the city manager to move from stage II to stage I watering restrictions, effective immediately. >> Garza: Is there a second to that. >> I'll second that. >> Garza: Okay. Do you want to discuss your -- >> Zimmerman: So I'm making this motion basically to get us to simply follow the drought contingency plan. There's been quite a bit of debate and public conversation that, in my view, amounts to kind of a ridiculous statement that we shouldn't follow the drought contingency plan because we might have a drought. Of course, we should expect to have water shortages and droughts. That's been the pattern of the weather for concludes, if not millions of years. We have patterns of abundant rain, and then a pattern of drought. So if we're going to rely on our experts to come up with a drought contingency plan, we should follow it. We should follow the 2012 drought contingency plan. And, frankly, that plan says we should be out of stage II and stage I watering restrictions, but at least, as a reasonable compromise, to be respectful of our constituents who pay the exorbitant water bills and pay the taxes, I'm any any encouraging our council to follow the water plan and at least move from stage II to stage I. I'm asking for your support

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for this that would be just to move it to the full council. We can't make a decision. >> Kitchen: Well, you know, I'm not yet ready for that, and the reason is, is, I would like to hear -- I would like to hear back from our staff on what their recommendation is, and they're not at that point yet. I would also like to hear from our various commissions that are going to be hearing this in March. And so I believe that we've got time for another committee meeting, and that would simply be my preference, is that I'm not ready to move this forward with our without a recommendation because I don't think it's yet timely. >> Garza: I understand the point that councilmember kitchen is making, and I would agree, except I think we've been put in the position where our stuff is making that recommendation. I would say we all wait until we have the information and do the stakeholder process, until we get the boards and commissions, but they've been very clear from the beginning that their recommendation -- that their strong recommendation is for us to move from -- is to adopt permanent stage II watering restrictions. >> Kitchen: That's not what I heard. I thought I heard that they were still in the process, that they haven't presented us with a recommendation. Did I hear that wrong? >> You are correct. We're envisioning a whole series of recommendations based on input we got, consultation with city manager, expert staff opinion, that we plan on coming forth with a whole series of recommendations to update and change some of the water use patterns. I mean, we heard a lot about car washing, we heard a lot about misters, sprinklers, we heard a lot about one day versus two-day. We have four stages and that can be confusing sometimes.

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So we're going to take all of that and try to come forth with our best recommendation to the best tomorrow the council. >> Kitchen: What would be your timeline with that? >> We would be getting

information in March and I believe we could come back to this committee in April and hopefully to the full city council in May for a vote on the final package and recommendations and any changes that the council wants to make to that. And then that would be in place for the bulk of the main irrigation season in 2016. >> Zimmerman: Okay. So once again, I've got to go back to the water conservation public wrap-up workshop. So after the surveys are completed and after the public was heard and said 57% said we don't want permanent once a week watering restrictions, the goal, the plan, printed on the Austin water utility report, the goal is established permanent once per week watering restrictions. I've got cognitive dissonance when the report from the water utility says establish permanent once per week watering restrictions, then the water utility says, well, our studies aren't complete. Okay. To me there's kind of a ridiculous power struggle going on here between the constituents who have been heard and the water utility that says no, it's not what we heard. You said no, but we heard yes. I'm really struggling with this. >> As assistant director Slusher described, that was probably overly strongly worded, but clearly we wouldn't have started a process if we didn't believe that some form of one day a week watering was considered after suffering the worst drought. That doesn't mean we simply go back and keep one day as it currently is. For example, what we're considering is hose end sprinklers. Maybe you don't make those

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one day per week. Drip irrigation is something -- maybe you create incentives for people to get off the most inefficient type of irrigation, spray irrigation. I think there's a lot to consider to shape in the best fashion forward. And we may agree to disagree. You're the policy maker. So we're just going to give a recommendation on some of these changes. >> Kitchen: Councilmember Zimmerman, I may end up agreeing with you at the end of the day. I simply would like to give our staff some time to finish their work and I'd like to hear through that whole process. And I'm not -- I don't understand what the rush is that we can have time for more information. >> Zimmerman: Because, again, I go back to the 2012 drought contingency plan. We should have already released the restrictions. That's what the rush is about. We're 89% full, almost 1.8-acre feet. If we do have another very heavy rain -- we're coming up on the rain season, March through June. We can have heavy rains. And we could be looking at losing water downstream because our lakes are so full. Again, I just want -- I just want us to be consistent on our policy. We set a plan, we need to follow our plan unless we amend the plan. I guess I've heard that Austin water says, well, the inflows have changed. I guess maybe there's been new data come in since the 2012 drought contingency plan was issued. I have heard that. Well, let's modify the 2012 drought contingency plan. That would be in order if we have evidence and the inflows have dramatically changed. Let's go and revisit the plan. And while the plan is in place we should follow the plan. >> Garza: I would hate for our staff to be committed to something when one of our staff -- the director of the Austin water says things have changed and we need to look at that again. Yes, I agree that we should

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change -- probably change the drought contingency plan and in fact it says it's supposed to be done every five years, but it could be done sooner if necessary. I guess in this case it just hasn't been done sooner. But I'm going to go ahead and unless anybody else has anything -- >> Troxclair: I didn't understand why we didn't go to stage one restrictions and see what changes may need to be going forward. I don't understand why it's taking I guess council action to get us back to the place where I think the community understood where we would be under existing policy. But I guess I wanted to say so that's why I would support going ahead and making the decision today to go to stage 1 water restrictions. And if the director and the department feel like there are tweaks that need to be made to, you know, car washing and to other things that are involved not just watering -- sprinkler systems or

watering one day or two days a week I think that's a conversation we could still have. I don't think us making a decision to go to stage one restrictions means we have to stop all communication about what the best plan is moving forward regarding our is drought contingency or water conservation. But I do think that there has been a clear show from the public that they want us to go back to stage one restrictions and that that's what our current policy obligates us to do. I want to continue the conversation, but I am going to support his motion today. >> Garza: All in favor of councilmember Zimmerman's motion? All those opposed? It's a two-two, so that motion fails. >> Kitchen: And again, I just want to reiterate that for me it's a question of timing. And I'd be happy to revisit this again when we get the further information and this has gone further through the process.

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>> Troxclair: I guess I would like to make the follow-up motion then to forward this on to council with no recommends. >> Zimmerman: I'll second that. >> Garza: I'm going to vote against that because I think they've said they're not ready to present now, and it's not in line with the timeline. I'd be comfortable if we were -- if staff says they were ready to present, but I think we should just wait until the timeline that they've set forth before us. >> Kitchen: And I agree. I would like to have them come back to us in this committee and I'm not ready to send it on to council. >> Garza: All those in favor of councilmember troxclair's motion? All those opposed? That fails 2-2. >> Zimmerman: Can we go ahead and figure out what meeting that might be? Just look ahead at the calendar. Would it be in March? >> Kitchen: I know there's one in March. I don't know what our meetings are. >> Zimmerman: Do you have the meeting schedule in front of you. >> Garza: My assumption would be that they would bring it to the full council so wouldn't have to go to this committee. >> Greg Meszaros. If you want this to come back to the committee before the full council I would recommend April I think would be the time we would do that and then on to full council in may: >> Zimmerman: So if we don't bring it back to committee, could we -- we need to get it in March, say, back to full council in March? >> I'm sorry, councilmember? >> Zimmerman: Could we get it back to the full council in March? >> No. We're going to be going through boards and commissions is the plan for March. We'll be getting input from boards and commissions. We're planning to go to at least three boards and -- two boards and one task force. >> Troxclair: So I think where we're getting confused here is that we just took a vote to go ahead and forward the issue on to council with no recommendation. So I think that councilmember Zimmerman and I would expect the issue to be placed on the council agenda before that. And I don't think that that

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precludes you from continuing your boards and commissions work, but when we got to the final decision if the council had already made a decision to move to stage 1 water restrictions, you would just come to council with this report or this committee with your report and we would be making a decision from the basis point of stage one watering restrictions instead of the basis point today of stage two. I don't think it prohibits you from continuing with your process, but there are two of us on the committee that want to go ahead and have this conversation at full council. >> Garza: The motion failed 2-2. >> Kitchen: Yeah. It doesn't move forward with a 2-2. >> Garza: That's what I'm saying. I think it's appropriate when staff's ready to make the final recommendation report, just bring it back to full council instead of having to bring it back to this committee. That was the plan originally, is that correct? >> That's correct. >> Garza: So just bring it back to the full council when you're ready to make that recommendation. Thanks. >> Troxclair: In the meantime we can pursue an ifc if we want to, councilmember Zimmerman. >> Zimmerman: Thanks. >> Garza: We're going to move on to the next agenda item, which is 4, discussion and possible action regarding Austin water's general fund transfers

and impact to water bills. I think we have a couple of speakers. Mr. Hart? >> Chair, members of the committee, I still am who I am. The discussion you had about recommendations relative to the watering and the questions I posed on revenue projections and cost impacts tied to this very item. And that is how does the decision once it occurs on twice a week watering impact the general fund transfer? For those of us who were around in the days when you

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watered whenever you wanted, the amount -- there was no -- you can see from the backup data that we received today that the percentage of the water utility revenue that transferred to the general fund was much more robust than it is today. And I'm glad that we don't transfer as much revenue to the general fund percentagewise as we did back then and I'm glad that we conserve water like we did, but like other questions related to fiscal impact, if we're making a decision relative to a water conservation plan that impacts revenue and that that impact has potential impact on how many dollars actually get transferred to the general fund, then I think we need to take all of that as part of the overall discussion because I keep seeing on television and in the media various departments whining about lack of resources, which I never believed as a city staff, I thought you lived within the limits that you were given. That's what you're supposed to do as an administrator, but there are other people who think that when money is more robust, they should just get a bigger share of it. I don't subscribe to that philosophy myself. So I'm hoping when you discuss this further, either as a full council or at the committee, that you make the linkage between the general fund transfer conversation and the conversation about how much revenue will we -- will we get under the staff recommendations on one-day watering versus what is currently the policy. Thank you very much. >> Garza: The next speaker is -- I think it's Mike burnet. >> I would strongly suggest

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in the most adamant way that once you get the Numbers that you hard code the trigger points into the ordinance and take this away from the city manager's office. Obviously that seems to be the basic point of contention here, and that's how and when this should have happened. Clearly in most people's opinion this should already have happened. We should be in stage 1 right now. There's a little question. It should go up for a vote. By the same token, with all due respect, the water company has done a great job. They're going to go ahead and dot their I's and cross their T's and go from there. As it goes from transfer funding across I would like to educate a bit. We go back under the will Wynn administration and we looked at the -- look at what was going on. We were looking at a give or take seven percent return on investments so we had a cap somewhere in between 70 and -- I think the best year was about 110 million in transfer from all utilities to the general fund fund. Under the current administration after the 2014 modification to the structure of the companies and for any bylaws out here we moved to 16 percent revenues which goes from 60 to 70 million give or take to a 400-million-dollar transfer spent. Regardless of how you argue back and forth on individual and components from each of the various utilities, I would say that that five fold increase in billing and transfer to general refuses is a little -- general revenues is on the cumbersome side. It really puts things on the point where the utilities have become predatory taxation agencies and no longer operate as municipal utilities. And with that being the case, obviously I've seen my bills just skyrocket as everybody else has. I don't know how you live here without water and I don't know how you live here without electricity to run your air conditioner and to

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go especially talking in terms of affordable housing as the mayor has done, and things like pilot knob where we're going to spend a million to 1.3 million per house, I believe there's 63 homes. The change austin.org estimate on that is 81 million. So we're somewhere between 1 to 1.3 on our expense on that. And to throw that out there with an affordable housing push is -- after all the complaints about \$400,000 on spent being a breakover point on affordability, I don't get that, much less to take that burden, go ahead and throw it at the water company and dump it on the taxpayers for a facility not even within the city limits. Can all due respect at this point, I would humbly request that you take full consideration of lookingty total burden that the utilities imposed since the ordinance in 2014 and take that into consideration as we move forward. [Buzzer sounds] Thank you. Any questions? >> Garza: I think those are all the speakers. Do we have a staff presentation? You don't look like Elaine hart, but that's okay. >> Good morning, councilmembers. Ed van eenoo, deputy cfo for the city of Austin. We were asked to make a short presentation on Austin water's general fund transfer. First let me just say as you're well aware running a utility requires a significant amount of capital investment and of course the utility is allowed to earn a reasonable rate of return on that investment. In a privately owned utility that return on investment typically takes the form of a profit and that profit accrues to the shareholders in the utility. A municipality owned utility that return on investment takes the form of a general fund transfer with the benefits accruing to your city taxpayers. Here in the city of

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Austin we have a long-standing history with a general fund transfer from our utility dating back nearly 70 years, going back to 1946 when our two utilities were combined into a single utility. We do not have 70 years of history to present today, but we do have a few years. And while our focus is on the Austin water utilities transfers, we wanted to provide at least by way of context what the Austin energy transfer is as well. So you can see the data there going back to fiscal year 2010. Notably on this chart in regards to the Austin energy transfer it's remained fixed since 2012. It's been stagnant at \$105 million. The result of city council choosing to change what's calculated in 2012, they changed the formula and as part of the changing the the formula they set a floor, a minimum amount of \$105 million and we've been at that minimum since the new policy has taken effect. In the Austin water utility the transfer has established -- the council established at 8.2% of the average of gross revenues. That's been the formula since 2000 and you can see that over that time five-year period where the transfer from the energy utility has been flat, we've seen roughly a nine-million-dollar increase from 31.9 million in 2012 to 40.8 million in 2016. So I just put that in context for the last five years. Almost all the growth in general revenue coming from utility transfers come from Austin water. This next -- sorry about that. This next slide just shows you the major sources of revenue in the general fund. Of course, most of it comes from the property tax. You can see from the four big categories that the smallest share is from the utility transfer. That's roughly 16%. That's the combined transfer from Austin energy and Austin water representing \$145.8 million of our total general fund revenue or 16%. Showing you a little bit more history here, going back to 1997, you can

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see how that percent of general fund transfer has changed over the years from a high of 24% back in 1997. We saw some declines there in the late 90's much it was pretty stagnant for about a decade and then we've seen additional declines since about fiscal year 2011 to the current level of 16% of general fund revenues. Similar to the other story I was telling you, almost all of that decline has come on the Austin energy side. The Austin water transfer has been fairly stable, about 4.7% of general fund revenues came from the Austin water transfer back in '97 and it's at 4.5% currently. >> Troxclair: You

may have this later in your presentation, but I want to -- do you have the percentage of -- like a similar slide, but a percentage of the -- did I just miss it? The Austin energy and Austin water total revenues? Because even though this looks like we're going -- the percentage of the general fund is going down, I would think -- I mean, in regards to Austin water where their revenues have been decreasing over the past years that the percentage of their total revenue that's being transferred might be going up. >> It's possible. I don't have that data, but we could compile that for you for sure. >> Troxclair: Okay, thanks. >> Zimmerman: Before you go on from that slide, what are the percentages on the right-hand side? >> The right-hand side, that's the percent of the total general fund revenue that comes from the combined utility transfer. So back in 1997 24% of all of our general fund revenue came from the transfers from the two utilities. It's down to about 16% today. So the dollar amount is higher, but as percent of total revenue. >> Zimmerman: Thanks. >> We just have a couple of slides looking at the impacts. You know, when we start looking at Numbers that

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large, \$145.8 million, 16% of our total general fund revenue for the combined \$40.8 million and about four and a half percent of our revenue if you look at just the Austin water utility, we started looking at what would it take to replace that revenue. If we were to reduce or eliminate those transfers in the general fund, the general fund is limited ability to generate additional revenue, sales tax is already at the maximum one percent that it can be. A lot of our other revenues are kind of cyclical, like development revenue is very cyclical and fluctuate. We have to stay within our cost of service. Really the most controllable revenue source that council would have to replace the revenues if there was a reduction in the transfer work to look at property tax. We estimate that down at the bottom there it would take 13.5 penny increase in the tax rate in order to offset the full \$145.8 million, if we were to eliminate the water transfer and energy transfer, 145.8-million-dollar less revenue, you could replace that with a 13 and a half penny increase in the tax rate. Focusing on just the water utility, those Numbers would look like \$40.8 million of revenue could be replaced by a 3.8 penny increase in the tax rate. Both of those Numbers are significantly beyond the rollback threshold you find in state law. There would be the risk of voters petitioning for an election that and rate being rolled back to the rollback threshold that would then create a big gap in the general fund budget that would have to be closed by some other mechanism. >> Troxclair: Can I ask a question? But that would only be if you made the decision to completely eliminate both transfers, to completely replace them with property tax revenue and to do that all in one year. >> That's exactly right. That's the maximum, do it all in one year.

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If you eliminate the transfers, that's the Numbers we calculate. >> Troxclair: Thanks. >> It's important when you look at the impacts on the utility to understand their debt service coverage requirements. What's driving a lot of the revenue requirements in the utility and there by what drives their rates is the debt service coverage requirements that are articulated in the utilities bond covenants where they need to have a certain amount of revenue to their operating expenses. The general fund transfer for either utility is not part of that debt service coverage requirement. It's not considered and o&m expense so reducing the general fund transfer does not change the -- does not affect the debt service coverage requirement. In other words, the revenue requirements of the utility that would be needed to meet that debt service coverage requirement doesn't change as to general fund transfer reduces. What happens is that their cash position would improve. So the question then becomes instead of that cash being transferred to the general fund, what happens in the utility is that cash position improves is it would give them the position to cash fund more capital projects, there by issuing less debt, and over time, over

time their revenue requirements would come down, but, you know, the immediate impact, if I could just make up a number of, say, resolution the transfer by five million dollars, it is not going to change the revenue requirements or the utility that they need in order to maintain their debt service requirements that are defined in their bond covenants. But longer term, and we would have to do a detailed analysis about that, but longer term, five, 10 years out, it would begin to have an effect on the revenue requirements. And my last slide, if you have any other questions, we have staff of the water utility to answer questions as well. >> Zimmerman: Before we go on, I'm really struggling with the concept you gave me that let's say I've got a gross revenue that's coming in to the utility.

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I'm familiar with this because I did bonds as a mud board president. We look at the amount of money we have and how we could cover debt, but there's the idea of encumbrances. If you have a revenue coming in, but some of that revenue is encumbered and cannot be used for debt coverage, how can you say that money can be credited towards debt coverage when it's encumbered and cannot be used for debt coverage? >> You understand it, and that is the way it works. I don't know if you want to add anything to it. >> Zimmerman: When I have a bond analyst, somebody that works with credit ratings and bonds and what have you, he does look at your gross revenue, but he's not dumb enough to sightless there's this big gross revenue, problem solved. No, he looks at your encumbrances. He says what cash do you have available out of that revenue to cover your debt? So if you have encumbrances in that avenue that cannot be paid towards your debt that's not coverage of your debt. And it can't be included legally because it makes no sense. To credit money that can't be used for debt as if it were debt coverage. That's dishonest accounting. How can it not be dishonest accounting? >> Good afternoon, councilmembers. David anders, assistant director for Austin water. I guess the way I could explain it the best I could is that when we generate enough revenues to cover our debt service coverage at the current levels, then that generates enough cash to pay for our debt service in full, and then there's additional cash left over that can be used for other purposes. And that's what they would call sort of a use of debt coverage. And that's sort of an older term, but once you collect enough revenue to set your debt service coverage appropriately

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by the bond covenant, then you can use those funds that are left over after you pay your debt for other purposes. And typically those are used for capital infrastructure costs, cash financing of cip projects, or transfers to bondholders -- to dividends or to -- in the private utility transfers to stockholders, those kind of things. But that is the use of cash. And I think what ed was trying to explain is that our general fund transfer is a use of those covered dollars that are left over after we pay our debt. And so if that was reduced in -- in our expenses, then all it would do is increase our cash reserves going forward. It would not immediately result in any reduction in rates unless we decided to reduce our debt service coverage at the same time. >> Troxclair: I have a resolution if nobody else has general questions for staff? Will you go ahead and put it up on the overhead? So I had mentioned at our last meeting that I had been working on the transfer -- the utility transfer issue. I had originally combined both the water utility and Austin energy into one resolution that was going to be heard at the Austin energy committee this month, next month, whenever the next one is. But when I saw that this was placed on our agenda I figured we would go ahead and talk about the Austin water piece of it. So basically what this does is it kind of takes you through some Numbers

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of what Austin water revenue is and what our transfer is right now. And then at the bottom of this first page you will see that a nationwide study by the American public power association found that the median general fund transfer for municipally owned utilities is four percent. For us we're around eight percent now, so around double the national median for municipally owned utilities. And I just want to see -- I want to have the information to understand what would our options be if we wanted to look at reducing the transfer and being more transparent in the way that we're funding our general fund expenses. So all of this -- we talked about this during the budget last time, but it was hard for us to make such a big decision when we didn't have the information and the time for the prolonged conversation that I think that a decision like this would need. So the purpose of this resolution is just to help us on that fact-finding mission and to provide us with that information before we enter into the budget cycle this time. So it asks the city manager to develop a report with options for both reducing and he willing the general fund and economic development transfers from Austin water. It specifically states the benchmarks of reducing them to both four percent, six percent and eliminating it completely, which we kind of just heard about eliminating it completely in one year if we didn't make any budget reductions. And have those options not only immediately, but also over time because I know that it's a lot of money that we're talking about here and it might be something that would be more prudently done over a number of years. And then just to bring that report back to this committee by the end of may so we would have that information going into the budget process.

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>> Zimmerman: Point of order, I seconded councilmember troxclair's resolution on the council message board. If I could get that seconded up here. >> Troxclair: I apologize for not gulf giving you more notice. I had intended this to go to Austin energy, but we had it on the message board and provided you with the language yesterday. >> I was going to ask the staff is this something that could be done in this timeline? >> From what I saw up on this screen, the four percent option and six percent option eliminated all in one year, do it over time, we could put some Numbers to that. Obviously going instead of eight percent, if it's six percent it would be roughly \$10 million. The math behind it isn't too bad. Trying to come up with a solution set, though, for how we get there, may 31st we can put out the information we could put out, that would be like right in the midst of our own budget development process. We wouldn't have a certified tax roll. In the context of fy 17 to at a say a 10% reduction in the tax rate would require this level of increase in the tax rate, we're not going to know that yet, but I think we could give you a whole bunch of information by may 31st. Then you would have that so that as you go along in the budget process and we start getting those additional pieces of the puzzle, it starts to come together. >> Garza: Just because of the pie charts you showed and how really the water utility transfers are the smallest part of the general fund is what that pie chart showed --

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>> Yes, 145.8-million-dollar total, 40.8 of that coming from the water utility, 105 million from Austin energy. >> Garza: Okay. And then you mentioned in your presentation -- and I don't think this, I guess, translates correctly, my thinking of this. So that it would be about \$320..25 would be the annual impact. If we had to replace the transfers through the property tax? >> I look at that as if we had done that in fiscal year 16, if we had done it in fiscal year 16 utilities, both utilities. >> That's both. >> Both utilities. I didn't put it on a slide, but we calculated if it was just the \$40.8 million for the water utility in fy16 that would take a 3.8 penny increase in the tax rate with an impact to the typical homeowner of \$89.78. >> Garza: A year. >> A year, yes, ma'am. >> Troxclair: And that's if we did it all at one time. >> And

[overlapping speakers]. >> Troxclair: Not only all at one time, but also made no adjustments to our spending. >> That's right. >> Troxclair: And I guess we did -- if we did it over time it would have an even smaller impact to the median person. It would be a tiny impact over time. Is that a right statement? >> Yes. >> Zimmerman: Do it over four years or something. The one comment I want to make here, the reason I'm so in favor of doing something with water and -- sure, the bigger transfer question is Austin energy, but in district 6 in the northwest, a significant part, maybe around 50% of the district, is in

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the pedernales electric co-op. So do we know -- is the entire city of Austin is going to be served by city of Austin water pretty much, but when it comes to electricity, as I said in district 6 we have a sizeable number of constituents who don't get served by Austin energy electricity. They're pedernales. So from my view I would rather tackle the transfers from the water utility first. As you've noted, the transfer has been capped at Austin energy, right? It's been constant, 105 million for several years. So it's not increasing yearly. >> Garza: Well, that's the floor. It can go up. That's not the cap, that's the minimum. >> That's correct. We projected last year as part of our forecast that it would start doing up in fiscal year 17. We don't know that for sure yet. Last year we projected it would start going up in fiscal year 17. >> Zimmerman: I still want to start with Austin water because it affects pretty much everybody. >> 99% of the city. There's a tiny, narrow slice that we don't serve. >> Kitchen: I have a question and I apologize if you mentioned this before. So this slide, three or whatever, says that we continue at 8.2%. And that is what it's been since 2000, is that right? >> That's right. >> Kitchen: Why the 8.2? Has that been -- what determines what we set it at now? >> I believe the 8.2 percent in the year 2000, it went -- part of that is like eight percent. So it was a very minor change before that. And even earlier than that time frame was based on a different basis, that was based on amount of pump acknowledge. So the amount of transfer to the general fund was very volatile

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and so they changed that process to be a percentage of revenue and so over a couple of time frames they leveled that at 8.2 percent that at 8.2 percent which was about the level that we were paying prior to that. >> Kitchen: So it's been at this level? >> It's a council financial policy that they set at that time. >> Kitchen: I'm interested in the information. [Indiscernible]. I'd be curious about giving us a whole range. [Indiscernible]. I'm not sure about going forward with any change, but I would like to have the information. >> Garza: So all those in favor of [indiscernible] >> Kitchen: Would it be acceptable to you to -- you've got reducing it to four per. Would it be acceptable to you to also -- >> Troxclair: I'm certainly open to that. I intended that the city staff -- I wanted to make sure that we have the benchmark a. That four percent is kind of national, national median. But that being said, [indiscernible], but those include --

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[indiscernible]. >> Kitchen: The question I have is does the staff need us to vote as council? Can we just make this request right now and have it come back? Just to save a little time? I don't know. What do you think? >> Garza: I was wondering the same thing, but then I saw it be it resolved from city council. So I don't know if it's us as a committee to give direction to staff. I would say we would have to choose the be it resolved -- [indiscernible]. >> Kitchen: What do you need? What kind of direction do you need in the report? >> Troxclair: I think that it would be helpful to have it on the full council agenda disdirk especially since that I think that -- my preference would be to have it go to full council. >> Kitchen: I'm okay with it. >> Zimmerman: The February 25th meeting? That's when it would be posted? >> Garza: I'll

move it -- do you mean specific to council or to council with the recommendation? >> Troxclair: Yeah, I guess to council with recommendation and approval. >> Garza:. >> Garza: All those in favor of that? 4-0 for that. And the next item is future agenda items. Does anybody have any? >> Kitchen: Just one I wanted to mention before, which is I think we're participating in the results of the

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engineering report of the onion creek area. >> Garza: Okay. Hang on one second. Is this the joint committee? It will be part of the open space committee. >> Kitchen: Right. >> Zimmerman: Okay. I want to -- once again, I want to request that we revisit the north Austin muds that had won a PUC ruling and I would like this committee -- I don't think this committee has made a decision yet on whether we wanted to vote on a resolution on whether we should continue having money to fight the PUC case [indiscernible]. >> Troxclair: I think it might be worth us talking about as a committee. If I understand the process as a legal -- as a legal proceedings move forward we're going to kind of continue to get frustration from people who are involved and we're continuing to look for policy direction to approve this. So I think that it would be worth talking about it and to our legal counsel and she was going to add it to the next open space session. Maybe it's something we would need to pull up and vote either way. Because I think I've asked repeatedly for that. >> Kitchen: I would ask the chair to check on that.

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>> Garza: I'll check on that. I'll get back to your office on that one. Is there any other future agenda items? All right. We are adjourned at 4:40 p.m.