

# AGENDA



## Recommendation for Council Action

### AUSTIN CITY COUNCIL

Regular Meeting: March 22, 2018

Item Number: **004**

#### Austin Water

Authorize the negotiation and execution of an agreement with the River Place Golf Group, LP, regarding the provision of service to the River Place Golf Course, and the conveyance of a raw water system and treated wastewater effluent pond to the River Place Golf Group, LP.

**District(s) Affected:** District 6

<b>Lead Department</b>	Austin Water
<b>Fiscal Note</b>	Funding is available in the Fiscal Year 2017-2018 Operating Budget of Austin Water.
<b>For More Information</b>	Bart Jennings, 512-972-0118; Denise Avery, 512-972-0104
<b>Council Committee, Boards and Commission Action</b>	March 7, 2018- Recommended by the Water and Wastewater Commission on a 9-1 vote with Commissioner Schmitt dissenting and Commissioner Penn recusing because his employer has had indirect involvement with this item related to engineering alternatives and Commissioner Lee absent.

#### Additional Backup Information:

The City executed a Strategic Partnership Agreement (“SPA”) with River Place Municipal Utility District (“MUD”) on September 9, 2009 relating to the anticipated annexation of the MUD on December 31, 2017. Part of the SPA addressed water and wastewater utility service issues

within the MUD. In October 2014, Austin Water assumed the operation and maintenance responsibilities for the MUD's water and wastewater systems prior to annexation. This included contractual obligations between the MUD and the River Place Golf Course which is owned by the River Place Golf Group, LP. ("RPGG").

Currently, potable water is provided to residents of the former MUD through a water treatment plant located within the former MUD. In order to provide higher quality water through a more cost-effective method of water treatment, Austin Water is in the process of decommissioning the water treatment plant and providing potable water to residents through existing City water infrastructure. The estimated cost to decommission the MUD water treatment plant and connect to Austin Water's system is \$1.8 million which is already funded through Austin Water's Capital Improvement Program (CIP) budget. The estimated net savings by not operating the River Place water treatment plant is \$190,000 annually.

Wastewater utility service for area residents is provided by a local wastewater treatment plant previously constructed within the former MUD. The treated effluent from the wastewater treatment plant cannot be discharged to the Colorado River, but instead is discharged to an effluent holding pond which the RPGG uses to irrigate the River Place Golf Course. The golf course supplements treated effluent with water from the Colorado River via a raw water intake on Lake Austin. The raw water intake system also provides water to the soon-to-be decommissioned River Place Water Treatment Plant.

The City's plan to decommission the water treatment plant, provides an opportunity for the City to assess the contractual provisions for golf course irrigation. Upon the City's decommissioning of the water treatment plant, certain infrastructure will no longer be needed for potable water service, and some of that infrastructure will continue to be necessary for RPGG to irrigate the golf course. There is a golf course maintenance barn that receives potable water from a direct connection to the water treatment plant. Without the potable water from the water treatment plant, water service to the golf course maintenance barn will be interrupted; and thus, the maintenance barn requires a new connection to the City's existing potable water system.

In addition, Austin Water claims that the RPGG Golf Group, Inc. owes approximately \$94,000 to the City for past due expenses. Because of the outstanding account receivable and the change in the City's potable water source, Austin Water and the RPGG Golf Group, LP. have agreed to the following major terms:

1. The City will avoid the obligation to construct a new potable water line to the golf course maintenance barn at a savings of approximately \$130,000 and will instead pay the RPGG \$40,000 to allow the RPGG to construct a Trinity aquifer well for water service to the golf course maintenance barn. The RPGG's payment to the City of an approximately \$100,000 account receivable will be used as an offset to the City's construction cost of a new potable water line to the golf course maintenance barn and for the RPGG's ownership, operation, and maintenance of City assets that will be

conveyed to the RPGG as noted below.

2. The City will convey the raw water system comprised of a water intake structure, a 42-inch water main, a raw water storage tank, and a 10-inch water main to the RPGG for ownership, operation, and maintenance. This infrastructure will no longer be necessary for the City to provide potable water to the River Place subdivision residents because of the decommissioning of the water treatment plant and the new connection to the City's existing water system. The conveyance will result in the City no longer being obligated or responsible for the provision of raw water to the golf course, as well as future repairs or replacement of this raw water infrastructure. The RPGG will continue to be obligated to use all of the wastewater plant's treated effluent prior to the use of any raw water from the Colorado River.
3. The City will convey the treated wastewater effluent pond to the RPGG for its ownership, operation, and maintenance. The transfer of ownership of an effluent pond between the City and a golf course owner/operator using treated wastewater effluent from a City wastewater treatment plant mirrors current practices at a number of other City owned remote wastewater treatment plants. The Balcones Green, the Lost Creek wastewater treatment systems and the former Onion Creek wastewater treatment system all have similar arrangements. In those situations, the City does not own the effluent pond. Additionally, the City will provide the RPGG a limited warranty for a seven year period to cover any necessary repairs to the effluent pond's liner during that period. Thereafter, the RPGG is responsible for all repairs to and replacements of the pond's liner should it become necessary. It should be noted that the pond liner currently needs to be repaired and Austin Water will repair it prior to conveyance and the start of the warranty period.
4. Finally, the City will charge the RPGG a rate for treated effluent over time that equates to the raw water usage rate that the Lower Colorado River Authority charges which is currently \$0.44 per 1,000 gallons. The other City wastewater treatment systems currently do not charge the golf course a volumetric rate for treated effluent.
5. The term of the contract is 40 years.

The River Place MUD is located within District 6.