

City of Austin-LCRA Water Partnership 2008 Annual Report

I. Purpose of Annual Report

The City of Austin-Lower Colorado River Authority (LCRA) Water Partnership (Water Partnership) is charged with providing a written Annual Report on the status and direction of water supply discussions as considered by the Water Partnership during the previous year. The Annual Report will document decisions about future water supplies as developments occur. The Water Partnership's first year has largely focused on the process of getting established, creating bylaws, forming committees, and creating cooperative work processes. This Annual Report summarizes these efforts.

II. Background on Partnership

A. Highlights on Partnership Creation, Purpose, and Scope

The City of Austin and LCRA have formed the City of Austin and LCRA Water Partnership. The Water Partnership was created through the June 2007 City of Austin and LCRA Settlement Agreement. The November 2007 Supplemental Water Supply Agreement between the parties provides additional details on roles, responsibilities and expectations of the Water Partnership, including the establishment of a stakeholder group.

The Water Partnership was formed to provide a cooperative management structure through which Austin and LCRA staff can work to collaborate and more effectively manage both entities' water supplies and resources. The Water Partnership in effect formalizes the on-going meetings between the staffs of the two entities to assure regular communication on matters of mutual concern. Austin and LCRA have recognized the complex and diverse nature of water supply planning and management of water resources in the Lower Colorado River Basin. Through the Partnership, both entities seek to cooperate, improve communication, and minimize future conflicts.

The Partnership is charged with jointly evaluating, planning, and implementing approved strategies to optimize water supplies to address the long-term water needs of all of the City of Austin's and LCRA's customers and the environment. This charge includes joint water supply planning and management of both entities' individual raw water supplies as an integrated system, including all existing raw water surface water supplies, including flows returned to the river from facilities such as wastewater treatment plants (return flows). As needed, the Water Partnership will present recommendations to the Austin City Council and LCRA Board for approval.

B. Cooperative management structure

Under the leadership of the Austin City Council and the LCRA Board of Directors, as directed by the City Manager and LCRA General Manager, the Water Partnership is composed of committees headed by the Executive Management Committee (EMC). For



reference, a depiction of the general organizational structure of the Water Partnership is shown in Attachment A.

Committee Descriptions

The following are brief descriptions of the Executive Management Committee and other committee duties and responsibilities. Additional information about each committee can be found in three key organizational documents:

- June 2007 City of Austin and LCRA Settlement Agreement, including Exhibit A (attached as Appendix 2 of this 2008 Annual Report)
- November 2007 City of Austin and LCRA Supplemental Water Supply Agreement (SWSA)
- Bylaws Executive Management Committee Water Partnership Between LCRA and City of Austin (effective date March 13, 2008)

Executive Management Committee

The Executive Management Committee (EMC) is composed of two members from the City of Austin, designated by the City Manager, and two members from LCRA, designated by the General Manager.

The Executive Management Committee is responsible for carrying out the purpose and scope of the Water Partnership. This committee helps develop strategic goals and oversees the evaluation of and implementation of any approved joint water supply strategies. In addition, the EMC coordinates communication with stakeholders. The EMC must meet quarterly, but may have additional meetings and workshops as necessary to conduct its business.

Technical Committee

The Technical Committee is a standing committee made up of City of Austin and LCRA staff members appointed by the EMC. The committee is charged with developing projections of water demands, coordination on water use reporting, identification and evaluation of water supply alternatives, developing technical analyses and implementation plans for water supply strategies identified for further study, and other technical projects or issues as assigned by the EMC.

In addition, the Technical Committee is responsible for conducting the necessary analyses, drafting of documents, and development of recommendations concerning the components of a recommended Supply Decision as required of the Water Partnership under Section 3.4 of the Supplemental Water Supply Agreement, for subsequent review and consideration by the EMC and, ultimately, the parties' governing bodies. The Technical Committee generally meets monthly and may meet more frequently on an as-needed basis.

Water Conservation Committee

The Water Conservation Committee is a special committee made up of City of Austin and LCRA staff members appointed by the EMC. The committee is responsible for



developing a proposed plan and scope of work for review and approval of the EMC, in order to implement Section 3.15.1 of the November 2007 Supplement Water Supply Agreement. This section pertains to evaluation of water conservation strategies and goals. The Water Conservation Committee is also charged with implementing the associated plans and scope of work, as approved by the EMC.

Water Quality Committee

The Water Quality Committee is a special committee made up of City of Austin and LCRA staff members appointed by the EMC. The committee is responsible for developing a proposed plan and scope of work for review and approval of the EMC, in order to implement Section 3.13.1.2 of the November 2007 Supplement Water Supply Agreement. This section pertains to water quality monitoring and evaluation. The Water Quality Committee is also charged with implementing the associated plans and scope of work, as approved by the EMC.

Stakeholder Committee

The Stakeholder Committee was developed in accordance with the November 2007 Supplemental Water Supply Agreement (SWSA). Section 4.1 of the SWSA calls for the formation of “a stakeholder group comprised of a balanced and diverse group of organizations and individuals interested in the Parties' water supply discussions.” The Stakeholder Committee will be kept informed of the Water Partnership’s water supply discussions, and will provide feedback and input to the EMC.

The Stakeholder Committee members, appointed by the Austin City Council and the LCRA Board of Directors, represent a wide-variety of interests including environmental, rate payers, business, agriculture, conservation, industrial, and high growth. Stakeholder committee meeting agendas and minutes are posted on the LCRA’s and Austin’s websites. Public input on any matters discussed by the committee is allowed at each meeting.

Other committees can be formed by the EMC as needed. The various committee members, as of October 2008, are listed in Appendix 1.

III. Summary of Year 2008 Activities

A. Highlights of Municipal Water Supply Discussions

There were no formal discussions in the past year directed towards securing additional municipal supplies for the City of Austin. The current municipal supply contract with LCRA, which was negotiated in 1999, will meet the City’s demands up to 325,000 acre-feet per year. To compare, the City’s annual diversions for municipal purposes have recently averaged in the range of approximately 160,000 acre-feet/year. According to the Supplemental Water Supply Agreement of 2007 (“SWSA”), the Water Partnership must begin a long term planning process for additional supplies soon after Austin’s municipal demand exceeds 225,000 acre feet per year but may decide to initiate those discussions at an earlier date. Supply planning for Austin’s non-municipal water needs may also occur at any time.



B. Highlights of Activities and Discussions

1. Organizational Activities. Much of the Water Partnership's efforts over the last year have been organizational in character. The Austin City Manager and LCRA General Manager appointed their respective EMC members at the end of 2007, with the first quarterly meeting of the EMC occurring in early January 2008. At subsequent quarterly meetings, the EMC adopted by-laws to govern its operation, appointed staff to the various technical committees, prioritized the numerous key tasks contained in the Settlement Agreement and Supplemental Water Supply Agreement, and continued to foster a more in-depth understanding of the City's and LCRA's mutual interests regarding water supply.

2. Formation of the Stakeholder Committee. The Austin City Council and LCRA Board appointed members of the Stakeholder Group in the first half of 2008. The group's first meeting was held at the LCRA Redbud Center on August 14, 2008 for the purpose of orientation and organization. A second meeting is planned for Fall 2008.

3. Water Conservation Report. Section 3.15 of the SWSA directs the Water Partnership to develop recommendations on firm commitments to water conservation strategies, considering a number of specific factors. The Water Conservation Committee is tasked with developing recommendations by the end of 2008.

4. Water Use Reporting. Section VII.B.(2) of the Settlement Agreement directs the Water Partnership "to improve communications and exchange of data and information regarding Austin's daily diversions for various beneficial purposes and to develop a consistent method for reporting annual water use to the TCEQ to ensure that water use is being accurately accounted for under the Parties' respective water rights." These discussions are ongoing within the Technical Committee and are intended to result in a coordinated approach prior to the submission of the annual water use reports to TCEQ, which are due on March 1 of each year.

5. Lady Bird Lake Levels. Section VII.D of the Settlement Agreement directs the Water Partnership to develop a proposal to address the maintenance of lake levels for Lady Bird Lake. The Technical Committee has discussed this issue and a smaller workgroup is evaluating various maintenance options. Recommendations are expected to be submitted to the EMC in the first half of 2009.

6. Waller Creek Tunnel Project. The City of Austin is in the planning stages of a project to address flooding along Waller Creek, downstream of Waterloo Park in Central Austin. The core feature of this project to divert and convey flood water from Waller Creek through a tunnel to Lady Bird Lake. The EMC and Technical Committee are being kept apprised of the project's progress and any water supply issues that may need to be addressed.



7. Stoneledge Quarry. The City of Austin's Watershed Protection and Development Review Department is exploring the use of an inactive quarry adjacent to Little Bear Creek, a tributary of Onion Creek, as a means of recharge enhancement for the Barton Springs segment of the Edwards Aquifer. The intent of the additional recharge is to augment flow at Barton Springs. According to the project design, flash flood events on Little Bear Creek would be partially diverted into the quarry and allowed to recharge the underlying aquifer. The Technical Committee is evaluating the issues and will develop a set of recommendations to the EMC that addresses the water supply issues that are raised by this proposed project.

8. Region K. In early 2008, staff from LCRA and the City of Austin provided the Lower Colorado Regional Water Planning Group with an update on the recent City of Austin and LCRA agreements and the creation of the Water Partnership. Additional briefings will be provided on an annual basis, in accordance with Section 4.2 (c) of the Supplemental Water Supply Agreement.

Upcoming events, by end of 2008:

- Annual briefing to Austin City Council
- Annual briefing to appropriate City of Austin boards and commissions

Updates to the LCRA Board of Directors to be provided, as needed.

IV. Brief summary of planned year 2009 activities and activities anticipated beyond 2009 but within approximately three years

Planned Year 2009 Activities

- Continued coordination on water use reporting
- Develop recommendations on plan for maintenance of lake levels in Lady Bird Lake (by June 2009)
- Continued water supply planning and evaluation
- Continued coordination on water conservation strategies
- Coordination on water quality issues
- Conduct annual briefings

Near-Term Beyond 2009

- Develop City of Austin water demand projections (no later than end of 2010)
- Continued water supply planning and evaluation

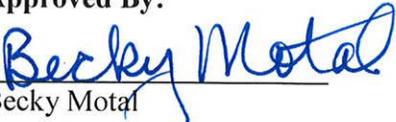
Appendix:

1. Listing of committee members
2. "Exhibit A" from June 18, 2007 Settlement Agreement: COA and LCRA Water Resources Management Partnership

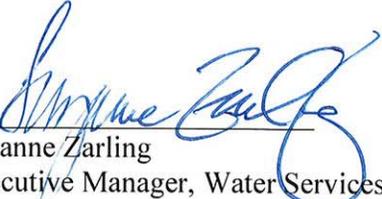


**City of Austin and LCRA
WATER PARTNERSHIP**

Approved By:


Becky Motel
Executive Manager, External Affairs
Lower Colorado River Authority

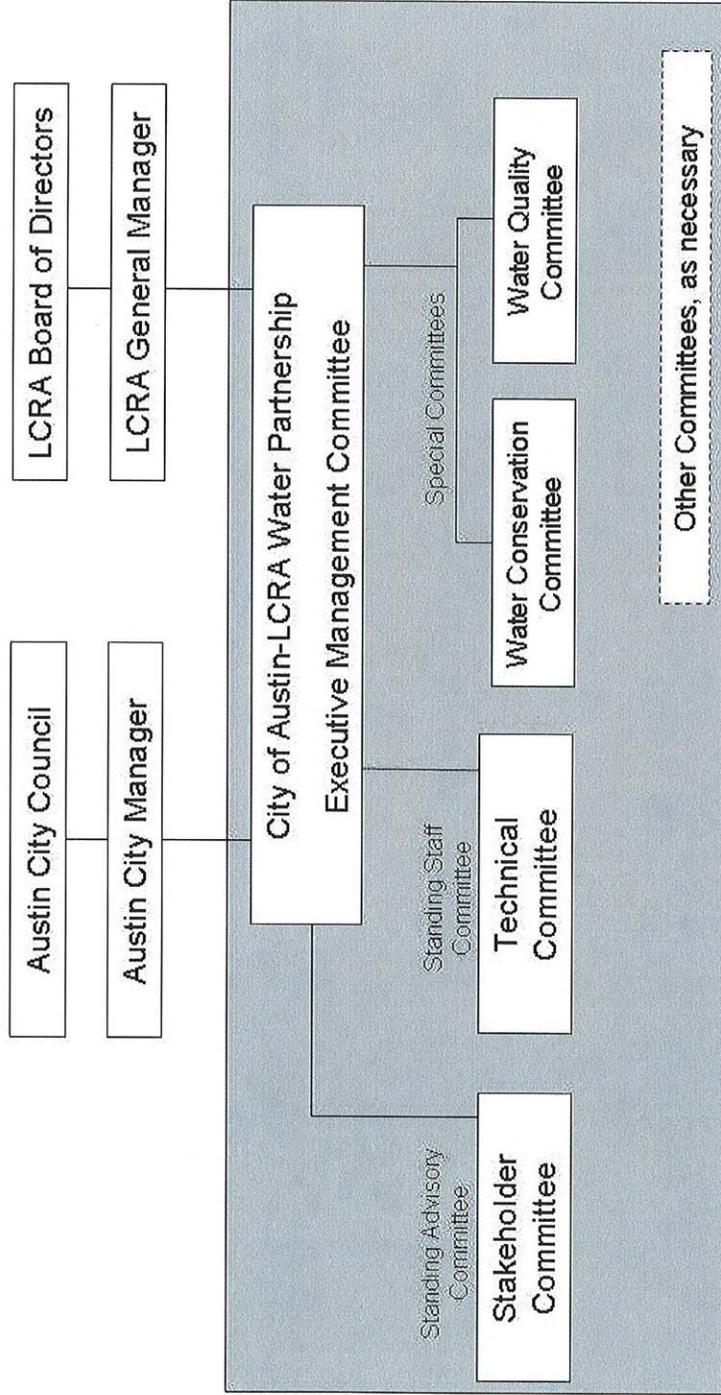

Rudy Garza
Assistant City Manager
City of Austin


Suzanne Zarling
Executive Manager, Water Services
Lower Colorado River Authority


Greg Meszaros
Director, Austin Water Utility
City of Austin



City of Austin-LCRA Water Partnership Organization



Appendix 1. Committee Members

Executive Management Committee (as of October 2008)

City of Austin

Rudy Garza, Assistant City Manager

Greg Meszaros, Director, Austin Water Utility

LCRA

Suzanne Zarling, Executive Manager, Water Services

Becky Motal, Executive Manager, External Affairs

Technical Committee (as of October 2008)

City of Austin

Daryl Slusher, Austin Water Utility

Teresa Lutes, Austin Water Utility

Ross Crow, Law Department

LCRA

James Kowis, Water Supply Planning

Steve Kellicker, Business and Financial Services-Water

Lyn Clancy, Legal Services

Water Conservation Committee (as of October 2008)

City of Austin

Daryl Slusher, Austin Water Utility

LCRA

Nora Mullarkey, Water Conservation

Water Quality Committee (as of October 2008)

City of Austin

Daryl Slusher, Austin Water Utility

LCRA

Lisa Hatzenbuehler, Water Resource Protection



Stakeholder Committee (as of October 2008)

Interest Category	Member
Agricultural	Ronald Gerston
At large	To be determined
Business	Barbara Johnson
Business	Hank Smith
Conservation	Mike Personett
Environmental	Jennifer Walker
Environmental	Laura Marbury
High Growth	Jon Beall
High Growth	Pete Dwyer
High Growth	Valarie Bristol
Industrial	Sandra Dannhardt
Industrial	Dan Wilcox
Rate Payers	Debbie Gernes
Rate Payers	Marion Sanchez
Recreation	Richard Eason



Appendix 2.

EXHIBIT A - COA and LCRA Water Resource Management Partnership

From the:

SETTLEMENT AGREEMENT BY AND BETWEEN THE CITY OF AUSTIN AND THE LOWER COLORADO RIVER AUTHORITY REGARDING JOINT WATER RESOURCE MANAGEMENT AND THE RESOLUTION OF CERTAIN REGULATORY MATTERS PENDING AT THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

EFFECTIVE DATE: JUNE 18, 2007

- 1. Background:** Water is the lifeblood of Central Texas communities. Austin and LCRA have individually employed traditional water management strategies, focusing on solutions that have often unintentionally led to conflict. These conflicts, if left unresolved, may limit the ability of the Parties to meet their responsibilities as major water suppliers. As population growth and economic factors in the region increase the demand for water, the Parties recognize a different approach is needed. Collaborative water management strategies can offer new opportunities to optimize water supply solutions for the region.
- 2. Vision:** Reliable and affordable water, managed in an environmentally responsible and collaborative manner, is critical to the vitality and economy of the region.
- 3. Purpose:** LCRA and Austin, as the two largest water right holders in the lower Colorado River basin, have agreed to develop a cooperative management structure. Through this new approach, the Parties will jointly evaluate and implement strategies to optimize water supplies to meet water needs of their customers and the environment.
- 4. Scope:** The scope of the partnership agreement will include joint water supply planning, as well as the ability to manage both entities' individual raw water supplies as an integrated system. All existing raw surface water supplies, including Return Flows, of each party will be included in this agreement. Future water supplies will be included as approved by the Executive Management Committee.

Day-to-day management and coordination of the river system including flood management, water quality protection and other functions will remain LCRA's



responsibility. Day-to-day water/wastewater utility planning and operations will remain the responsibility of each party.

5. Cooperative Management Structure: The Parties shall establish an Executive Management Committee and Technical Water Resources Planning Subcommittee, with the following structure and responsibilities:

A. Executive Management Committee

- i. Composition: The Executive Management Committee (EMC) will be composed of two representatives each of Austin and LCRA, to be designated by the chief executive officer of each organization.
- ii. Duties and Responsibilities: The EMC will be responsible for carrying out the Purpose and Scope as follows:
 1. establishing and implementing strategic goals and policies,
 2. approval of joint water supply strategies and implementation plans,
 3. continued supervision and oversight of approved joint water supply strategies and implementation plans,
 4. obtaining any necessary approvals from and ensuring compliance with requirements of each party's governing body,
 5. coordination of communication with internal and external stakeholders,
 6. ensuring adherence to the decision-making guidelines set forth below,
 7. creation and general supervision of any subcommittees necessary to carry out the Purpose and Scope, and
 8. developing standard operating procedures and bylaws for the EMC and any subcommittees.

B. Technical Water Resource Planning Subcommittee. A Technical Water Resource Planning Subcommittee (Technical Subcommittee) shall be established as follows:

- i. Composition: The Technical Subcommittee will be an interdisciplinary committee comprised of members appointed by the EMC.
- ii. Duties and Responsibilities. The Technical Subcommittee will be responsible for:



1. Projections of water demands and identification of a wide array of supply alternatives, including Return Flows, and preliminary recommendation of alternatives for consideration by the EMC for further study.
2. In consultation with the EMC, develop any necessary technical analyses and implementation plans for strategies identified for further study.

C. Decisionmaking Guidelines

- i. Consensus decisions of the EMC shall be made using interest-based problem solving, mindful of the standards and mutual interests of the Parties as set forth below.
- ii. The standards against which water supply strategies shall be evaluated include:
 1. Improve relationships between Austin and LCRA
 2. Cost effective and provides value to both Parties
 3. Obtain stakeholder input in an effort to fairly address multiple needs of the region
- iii. The mutual interests of the Parties to be addressed by any water supply strategy selected by the EMC include:
 1. maintaining ownership and protecting the value of each party's individual water rights,
 2. preserving water quality and environmental health of the river and bay system,
 3. improving the Parties' relationship and building trust through enhanced information sharing, cooperation, and partnering,
 4. improving water supply certainty, including enhancing reliability and water availability, and
 5. responsible water resource management, mindful of the Parties commitment to a strong water conservation ethic.
- iv. The Parties may, by consensus, modify the standards and mutual interests to be used in making decisions under this agreement.
- v. If the EMC cannot reach a consensus decisions on whether to pursue particular water supply strategies recommended by the Technical Subcommittee, then the EMC shall request a decision from the chief executive officers of each organization.

6. Operating Guidelines:



- A. The Parties agree to designate their representatives to the Water Partnership Executive Management Committee (EMC) within 90 days of the final approval of the Supplemental Water Supply Agreement called for in Paragraph 1V.B of the Settlement Agreement. The Parties also agree to convene an initial meeting of the EMC within 120 days of execution of the Supplemental Water Supply Agreement.
- B. The initial tasks of the EMC include, but are not limited to:
- i. Develop operating procedures and by-laws, to include but not be limited to:
 1. Set meeting schedule to initially include a minimum of one EMC meeting per quarter
 2. Set meeting logistics including chair, chair rotation schedule, meeting location, and record keeping, including meeting minutes, workplans, etc.
 3. Set schedule and process to develop scopes and workplans for tasks to be accomplished by the COA and LCRA Water Resource Management Partnership
 4. Set reporting schedule to include a minimum reporting schedule of at least one report to each the Austin City Council and the LCRA Board every two years
 5. Set regular quarterly meeting format to include, as appropriate, but not be limited to:
 - a. Report by each party on all activities that might affect either party's water rights or water supply, which may include any significant developments in the following:
 - i. status of
 - all water rights applications
 - a water supply development projects (current or proposed Water Management Plan status)
 - any proposed water treatment, wastewater treatment or other related facilities
 - any direct reuse projects
 - water conservation efforts
 - ii. status of joint efforts and suggestions for additional joint effort opportunities
 - iii. updates on studies relevant to water supply availability
 - iv. updates on relevant environmental issues and implementation of environmental policies



- v. relevant legislative updates including new statutes and pending legislation relating to water supply of the Parties
 - vi. Relevant administrative matters before the State Office of Administrative Hearings
 - vii. Updates on significant actions or decisions by the Texas Commission on Environmental Quality
 - viii. Update on water rates revisions
 - ix. Information on water sales, water usage, major diversions, new customers, and projected water demands (short and long-term)
 - x. Update on any LCRA Water Management Plan planned amendments
 - xi. State Region K regional water planning efforts
 - xii. Update on LCRA Board and Austin City Council actions relevant to water supply availability
- b. Subcommittee reports
 - c. Other items as determined
6. Set meeting process to initially include a minimum of two work sessions per year
- a. Work session tasks may include, but not be limited to:
 - i. develop joint basin management strategies in keeping with the mutual interests of the parties as outlined in Exhibit A. Section 5. C. iii., and updated, as needed, by the EMC.
 - ii. develop plans for joint studies and projects,
 - iii. develop any joint resolutions, proposed agreements,
 - iv. Formulate subcommittees, as needed
 - v. Evaluate on-going efforts of the COA and LCRA Water Resource Management Partnership including a re-evaluation of the scope and purpose, including progress of efforts to meet long-term water supply needs
7. Appoint the Technical Water Resource Planning Subcommittee
8. Develop initial scope and workplan to address the following:



- a. Develop initial scope of tasks to be accomplished in the initial two years, including but not limited to:
 - i. As per Settlement Agreement Section VII. D., develop proposal to address maintenance of Town Lake levels
 - ii. Establish process to evaluate and implement joint water management strategies to optimize water supplies
- b. Establish coordination of reporting, operations, and diversions
- c. Develop a list of matters to be monitored by the EMC
- d. Develop process for determining future tasks and work plans, once initial tasks are complete, including development of demand projections ("Demand Schedule")

