

**BASTROP CITY COUNCIL**  
**MINUTES OF SPECIAL WORKSHOP/UTILITY MEETING**  
**March 18, 2014 at 6:15 pm**

Pursuant to the Texas Government Code, Chapter § 551, the City Council of Bastrop, Texas held a Special Workshop/Utility Meeting on Tuesday, **March 18<sup>th</sup>, 2014 at 6:15 p.m.** at the Bastrop City Hall Council Chambers located at 1311 Chestnut Street in Bastrop, Texas to consider the following matters:

- A. CALL TO ORDER** - Mayor Terry Orr called the meeting to order at 6:15 p.m. A quorum was present: Council Members Ken Kesselus, Kay Garcia McAnally and Willie De La Rosa. Council Member Dock Jackson was absent.
- B. ADJOURN THE SPECIAL UTILITY MEETING** – At 6:16pm, Mayor Terry Orr adjourned the Special Utility Meeting and convened into a Utility Workshop Session to consider the following:

Mayor Terry Orr welcomed everyone and noted he likes to keep this meeting a little less formal than the Regular City Council Meetings and he encouraged public comments and participation. Mayor Orr introduced City Manager Mike Talbot who commenced the meeting with the following agenda item.

**1. REVIEW AND DISCUSSION REGARDING THE REVISED FIVE (5) YEAR WATER/WASTEWATER CAPITAL IMPROVEMENT PROGRAM.**

City Manager Talbot stated that in October 2013 the City Council had issued funding for water system rehabilitation; \$550,000 development of additional water, \$475,000 for water system line crossing at the bridge and State Hwy 71. As part of that bond issue was \$3,000,000 to \$4,000,000 for street work and one aspect has been revised on the rehabilitation side on the streets the City Council has identified to be reconstructed. Some of the streets need infrastructure improvements so funds will be reverted to do the infrastructure improvements prior to the street repaving.

The \$475,000 for the water system line crossing at the Bridge and State Hwy 71, one option is now available to City Council which was not previously available is that we have the Bob Bryant Facility operational and we greatly enhance the fire protection in that area. That was the purpose behind that line, so in discussion of the next item the Council will have at their discretion is if they wanted to move these funds towards the infrastructure for the water supply.

In 2014, the City proposed moving into an Automated Metering Reading Information System for water and electric. The report reflects the option you want to go to. Keep in mind that this is part of the October 2013 Bond issue of approximately \$1, 307,500 to be applied to water system and development. Basically, we have about \$1,700,000 available to apply to the water supply options.

Mayor Terry Orr commented that the City had purchased a piece of property off of Hwy 71 and 20 to place an above ground water tank. City Manager referenced items on the wastewater side, the big project is the upgrade and improvements to the Gill's Branch lift station. We were verbally informed that we would not have to relocate that lift station, during the monthly meeting with TxDOT. Between upgrading the lift station and putting the new force main in and not having to relocate the lift station would allow us to install a reverter box to divert wastewater from one plant to another. That would be a major step in improving the efficiency of the operations at the wastewater plant. We are currently pending a letter from TxDOT to move forward on this project.

The rehab is targeted for area we have constant stoppages, we have budgeted for Phase I the analysis to make a determination that we go with a package plan on the eastside or build a plant that had been previously designed. It is up to the Council's discretion to select the projects they would like to undertake.

Mayor Terry Orr made mention that Council Member Dock Jackson was not in attendance as he was helping care for his ill mother. Mayor Orr invited questions and comments from the public, with no response he moved onto Agenda item #2.

**2. UPDATE, DISCUSSION AND REVIEW REGARDING SHORT AND LONG TERM WATER SUPPLY OPTIONS.**

City Manager Talbot read the Preliminary Draft Report for discussion purposes only; the report has not been officially adopted but it is our water supply fundamentals and agreed upon assumptions. First, is the search for additional public water supply and securing a long term water supply for 50 years. Two, that the City Manager develop a 30 to 50 year water supply for the City of Bastrop, for the citizens, businesses and the city's future growth.

Mayor Pro-Tem Beal asked if these reports were different from others previously presented. The City Manager confirmed the reports were different; Mayor Pro-Tem Beal suggested they not continue reading the reports. The City Manager outlined the basic difference in the report that reflected XS Ranch Permit pending before Lost Pines Ground Water Conservation District, the Ingram Well Permit which would be going to the Board of the Lost Pines Ground Water Conservation District in April and May; City Manager Talbot requested to recuse himself as the presenter. Mayor Pro-Tem Beal noted that LCRA had an industrial permit approved. City Manager Talbot noted there are no guarantees and stated we are looking at 6,000 acre-feet and we have to develop a phasing plan, because they may not approve this amount right from the beginning.

Mayor Pro-Tem Beal stated the amount of water we will need for the future according to CH2MHill is about 6,000 acre-feet per year and we are estimating and if we only utilize Fisherman's park at 50% of the amount that we are using today that the City will still be able to provide is 2,000 acre-feet and only needing 4,000 acre-feet.

Mayor Terry Orr suggested that we put this into perspective as we presently use about 1,500 acre-feet per year. We are looking at trying to secure water and not abandoning what we have but multiplying the amount (x4) for water will need for the next in 50 years; and for which he plans to be here to see.

City Manager Talbot referenced CH2MHill report with their recommended that for 2015 we should planning having water for 2025 (10 years in advance). In an extensive discussion with CH2MHill that the City can rely upon on the Willow Plant for a 50% production level which equals 1,027 acre-feet per year for at least 50 years; this is a very important data point. The Bob Bryant Well is a fairly new facility, but for the next 75 year period it can produce 100% of its capacity with periodical checks of the wells. The only caveat is that it is dependent on upon the fact there is not a significant drop in the water level of the Colorado River or if the City of Austin increases their use of wastewater and does not drop it into the river, a mining or unforeseen activity such as continuation drought. Based upon this analysis and the existing wells on both sides of the river we can rely upon 1,887 acre-feet up through 2025. The City must also commit to an aggressive water conservation plan for the future of the City.

The next report narrows it down to three options for consideration based upon feedback received from the Council; Option I - Purchase the Ingram Well, Option II - Leasing water from LCRA, Option III - Purchase water rights at XS Ranch.

Per City Manager Talbot, we currently have a Memorandum of Understanding with Mr. Ingram and XS Ranch and we are in current negotiations with LCRA. The only environmental issue we have to deal with is with Ingram and LCRA well is the Houston Toad issue. As far as the Ingram Well is concerned, I don't believe a mitigation plan is going to be required. We would use the State Highway right-of-way easements for any three options to bring the pipe line in and check with TxDOT and they don't have any new plans for expanding the highway. The Hydrologist comments have been submitted to the ground water districts for both the Ingram Well and XS Ranch. Testing has been done at Ingram, LCRA and XS Ranch. This week, we received the water quality report from LCRA and they hit a 3,500 gallon per minute well and a 1,800 gallon per minute well.

Mayor Terry Orr inquired about the water quality and the City Manager responded that LCRA looked like to good quality water on the two wells they just brought in. Council Member McAnally inquired on the quality of water at XS ranch, which the City Manager confirmed was also good quality water.

For clarification on our current analysis we don't run the water well pumps 24 hours a day, we run the well pumps 16 hours a day; there's 1,400 acre-feet at the Ingram Well, 1,000 acre-feet reserved for 1,000 acre-feet purchased from LCRA and with XS Ranch we would get 1,500 acre-feet reserved for 2,000 acre-feet purchased. Council McAnally inquired if we would have to pay for reserves and City Manager Talbot responded that under the current proposal with XS ranch we would not have too, but we would pay for the amount reserved from LCRA.

Council Member McAnally referenced the LCRA website and an increase of 12%. Mayor Pro-Tem Beal stated the LCRA Board had recently met and will soon make a decision on what they will do with rates. Once they establish a rate then he believes the process it would go through is TCEQ. Mayor Pro-Tem Beal offered clarification on the LCRA rates to other Council Members.

City Manager Talbot added that the infrastructure cost to add an 18 inch line to bring the water in from the Ingram Well to the Mayfest Park facility is 3.1 million.

City Manager Talbot commented that the cost for Phase I of XS Ranch is \$3,700,000. Mayor Orr inquired on option 1 envisions a line from Mayfest Park and we take that as a step 1 or a 50 year water supply. That is the overall plan; City Manager confirmed. Mayor Terry Orr if this is the plan, at some point we extend the line to pick up the additional 3,000 feet. Mayor Pro-Tem Beal noted that this is based on something 20 years from now.

Council Member Willie DeLaRosa asked Mayor Pro-Tem Joe Beal; according to this one paragraph if we're going to pay for five wells and a reservoir of water, is there any way around that and we can deal with purchasing water from LCRA. Mayor Pro-Tem Beal stated that LCRA develops their system rate by adding all costs that are required to maintain a "firm yield" in their system. This is currently 450,000 acre-feet from Highland Lakes, is about 2,000,000 acre-feet at capacity and the volume today is 760,000 acre-feet. Firm Yield is the amount of water that is always available in any year even during a critical drought. LCRA has determined this is not enough so they have made efforts to develop underground water resources. They have started a process of creating an off channel storage facility that would be designed to take in flood water, could be captured in this storage facility and that water could be utilized in a time of need for firm water demands in the lower part of the basin; like South Texas Nuclear Water or a Chemical Plant, there are a number of industrial users that require firm yield water. This is new territory for LCRA so they are embarking on creating new water supplies and how they are going to pay for it. What we are seeing is the beginning of that process. It's unknown what the rates are going to be in the future utilizing LCRA water. They will go through a process and invite public input and develop a rate. The good thing for us is we have options if we choose to do so and not utilize LCRA water sometime in the future. We can put off the purchase of LCRA and put it off for 20 years and go with Option 1 then we would face that rate potential on day 1, if we went to XS ranch we wouldn't be dealing with the rates and that would not be an issue.

Council Member Willie DeLaRosa stated we needed to figure out what is best for us with consideration of the costs of water we are purchasing. Mayor Pro-Tem Beal, if we were to build the wells and pay some amount per acre-foot for water and we paid \$1,000 per acre-foot and we inputted that payment in and built and operated the wells the electric costs would be significant. I think there are some numbers that will reflect this information. We believe the system rate today for LCRA is significantly cheaper than if we were going to do it on our own. Another element to remember there will be a point in time in the not too distant future perhaps 10-15 years, the City of Austin will reach a point where it is utilizing enough LCRA water where a contractual trigger point will get hit, the City of Austin will begin to pay for water that it uses, but they do not pay today. But there will come a time in our immediate future when Austin will pay and the system rate will come down.

City Manager Talbot referenced a report that reflected the operations cost, debt service and energy cost and noted that the report reflected the costs were per month. Council Member Ken Kesselus also inquired on the operational costs. Mayor Terry Orr recommended that when we discuss the options and consider the electric and infrastructure costs.

In review of the city's growth pattern, CH2MHILL recommendation is that a municipality should have water supplies available to meet the projected demand that is 10 years in the future. The 10 year water supply "cushion" provides for coverage of "what if" scenarios, such as having a new industry locate in town, experiencing a more severe drought, or the failure of a well and/or well field, etc. City Manager also referenced a report that reflected the XS Ranch scenario that included the cushion for 10 years ahead which also allowed time to bring a well online. The first well on XS Ranch is expected to come online in 2016 and carry us over to 2030, without needing a second operational well; two additional wells would extend the plan into 2040 and/or closely to 2045. The report also included the cost of water rights, infrastructure costs and staging of the second and third well which resulted in net value. The report also reflects our usage and projections which would track the points as to when to bring in the additional wells.

For long term planning purposes,

- Willow Plant - the City's existing Willow Plant well field will remain productive at 50% of its current level for a period of 50 years, and the City's water plan should assume replacement of that quantity at that time. In 2055 the City will conduct a detailed analysis of the plant to determine its ongoing viability, if any, and whether continued use of the plant is possible/ advisable and if so, at what level.
- Bob Bryant – the City's existing Bob Bryant Well field will remain productive for at 100% of the 2011 historical production for a 75 year period. As long as there is no significant reduction in the flows in the Colorado River or implementation of a substantial well field in the alluvial aquifer within a quarter mile of the nearest City well.
  - CH2MHILL noted that the level of water in the Colorado River could be substantially reduced from 2011 if the City of Austin increases reuse of its wastewater or if LCRA continues to withhold irrigation water to the lower basin, as they are currently doing.

CH2MHILL notes that Bob Bryant Wells appear to have an approximate 40 year life, based on their apparent construction. In 2045 to 2055, the City will conduct a detailed analysis to determine its ongoing viability and if continued use is possible/advisable, and if so at what level.

The combination of purchasing a minimum of 4,000 acre-feet and the capacity of Willow Plant and the Bob Bryant Plant will provide the City with a total long-term capacity from the two existing City wells fields of approximately 6,000 acre-feet annually until approximately 2055.

In addition, City Manager Mike Talbot also noted that the City is committed to an aggressive water conservation program.

CH2MHILL's report included that if the City can afford infrastructure that they do so in one direction, either to the east, via the Ingram/LCRA route or to the north via the XS Ranch well (field).

Mayor Pro-Tem Beal stated we also needed to consider operation costs. He suggested getting water reserved with LCRA, because if we do not do so now we may not be able to do so in the future.

The Council continued their discussion and welcomed the public to express their personal thoughts and professional input on the discussion at hand. Mr. Mark Rose, General Manager/Chief Executive Officer for Bluebonnet Electric Cooperative accepted Council's invitation to express his thoughts; he thinks this is a good opportunity to express to the Council what they have been expressing to others. He and the City Manager have had extensive conversations throughout the year and stated the City Manager has always been accessible and open to an exchange of information. Mr. Rose expressed concern for some items that had been discussed that concern him on options presented. He asked that everyone not make the assumption that the river we're seeing out there today is going to be the river there will be here in 10-15 years. I think it is problematic to assume that Austin is not going to use its reuse of water when it is actively studying that now as one of its significant strategies. The reason for that is that were all focused on the drought. He addressed a concern brought about by Council Member McAnally and Council Member DeLaRosa stating that TCEQ had forecasted that if LCRA does not add any additional water supplies to the system, then Austin's growth alone will be the future drought. The last lake was built in 1951. Austin has added 800,000 customers without a single drop of water added to their system. As Austin continues to grow, they will get us into a drought because there will be no release to rice farmers or downstream. When there's no release that directly challenges one of your main assumptions which is to feed the alluvial well that you put in at 50%.

City Manager Talbot stated that the Hydrologist report noted that that would not hold true if Austin increased its reuse. Mr. Rose noted that they were in agreement. If we're downstream, this is something we need to be concerned about, without any additional supplies to the LCRA system then you will not have the lake levels that you have now, you will not have the supply to honor Austin's commitment. Austin will be forced to do one or two things, go to ground water itself or reuse. With consideration to the 50 year forecast - the river is in jeopardy; Bluebonnet, the County amongst others down river have been engaged in the discussion with LCRA to build additional water supplies. The conclusion LCRA came to years ago, the only reservoir/only new lake for Austin to build is ground water.

City Council Member McAnally had been discussing that point and noted we needed to take care of our needs first. Mr. Rose stated that ground water in Bastrop County needs to stay in Bastrop. Bastrop needs don't threaten; it's the cities who request 30,000 to 40,000 acre-feet that cause the concern. Mr. Rose made a point that Bluebonnet and several others have been engaged in trying to get LCRA to get into the ground water business - it's critical to the survival of the river. Lastly, we are in this together our service territories are the same, that is why this is so important. He asked the Council Member consider all the work that is happening around them. Look at the immediate rate impact of anything you do and what is the most cost effective now. Mr. Rose expressed his appreciation for the Council's time and consideration.

City Manager Talbot spent over a weeks' time trying to compile the requested information from the Council that was considered at this meeting.

Council Member McAnally suggested postponing a decision until all the Council Members could be present. This was such an important issue that each Council Member should be present to discuss and be part of the action taken. The City Manager stressed to the Council that they have two permits that are being processed to the Ground Water District in April /May.

Mayor Pro-Tem Beal stated this was the first time he had seen the present value analysis, but there are several factors to consider. If you dig into the numbers, but I think it would be helpful for everyone to look into the details how and when the monies get spent for all of these alternatives along with the various commitments and when we need to make those commitments.

Mayor Terry Orr stated that after today's meeting, he would like to concentrate on the next 5-10 years and how that burdens how much money the City will spend. He stated that we needed to concentrate on the next 10 years. The easiest money spent is where there is water and that is the Ingram Well. He suggested purchasing water rights and building a line toward XS Ranch that 10,000 feet short, and/or building another line north; this would allow future Council to extend the lines as needed for the City's growth. If we look at

Ingram we're tying ourselves to LCRA, he didn't think that was true he thought there was another option to consider. We are not stuck on going with LCRA.

Mayor Pro-Tem Beal offered that the Council Members consider the operational cost and the distance of pipelines. He was not disagreeing, he noted that it would be a good insurance to buy XS water rights and reserve waster at LCRA and use your rights in 20 years and you could still go to LCRA. Mayor Pro-Tem Beal also noted that the April 22<sup>nd</sup> timeline was getting close and we need to move forward. Mayor Orr noted that this a good point.

Mayor Terry Orr noted this meeting had been enlightening and Council Member McAnally echoed his sentiment. Mayor Orr suggested for the Council's consideration that this can be a combination of options, but the goal was to come up with something.

City Manager Talbot stated the reports provided at today's meeting would be provided on the City's website.

Mayor Pro-Tem Beal and Council Member McAnally expressed their appreciation for Mr. Gene Kruppa's professional input and assistance with the reports provided at this evenings meeting.

3. **DISCUSSION AND EVALUATION OF ANY AND ALL MATTERS RELATED TO THE CITY'S UTILITIES, INCLUDING BUT NOT LIMITED TO: (A) CURRENT AND FUTURE PROVISION OF WATER/WASTEWATER AND ELECTRIC SERVICE TO THE CITIZENS OF THE CITY AND IN THE EXTRATERRITORIAL JURISDICTION, (B) THE PROTECTION AND PRESERVATION OF FUTURE WATER AND ELECTRIC RESOURCES, OPERATIONS, COMPETITIVE MATTERS, POTENTIAL UPGRADES, PLANNING, AND (C) THE RESOLUTION OF UTILITY ISSUES AS THEY ARISE.**

- C. **THE BASTROP CITY COUNCIL WILL ADJOURN THE UTILITY WORKSHOP SESSION AND RECONVENE BACK INTO SPECIAL UTILITY MEETING AND/OR TAKE ANY ACTIONS NECESSARY RELATED TO THE SPECIAL UTILITY WORKSHOP NOTED HEREIN.**

At 8:23pm, Mayor Terry Orr reconvened back into the Special Utility Meeting. No action was taken.

- D. **THE BASTROP CITY COUNCIL WILL MEET IN A CLOSED/EXECUTIVE SESSION PURSUANT TO THE TEXAS GOVERNMENT CODE, CHAPTER §551, ET SEQ, TO DISCUSS THE FOLLOWING:**

1. SECTION(S) 551.071(1) (A) and 551.071 (2) - Consultation(s) with Attorney: (1) Threatened and/or contemplated litigation, and (2) Matters upon which the attorney has a duty and/or responsibility to report to the governmental body.
2. SECTION 551.072 - Deliberation regarding real property: Regarding the purchase, exchange, lease, disposition, or value of real property.
3. SECTION 551.086- Certain Public Utilities: Competitive Matters

- E. **THE BASTROP CITY COUNCIL WILL RECONVENE INTO OPEN SPECIAL UTILITY MEETING TO DISCUSS, CONSIDER, AND/OR TAKE ANY ACTIONS NECESSARY RELATED TO THE EXECUTIVE SESSION NOTED HEREIN, OR REGULAR AGENDA ITEMS, NOTES ABOVE, AND/OR RELATED ITEMS.**

- F. **ADJOURN** - Council Member Kay Garcia McAnally made the motion to adjourn the meeting. Seconded by Council Member Willie DeLaRosa, meeting adjourned at 8:23 pm.

APPROVED: \_\_\_\_\_

Terry Orr, Mayor

ATTEST: \_\_\_\_\_

Elizabeth Minerva Lopez, City Secretary