



Regional Utility Partnership: From Concept to Reality

*How three Central Texas cities overcame internal differences, external opposition
to create a utility authority that will save ratepayers millions*

City of Round Rock, Texas
City Manager Jim Nuse, P.E.

Project Leader – Primary Contact

Michael Thane, P.E.
Director of Infrastructure Management
512.218.5555
mthane@round-rock.tx.us

221 E. Main Street
Round Rock, Texas 78664

Presenting Team Member(s)

Cindy Demers
Assistant City Manager
512.218-5400
cdemers@round-rock.tx.us

Will Hampton
Communications Director
512.218.5400
whampton@round-rock.tx.us

Synopsis

Intent: The goal of our regional utility partnership was to finance and build the \$300 million-plus worth of infrastructure necessary to secure long-term water supplies to three of the fastest-growing cities in Texas. Just as important was the goal to achieve significant savings in design and construction costs by building one regional system instead of three stand-alone municipal systems.

The three cities in the partnership are Round Rock, Leander and Cedar Park. Located just north of Austin, the three cities have each secured water rights from the Lower Colorado River Authority to access water in nearby Lake Travis. Leander and Cedar Park already access water from Lake Travis through separate treatment and distribution systems.

Round Rock initiated the partnership after completing a study in 2005 that analyzed the costs of accessing various sources of water – from lakes to the north and west to aquifers to the east – with and without partners. The City’s lowest cost option going solo was \$78 million more than the lowest cost option with a partner.

For Round Rock and Cedar Park, the project will provide the treatment and distribution capacity necessary to meet their ultimate water demands. For rapidly-growing cities in the southwestern United States, that’s a significant claim to be able to make, especially for economic development purposes. The achievement is even more impressive when you consider Round Rock’s population today is 106,000, and its ultimate population is expected to be 250,000-300,000. Cedar Park’s current population is 63,000, and its ultimate population is projected to be 88,000.

Leander, while currently the smallest city in the partnership with a population of 25,800, projects its ultimate population to be more than 200,000.

Outcomes: The **Brushy Creek Regional Utility Authority (BCRUA)** was created, secured below-market financing from the Texas Water Development Board and the project is now under construction. Each city in the partnership has independently financed its portion of the project (and is liable for only its debt and not that of the partners), but still accrues economy of scale savings.

Building on the success of the water project, the three partners later joined forces again in the purchase of an existing regional wastewater system from the Lower Colorado River Authority.

Savings: The total project cost is estimated at \$327 million for the design and construction of a 106 million gallon per day water treatment and distribution system. We estimate that building one regional project instead of three separate municipal projects results in an approximate 33 percent savings, or up to \$100 million.

Savings from the purchase of the wastewater system are expected to be nearly \$1 million per year.

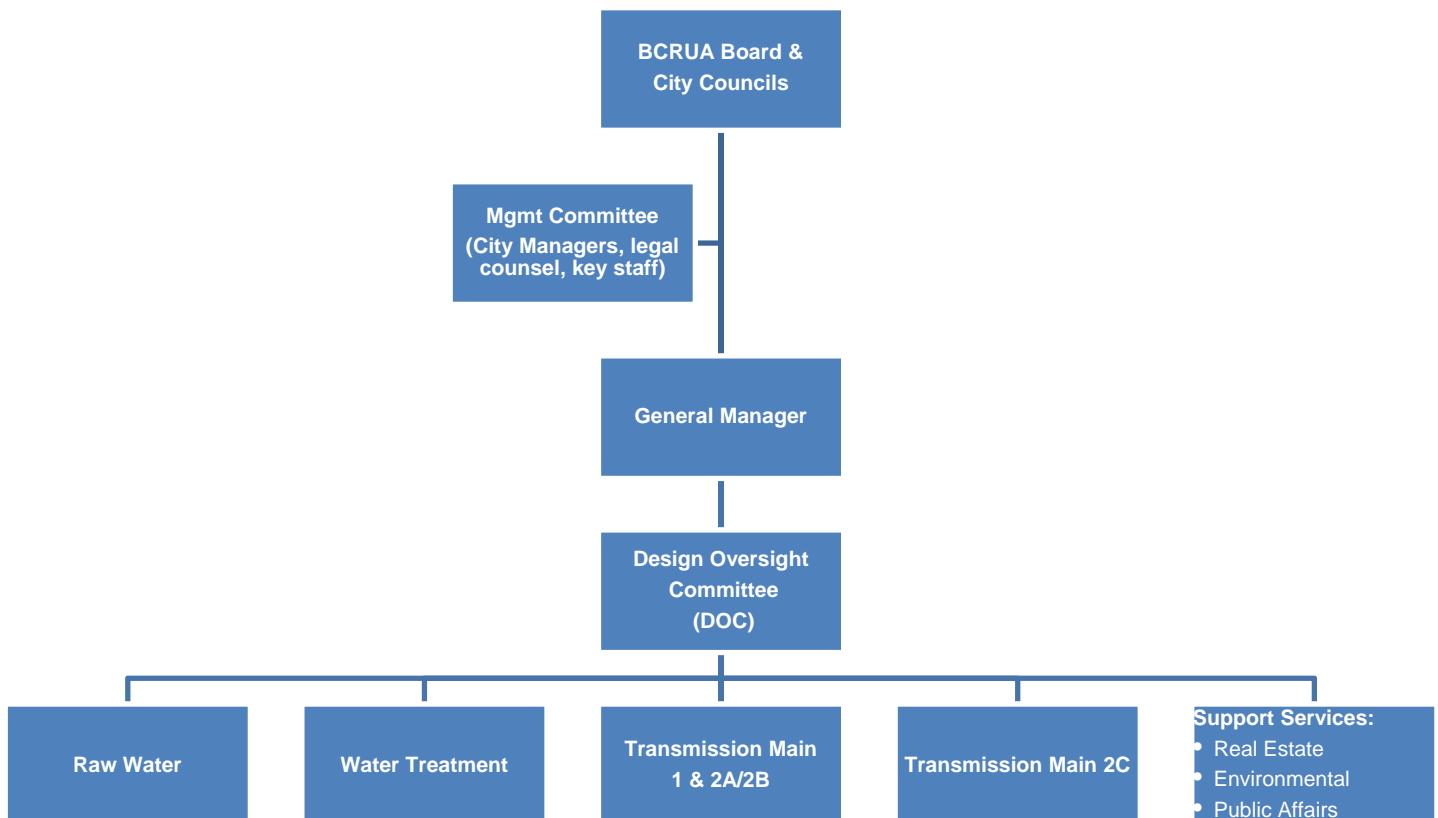
Innovative Characteristics: From the governance structure to the operational organization, the regional partnership has broken new ground.

We are not aware of other cities in Texas that have created from scratch a municipal corporation as the legal body for a utility partnership. Each city has equal representation on the governing board, though costs are shared proportionate to their capacity in the system, i.e., Cedar Park capacity is 14 percent, Round Rock is 39 percent and Leander is 47 percent.

The by-laws established at the creation of the BCRUA ensure the respective City Councils retain control of the organization through budget and funding approvals. The three cities also used numerous interlocal agreements to manage various consultant contracts prior to the formal creation of the BCRUA.

On an operational level, the BCRUA board directs a General Manager, who works closely with the City Managers (and key members of their staffs, including legal counsel) from the respective cities via a “Management Committee.” The GM also works with the Design Oversight Committee (DOC), which is comprised of public works and finance staff from the three cities. The DOC, in turn, manages the five primary aspects of the project – Raw Water Intake, Water Treatment Plant, Transmission Main 1, 2A and 2B, Transmission Main 2C, and Support Services.

The organization chart looks like this:



A Program Manager, who reports to the GM, has subsequently been hired to oversee the construction of the project.

Obstacles and Results: Where to begin?

We'll start with the external obstacles. None of the three partner cities actually border Lake Travis. The communities where the Raw Water Intake and Transmission Lines will be located rose up in opposition to the project beginning early in 2007, and sustained their opposition all the way to the final public hearing at the Texas Water Development Board in March 2009. They created a website, lobbied legislators, submitted voluminous open records requests, shouted down staff at public meetings, went on a speaking/misinformation tour up and down the Colorado River basin and threatened numerous lawsuits. The partnership's public affairs program included one-on-one meetings with opponents, small group meetings with legislators, nearly a dozen public meetings, a project blog and coordination of messaging at legislative and agency hearings. The public affairs effort paid off when the project received all the necessary funding and permits, and broke ground in fall 2009.

The opposition from lakeside communities heightened the very real political and organization culture differences among the three partner cities.

Round Rock's approach to citizen participation seeks informed consent, or getting over-my-dead-body types to grudgingly agree to grudgingly go along. It's about building credibility by never sugarcoating bad news and aggressively seeking out the staunchest opponents. Cedar Park prefers more of a marketing approach that seeks to put a positive spin on the project, and avoid acknowledging controversial aspects of the project. Leander's preference was to forego any kind of public affairs program. So we often had Round Rock recommending an aggressive public input strategy, with Cedar Park urging a more cautious approach and Leander wondering why we were doing anything at all to try to placate the lakeside residents.

Complicating the politics of the project is that it straddles two counties, two state House districts, two state Senate districts and two river authorities.

Then there were the timing issues. The city that had the least capacity in the system, Cedar Park, also had the shortest timeline for needing additional water. When the financial markets melted down in 2008, causing project funding to be delayed, Cedar Park was in a bind. But its potential water shortage was overcome when Round Rock and Leander agreed to supply Cedar Park with water from excess capacity in their respective systems.

And, this being Texas, the weather also played a major factor. In the early stages of project planning, as lakeside opposition heated up, so did drought conditions. Lake Travis dropped to its lowest levels in years and project opponents – who predicted the BCRUA would “drain the lake” – adopted a we-told-you-so attitude and put additional pressure on their elected state representatives. Naturally, the record drought was followed by one of the wettest summers in a decade, refilling the lake and taking pressure off the project timeline.

Presentation Components

1. Innovation/Creativity

- **How did the program/project/service, etc. improve the organization?**

Creating a governing and organizational structure from scratch allowed the partners to combine staff capabilities with consulting expertise to keep costs in line and prevent “project creep.” From project management to legal counsel to accounting to public affairs to construction inspection, the partners mixed and matched staff skills from the respective cities. Consultants were managed in a de-centralized approach, since the General Manager was essentially a 30-hour/week employee.

The organizational structure begat a lean, cost-conscious culture as well as one committed to doing whatever it took to serve the partnership’s goals as well as meet the individual cities needs.

- **Were new technologies used?**

Only if you consider a blog a new technology. Which we don’t.

- **Was a private consultant used?**

Yes.

- **If yes, describe their involvement.**

Private consultants were used for design of the intake structure, raw water pipeline, water treatment plant and transmission mains. We also used a public affairs consultant and a firm to spearhead the environmental permitting required for the project.

- **Identify the consultant and/or firm, including contact information**

Jacobs – Project management, intake design, raw water pipeline design. Drew Hardin, P.E., email: Drew.Hardin@c-b.com

HDR – Intake structure design. Duwayne Whitis, P.E., email: Duwain.Whitis@hdrinc.com

CDM – Water treatment plant design. Steve Lynk, P.E., email: lynksv@cdm.com

K Friese & Associates – Transmission main design. Karen Friese, P.E., phone: 512.338.1704

Group Solutions RJW – Public affairs. Robena Jackson, email: rj@groupsolutionsrjw.com

Staats Falkenberg – Governmental relations. Howard Falkenberg, email: howard@staats.com

Lockwood, Andrews & Newman – Right of way acquisition. Lori Bible, email: lr Bible@lan-inc.com

Environmental & Planning Associates – Environmental permitting. Barry Allison, email: Ballison1@austin.rr.com

2. Outcomes Achieved

- **What customer/community needs and expectations were identified and fulfilled?**

The infrastructure necessary to deliver long-term, affordable and reliable water supplies for the three partner cities is under construction and the project is under budget.

- **Has service delivery been enhanced?**

For the City of Round Rock, the project further diversifies its sources of water, adding to the reliability of its utility system. Round Rock accesses groundwater from the Edwards Aquifer, and surface water from Lake Georgetown and Stillhouse Hollow Lake in the Brazos River basin, and, when the BCURA project goes online, from Lake Travis in the Lower Colorado River basin.

- **Did the initiative improve access to your government?**

It certainly improved communication and trust among the three partner cities, so much so that we partnered again – along with the City of Austin – to purchase a regional wastewater treatment plant from the Lower Colorado River Authority. Going from customer to co-owner of that facility will result in annual operational cost savings of nearly \$1 million a year for the City of Round Rock.

- **Has the health of the community improved as a result?**

While Round Rock's physical health won't improve as a result of the project, the community's prognosis for long-term economic well-being is certainly enhanced. A reliable, affordable long-term water supply is fundamental to Round Rock maintaining its leadership in job creation in the Central Texas economy.

3. Applicable Results and Real World Practicality

- **What practical applications could you share if selected?**

We would share the nuts and bolts details of the project's innovative governance and organizational structure, and the successful blending of staff and consultant expertise.

- **How applicable is the project/program/service to other local governments?**

Any local government that sees potential savings in a regional utility project can apply the lessons Round Rock learned from this project. From how to handle differences in organizational cultures to managing multiple consultant contracts among multiple partners, a city or county considering a large capital partnership will find a number of takeaways from this project.

- **What results/outcomes will you be able to share?**

We will be able to share how a controversial project with significant, sustained opposition can be successfully implemented and still achieve significant financial savings.

- **Please include any performance measures if applicable**

For a project of this magnitude, achieving a groundbreaking at below-budget costs is the primary performance measure.

4. Case Study Presentation

- **Briefly describe what your case study presentation might include.**

We will use PowerPoint to communicate the key elements of the project and lessons learned.

We think there is a great opportunity for a small group activity to allow participants to discuss potential partnerships for their communities and the obstacles they face. Each group could report out highlights from their discussion to spark a larger conversation among the entire group.