

Water Utilities: Overview and Proposed FY08 Budget

August 15, 2007



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Purpose

This briefing provides an overview of Dallas Water Utilities, its water and wastewater operations, proposed FY 07-08 Budget and long range water planning efforts

Outline

- Background
- Conservation
- Capital Improvement Program
- Budget Issues
- Water Supply Strategies
- Summary
- Appendix
 - The 80th Legislature Session: Water Legislation

Background

Department Mission

- We provide services vital to the health and safety of Dallas citizens and our customers
- We strive to provide excellent response to the needs of our customers at a fair and reasonable cost
- We value and respect our employees
- We look toward the future

Changes in Water Utilities Operation

<u>1850s-1950</u>	<u>1950 to 2006</u>	<u>2006 to 2060</u>
- Population grew from 430 to 400,000 in 100 yrs	- Service population grew from 400,000 to 2.3 million in 50 yrs	- Service population to grow to over 4.5 million
- Surface water and wells used for water supply	- Only surface water used for water supply	- Increased reliance on conservation/reuse
- 2 small lakes (Lake Dallas and White Rock Lake)	- 7 lakes for water supply; 5 connected, 2 currently unconnected	- 9 lakes minimum used for water supply
- Declining block rate used	- Aggressive water conservation measures implemented	- Increasing block rate used
	- Increasing block rate used	

Management Approach

- Utilize 5 year capital budget forecast and 10 year capital improvement program (CIP) supported by system master planning
- Costs are driven primarily by debt service requirements from CIP for infrastructure associated replacement, renewal and growth
- Use Financial Management Performance Criteria (FMPC), including:
 - Dallas Water Utilities funds solely for use of the utility (Wholly owned utility of the City of Dallas)
 - Short-term debt used for interim financing of capital projects
 - Long-term debt to be used only for capital infrastructure (30 year debt)
 - Debt service coverage should be at least 1.3 times at all times and 1.5 times at FY year-end
 - Customer cities water rates determined based on 1979 agreement, and wholesale wastewater and untreated water rates by contractual agreement
- Strict adherence to TCEQ/EPA regulations

City of Dallas Water Utilities Fact Sheet

- The department is funded from water and wastewater revenues, and receives no tax dollars
- Approximately 1,500 employees
- Population served (treated water)
 - 1.3 million - Dallas
 - 900,000+ - wholesale customer cities
- 699 square mile service area
- 306,000 retail customer accounts
- 4,800 miles of water mains
- 4,200 miles of wastewater mains
- 3 Water treatment plants
- 2 Wastewater treatment plants

Dallas Water Utilities Water and Wastewater Treatment Plants



ELM FORK WTP
110 Acres



EASTSIDE WTP
250 Acres



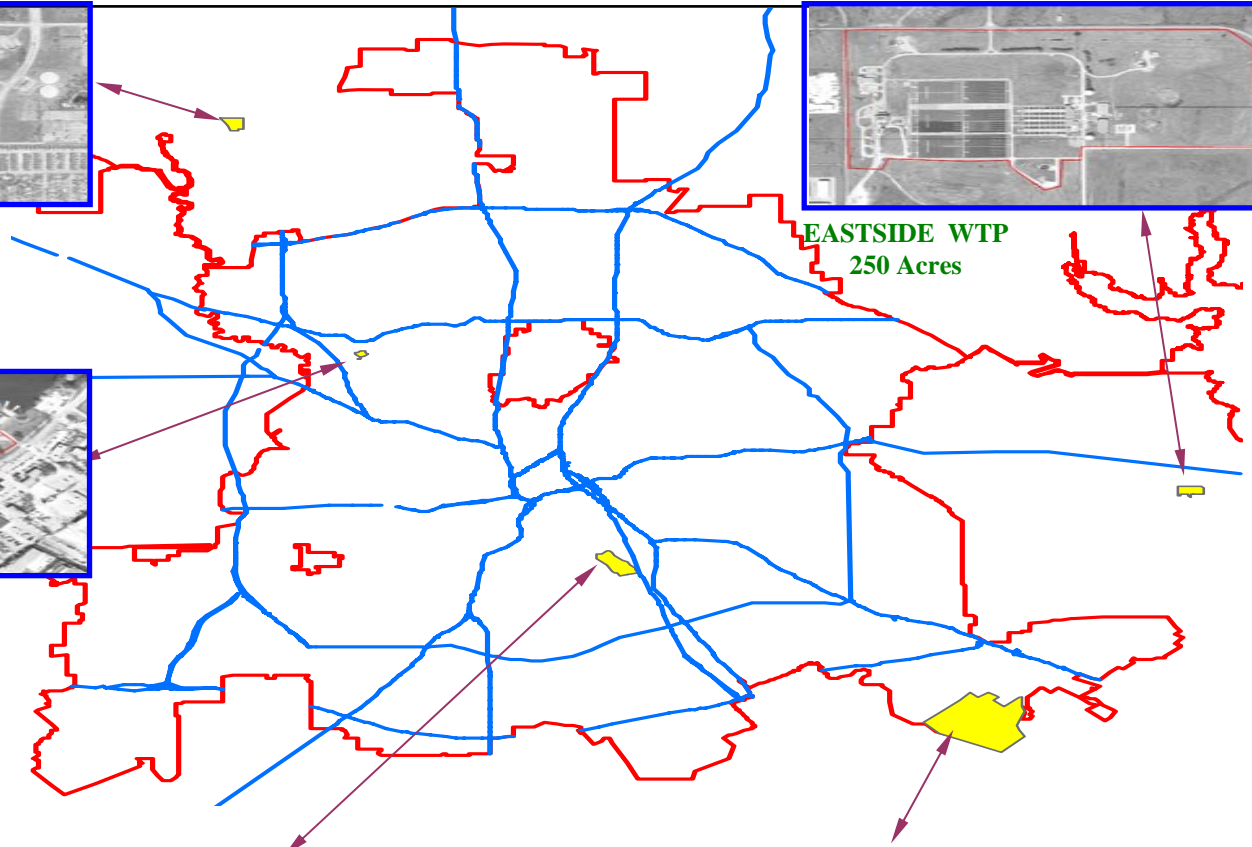
BACHMAN WTP
70 Acres






CENTRAL WWTP
400 Acres



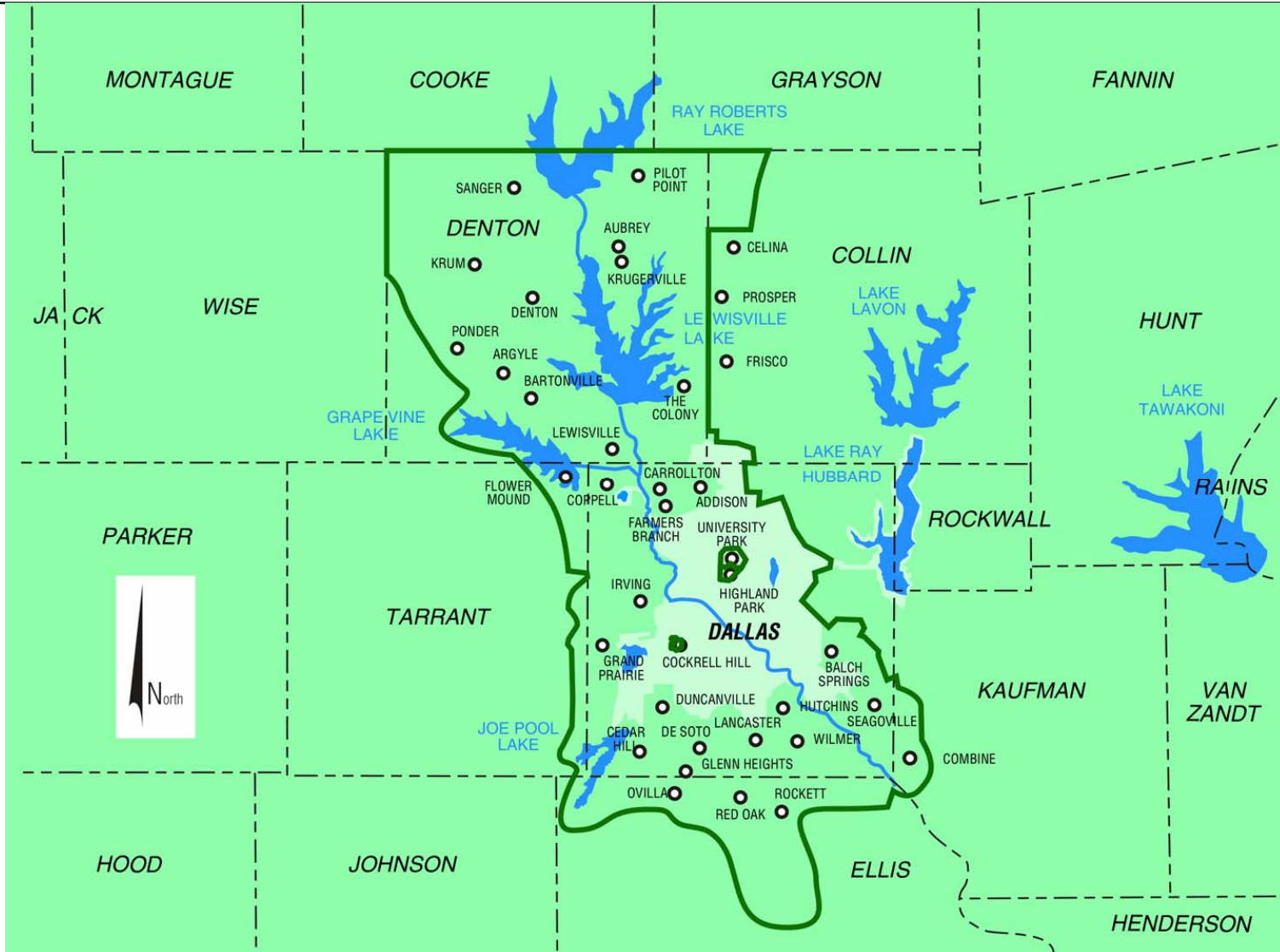
SOUTHSIDE WWTP
2800 Acres



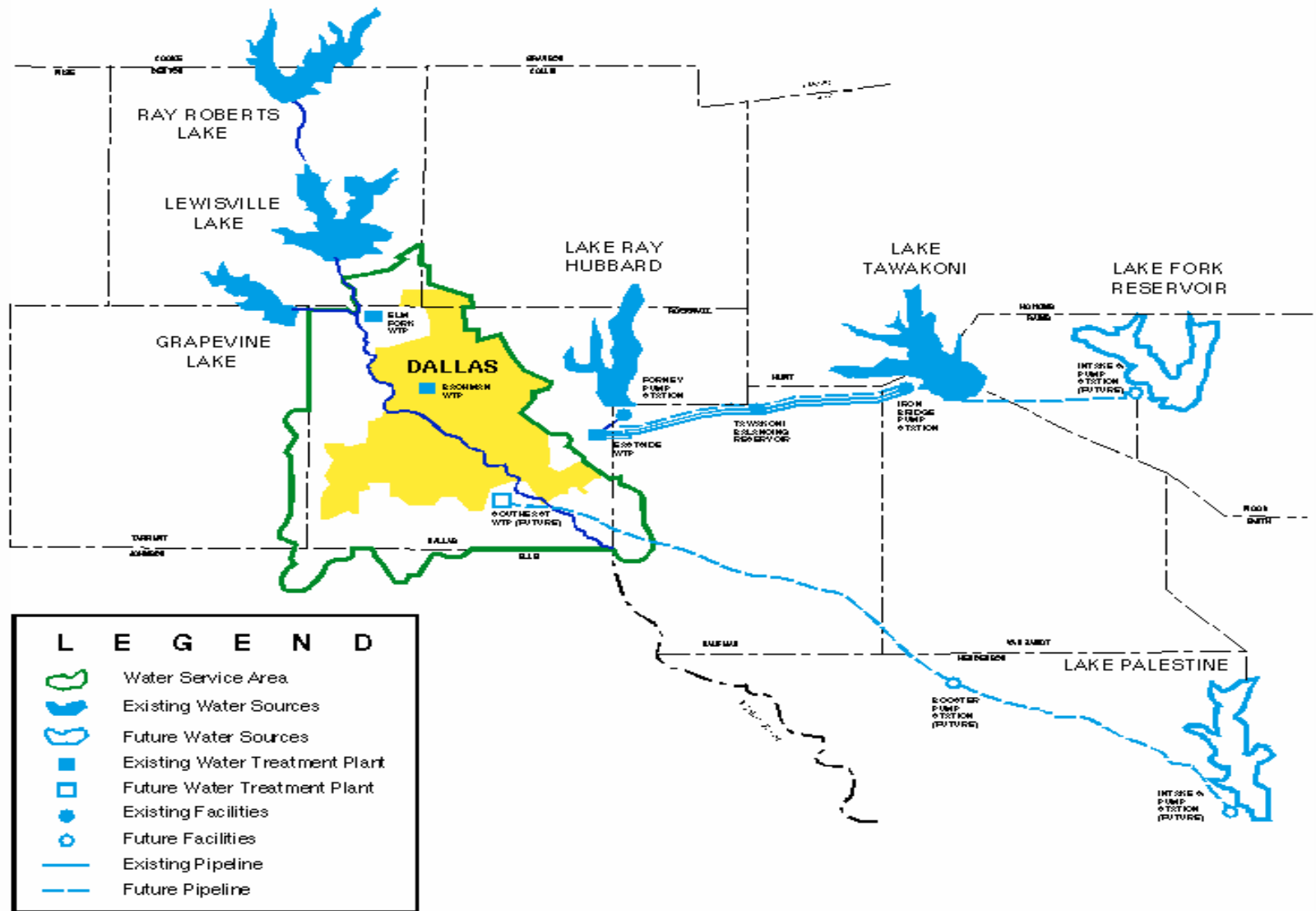
Legend

-  Highway
-  Water/Wastewater Treatment Plant
-  City Limits

City of Dallas Customer Cities



DALLAS WATER SERVICE AREA

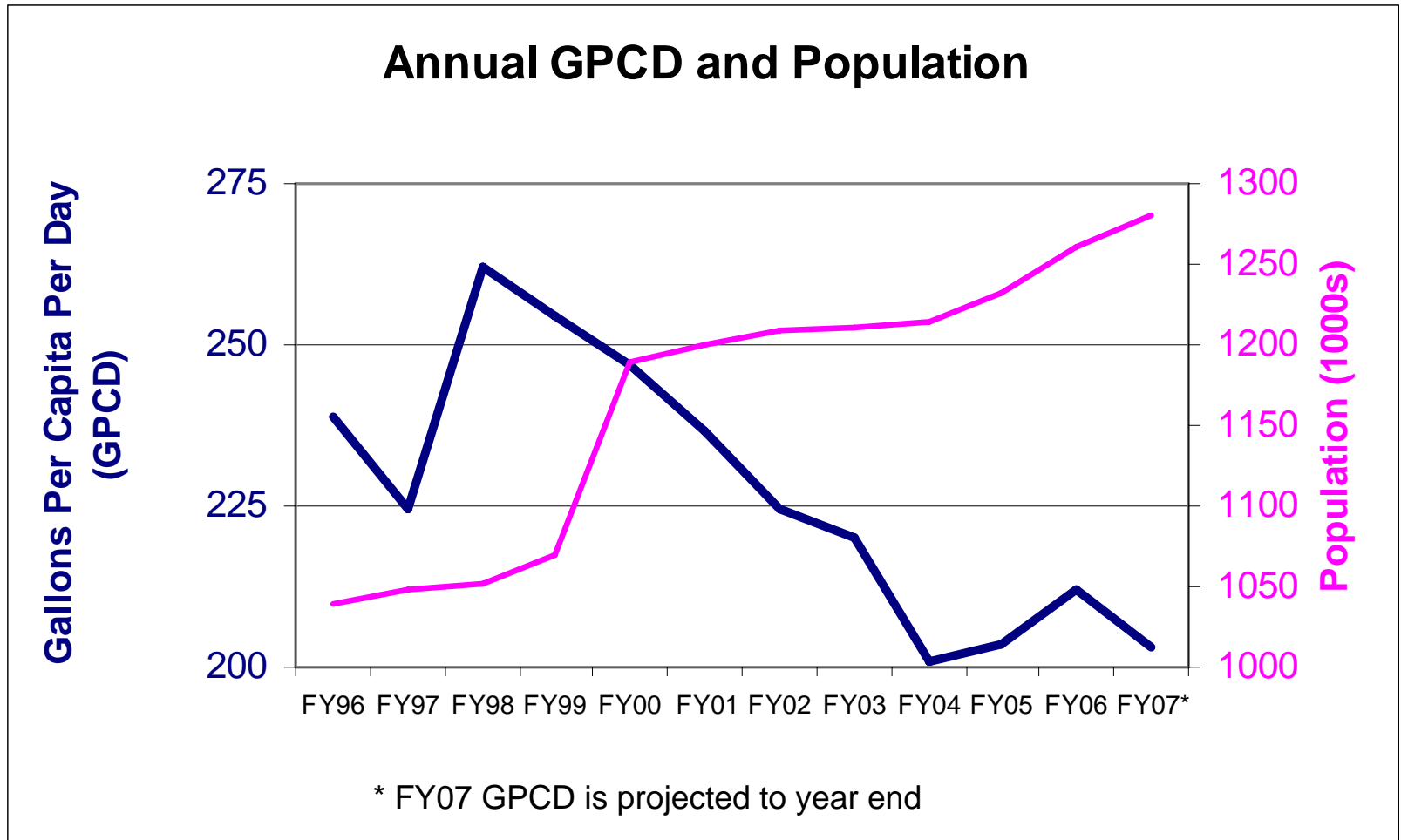


Conservation

Conservation Efforts

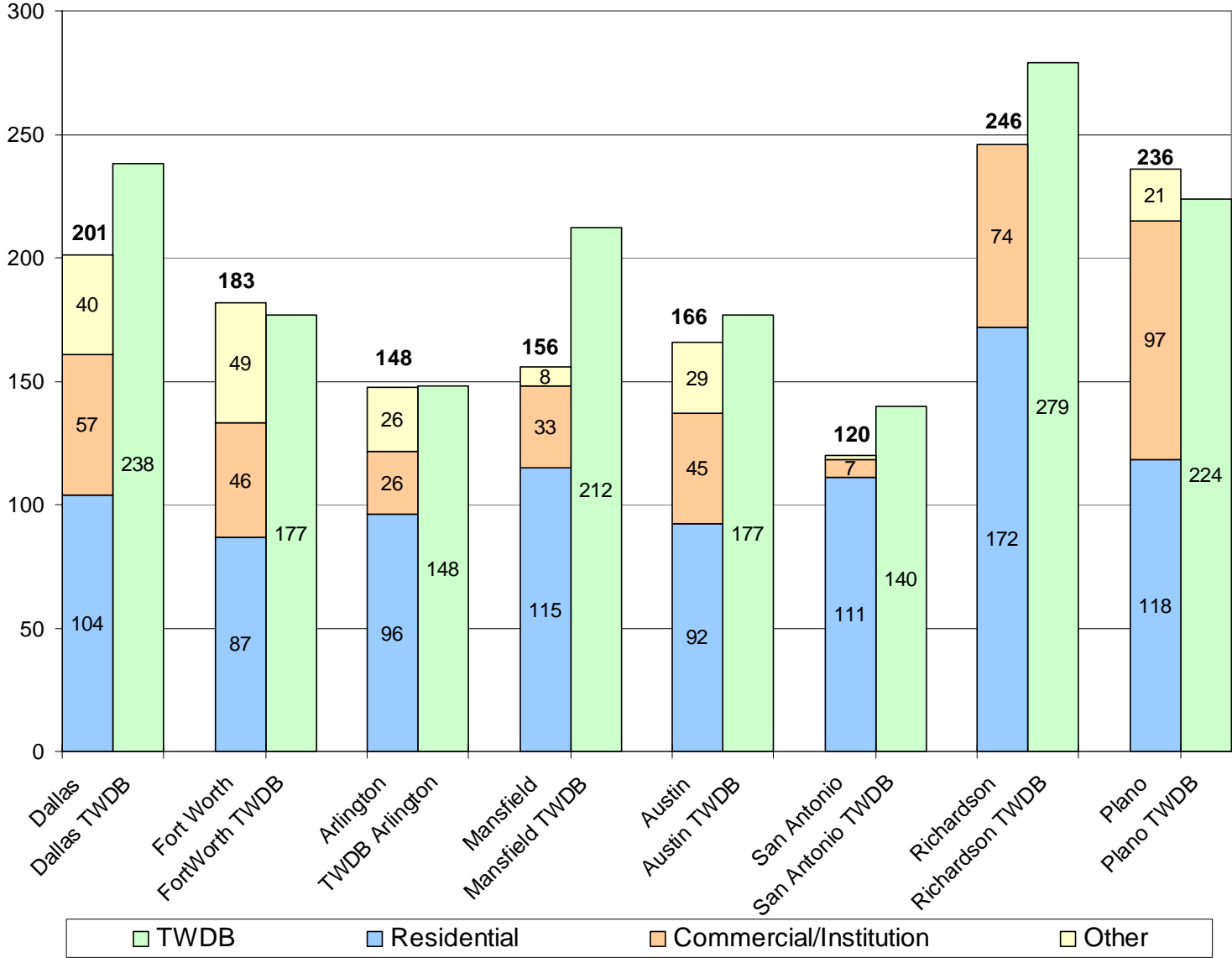
- Conservation measures adopted by the Council in Oct 2001 have been positive
 - Dallas saved an estimated 34 billion gallons of water since 2001
 - GPCD has been reduced approximately 20% from FY98 to FY06
 - As a result, Dallas has been able to mitigate the impact of drought weather conditions on water supply
- Five Year Strategic Plan adopted in April 2005
 - Goals designed to achieve an average 1% per year reduction in gallons per capita per day over five years
- Dallas continues to aggressively pursue conservation strategies
 - Time-of-day watering restrictions extended from April 1 to October 31 annually
 - Previously, time-of-day watering restrictions were June 1 – Sep 30 annually
 - Council approved toilet rebate program in April 2007
- 25% of future water will be met by conservation and reuse

Dallas' GPCD and Population



While Dallas has made strides with conservation, additional work is needed.

Snapshot of 2004 per capita values for select Texas cities



Capital Improvement Program

Infrastructure Categories and Associated Drivers (Capital Improvements Program (CIP))

□ **Regulatory**

Wastewater - EPA and TCEQ mandates affecting treatment plant effluent standards, sludge quality, plant and pipeline capacity, security and safety

Water - EPA and TCEQ mandates effecting treatment methods and processes, water quality, security and safety

□ **Growth**

Water & Wastewater - Growth patterns requiring facilities expansion

□ **Rehab & Replacement**

Wastewater – Replacement of old, inefficient and nuisance causing treatment processes, improvements to sludge quality and handling, hydrologic improvements, replacement of deteriorated structures, and replacement of deteriorated, aging pipeline system

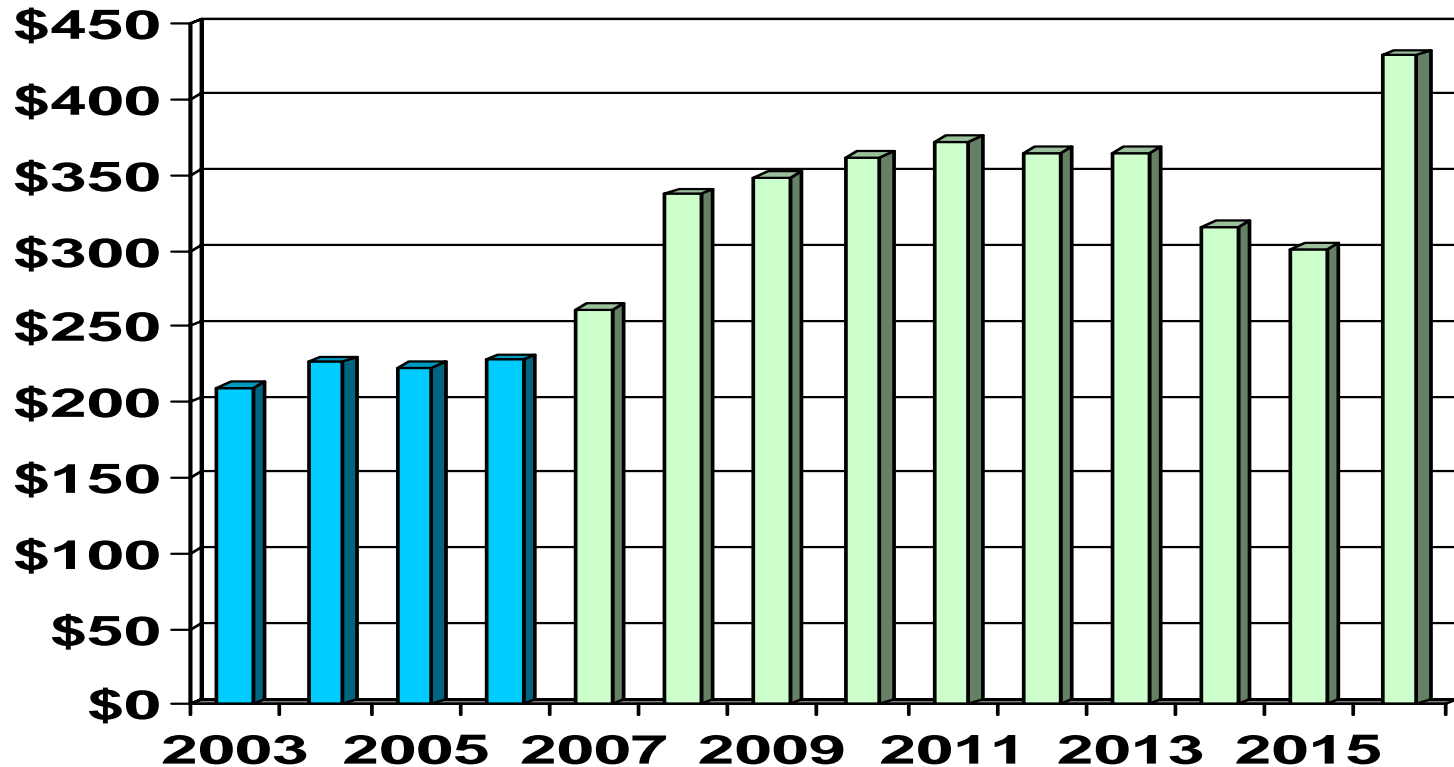
Water - Upgrade treatment processes, improvements to machinery, replacement of deteriorated structures and replacement of deteriorated, aging pipeline system

□ **Work for Others**

Expansion of roadways by TxDOT, improvements to roadways by Dallas County, and pipeline relocation improvements in conjunction with COD bond program

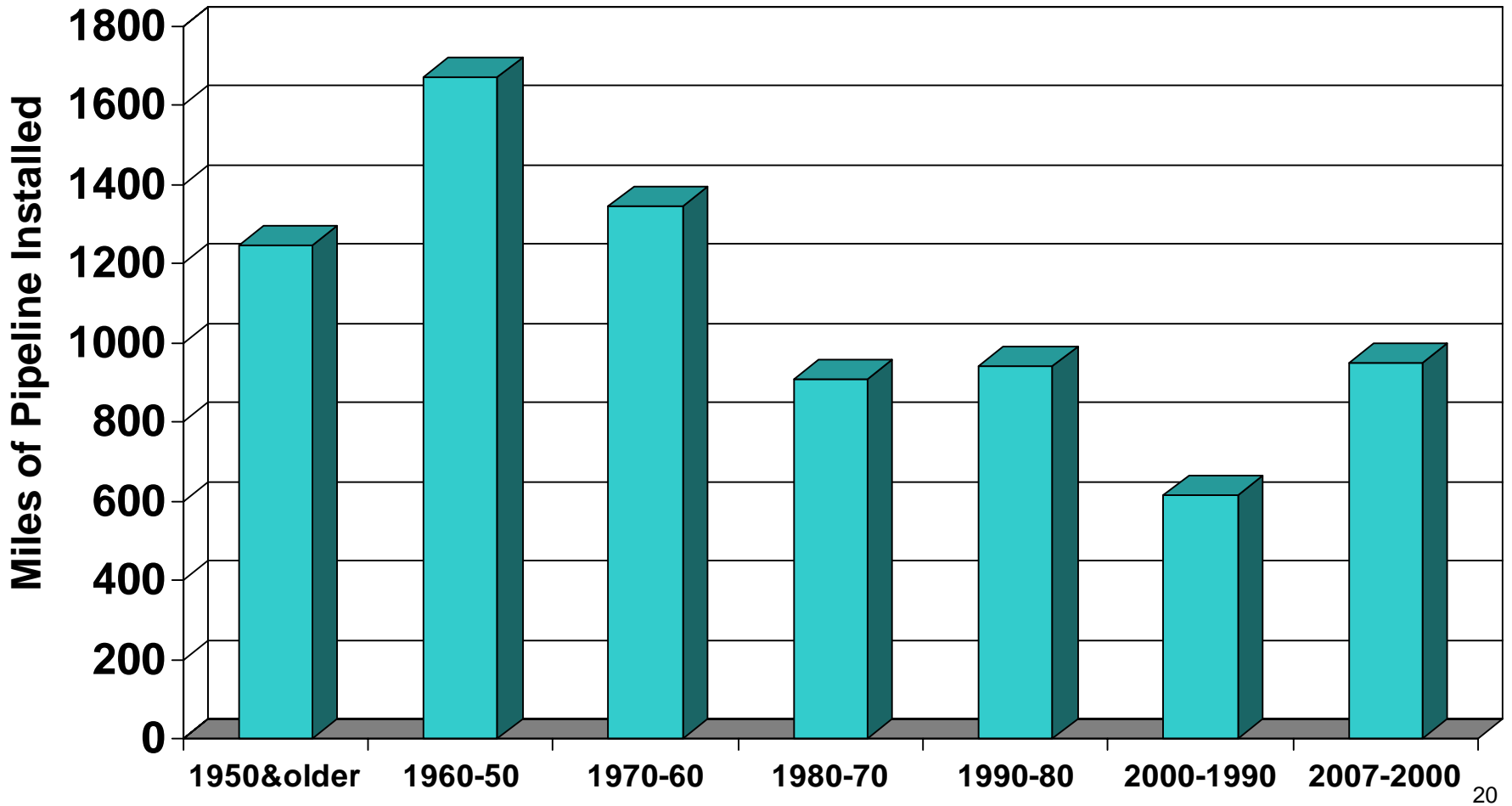
Historical and Projected CIP Budget

Millions

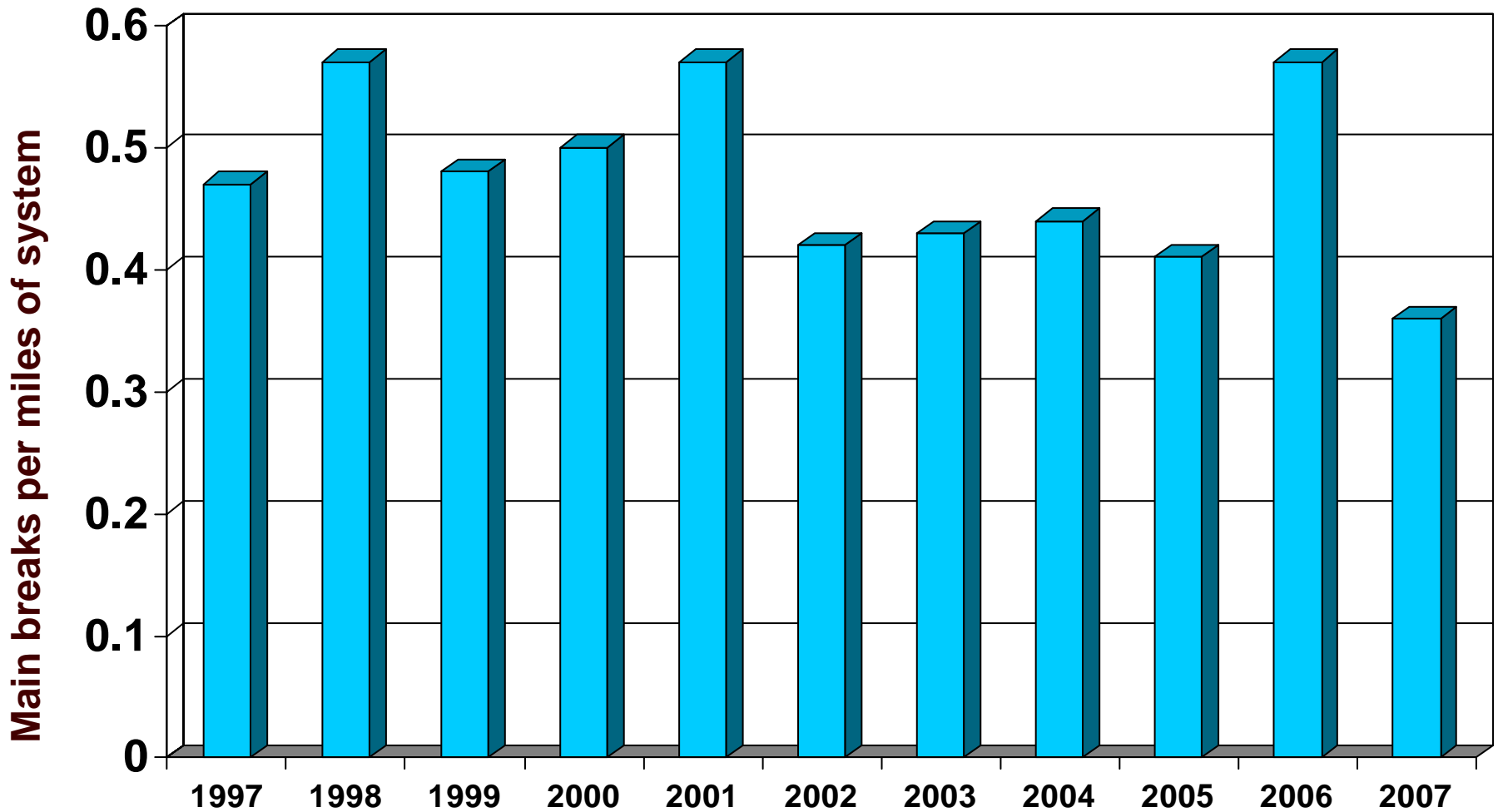


Note: FY03 – FY06 actuals, FY07 projected to year end, FY08 – FY16 proposed

Age of Dallas Water & Wastewater Pipeline System (9,000 Miles Combined)

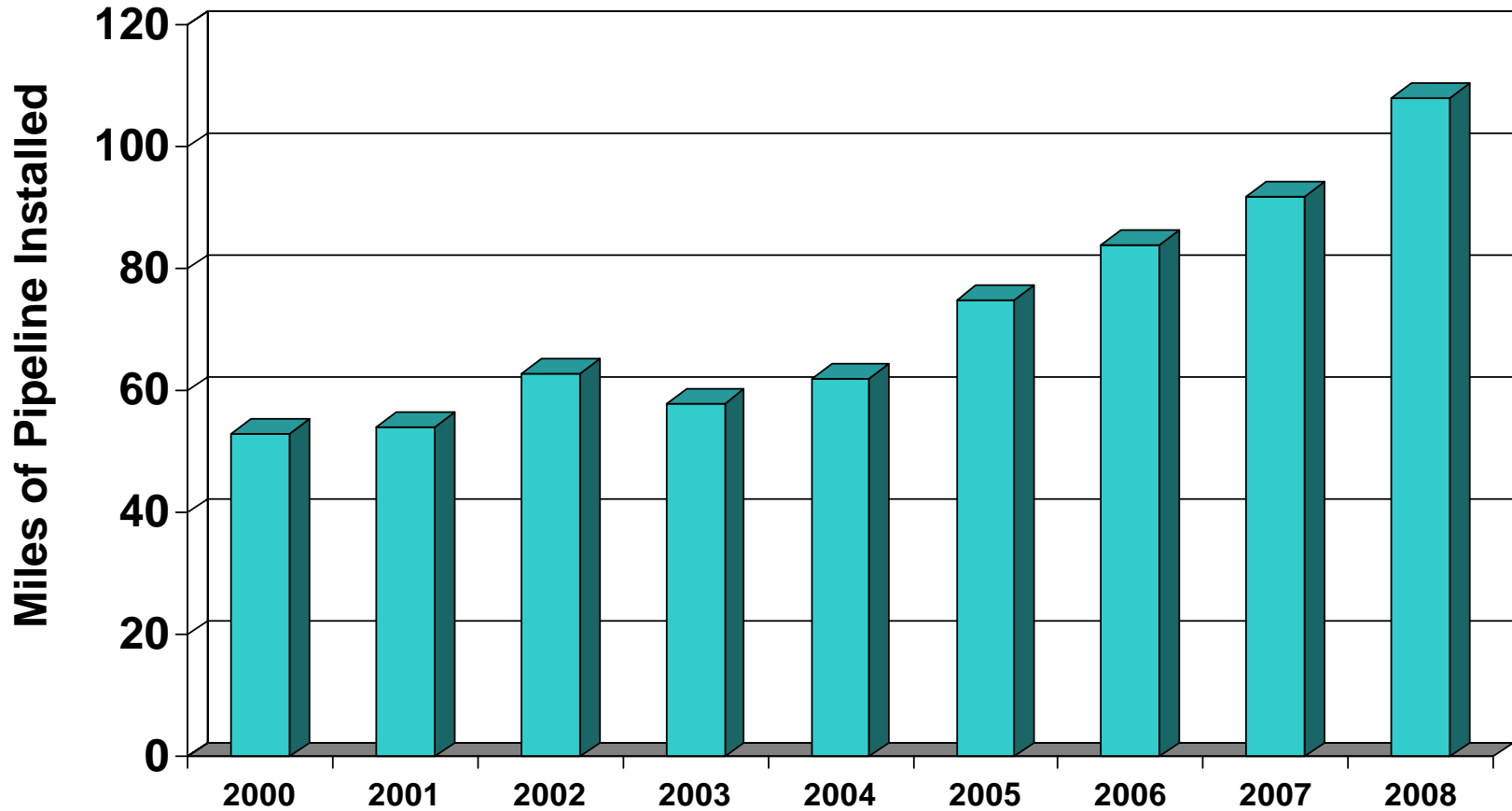


Effects of an Aging Water System



Note: 2007 is year to date number

Water and Wastewater Pipeline Replacement Rate



Large Facilities Projects in Progress

- Connecting Lake Fork
- Transporting water from East Side Water Treatment Plant to southern Dallas area
- Expanding East Side Water Treatment Plant
- Expanding Bachman Water Treatment Plant
- Upgrading and rehabilitating Central Wastewater Treatment Plant

FY 07-08 Capital Budget

- Proposed Capital Budget (CIP) of \$337.5M
 - \$265.5M commercial paper
 - \$72.0M cash (includes new and existing cash)
 - \$61M in proposed budget
 - \$11M from revenue bonds and existing construction fund balance

- Proposed Bond Sale
 - Proposed March 2008 sale of \$165M to retire commercial paper
 - Reduced from \$272M to meet 1.30 coverage requirement for future bond sale
 - Reduces Max Year P& I requirement for FY08
 - FMPC Requirements
 - Meets year end coverage requirement of 1.50
 - Cash transfer of \$61.0M, 18.7% of capital program does not meet FMPC recommendation of in excess of 20%

- Commercial Paper Program
 - FY08 average outstanding balance of \$225M
 - FY08 end of year balance of \$282.6M

How We Finance Water Utilities Capital Improvement Program

- Revenue Bonds (30 year long term debt)
 - Issued annually
 - Approved by City Council
 - Used to pay off short term debt (Commercial Paper)
 - Sometimes used to fund projects
- Commercial Paper (CP) (short term debt)
 - Utilized for interim financing of capital construction projects
 - Lower interest costs than long term debt
 - Provides greater financing flexibility
 - CP is refinanced and retired with revenue bonds annually

How We Finance Water Utilities Capital Improvement Program

- Transfer of Water Utilities Revenues
 - Cash funding of a portion of Capital Improvement Program
 - FMPC recommends an equity target (cash to debt funding) in excess of 20% of total capital improvements
 - Reduces use of debt
- Surplus Revenues
 - Unanticipated revenue above expenses
 - Often result of high use during hot, dry weather periods
 - Used to fund additional capital projects or replace debt
 - Use of funds approved by City Council as part of budget process

Recommended FY 2008 Capital Improvement Program

- Major FY 2008 projects include:
 - East Side Water Treatment Plant expansion - \$54.1M
 - White Rock Dam and Spillway Improvements - \$6.7M
 - East Bank/West Bank Interceptors - \$20M
 - Sunset Pump Station construction project - \$13.5M
 - Southside Wastewater Treatment Plant side stream treatment - \$9.0M
 - Water/wastewater main replacements in support of GO Bond Program - \$32.8M
 - Central Wastewater Treatment Plant Improvements - \$16.3M
- CIP includes four categories
 - Regulatory \$17.37M
 - Growth \$135.48M
 - Rehab and Replacement \$151.82M
 - Work for Others \$32.80M

FY2007-08 Proposed Operating Budget

Major Components of FY08 Budget

- Recommended Expenditures of \$489.2M:
 - FY07 budgeted expenditures of \$465.5M
 - Major drivers for increases are:
 - \$6.3M (26%) O&M primarily for reservoir costs and maintenance and repair of water and wastewater infrastructure
 - \$5.6M (24%) debt costs to fund capital program
 - \$11.7M (50%) cash transfers to construction to fund capital program and meet FMPC requirements
- \$165M Revenue Bond Sale
 - Maintain higher outstanding commercial paper balance
- FMPC Requirements
 - 1.50 bond coverage requirement
 - 18.7% equity funding for capital program (FMPC recommends 20%)

FY08 Proposed Enhancements

- **Conservation Grant – \$150,000**
 - Grant to fund other City departments for the upgrade and/or installation of indoor low-use plumbing fixtures and landscaping design
- **Conservation Media Funding - \$220,000**
 - Expanded media and advertising funding to further inform and educate customers regarding extended watering restrictions and to maintain heightened awareness to use water wisely
- **ISO 14001 Implementation – \$47,728; 1 FTEs**
 - Environmental coordinator position to fully implement EMS requirements for all 23 divisions of Dallas Water Utilities
- **Ozone Facility Electronic Technician – \$45,313; 0.8 FTE**
 - Monitor and maintain electrical equipment for new ozone facility at Bachman Water Treatment Plant
- **Water Quality Monitoring – \$81,002; 0.8 FTE**
 - Water Instrument Technician and vehicle to provide continual maintenance for the additional chlorine analyzers and pressure points in the distribution system.
- **Large Valve Crew - \$143,351; 1.6 FTEs**
 - Crew and vehicle for enhanced ability to meet system growth needs and improve customer service by decreasing response time to emergency situations related to pipelines larger than 18"
- **Water Treatment Plant Overtime - \$232,036; 3 FTEs**
 - Additional overtime FTEs to meet annual overtime requirements to operate water treatment plant 24 hours a day/7 days a week

FY2007-08 Proposed Budget Submission Analysis

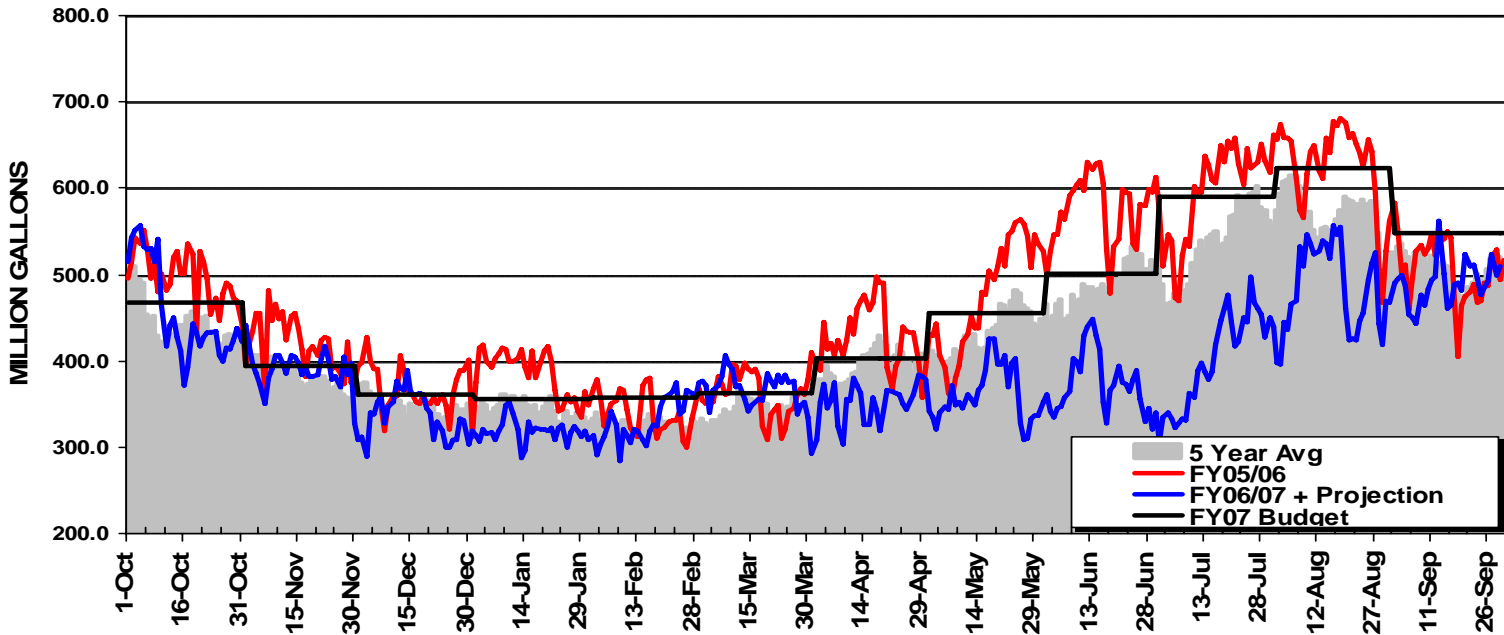
	<u>FY 2007 Adopted</u>	<u>FY 2007 Estimate</u>	<u>FY 2008 Proposed</u>	<u>Budget to Budget Variance</u>
Salaries and Benefits	\$ 87,662,830	\$ 82,589,767	\$ 82,477,682	\$ (5,185,148)
Power and Light; Fuel	51,064,679	45,558,242	49,502,539	\$ (1,562,140)
Chemicals	16,003,340	14,860,008	16,796,522	\$ 793,182
Other Supplies	21,649,881	22,069,221	23,727,796	\$ 2,077,915
Professional & Contractual Svcs	5,467,651	4,922,696	4,139,020	\$ (1,328,631)
General Fund: CIS, City Forces, GFICR	20,415,690	19,362,147	21,694,188	\$ 1,278,498
Payment in Lieu of Taxes	3,000,000	2,760,000	3,000,000	\$ -
Street Rental	15,473,000	13,527,435	16,244,000	\$ 771,000
Other Services	22,505,907	19,806,099	27,252,778	\$ 4,746,871
Non-fleet Equipment	968,416	1,073,305	1,016,425	\$ 48,009
Reimbursements	(991,070)	(2,332,087)	(3,778,969)	\$ (2,787,899)
Equipment	-	-	2,083,342	\$ 2,083,342
Debt Costs	173,068,345	167,600,000	184,029,972	\$ 10,961,627
Transfers to Construction	49,260,000	43,013,486	61,000,000	\$ 11,740,000
	<u>\$ 465,548,669</u>	<u>\$ 434,810,319</u>	<u>\$ 489,185,295</u>	<u>\$ 23,636,626</u>

Fiscal Year 2007-08 Revenue Projection

- Projected pumpage of 163.5BG
 - FY07 budgeted pumpage of 166.0BG
 - FY07 Year end projection of 142.3BG
- Reduction of 2.5 BG in budgeted pumpage to reflect:
 - Current weather trends
 - Impact of enhanced conservation program
- 7.7% proposed retail rate increase
 - Debt cost and cash transfer to construction to fund capital program (4.7%)
 - Operating expenses related to reservoirs and water/wastewater infrastructure maintenance and repair (1.7%)
 - Conservation/usage trends (1.3%)
- Wholesale revenues decreased by \$1.1M due to:
 - Decreasing lump sum payment from Irving Treatment Services contract
 - Decrease in rate of return associated with March 2007 revenue bond refunding

Dallas Water Utilities System

Daily Water Consumption (FY06 and FY07)



Projected to year end for FY07 using FY04 pumpage = 142.3BG

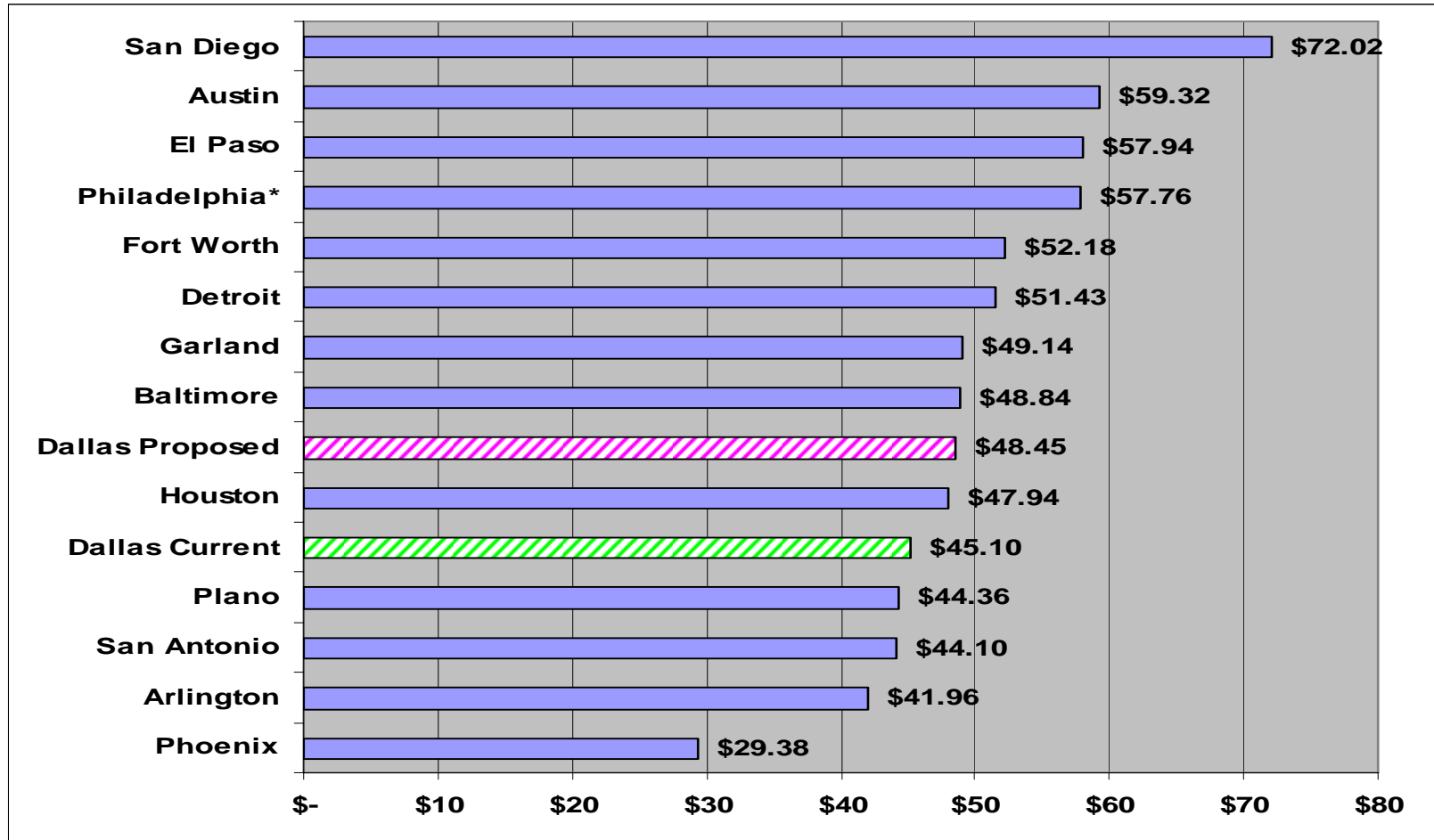
FY08 Retail Revenue Requirement

FY07 Budgeted Revenues	\$466,228,669	
Adjustments:		
Interest Income	\$4,500,000	
Wholesale Revenues	(\$1,084,502)	
Retail revenues (pumpage lowered from FY07's 166.0BG to 163.5BG)	(\$8,259,166)	
Other Operating Revenues	<u>(\$464,707)</u>	
Total		\$460,920,295
FY08 Expenses		<u>(\$489,185,295)</u>
FY08 Revenue Requirement		(\$28,265,000)
= 7.7% Retail Rate Increase		

Impact of Proposed 7.7% Rate Increase

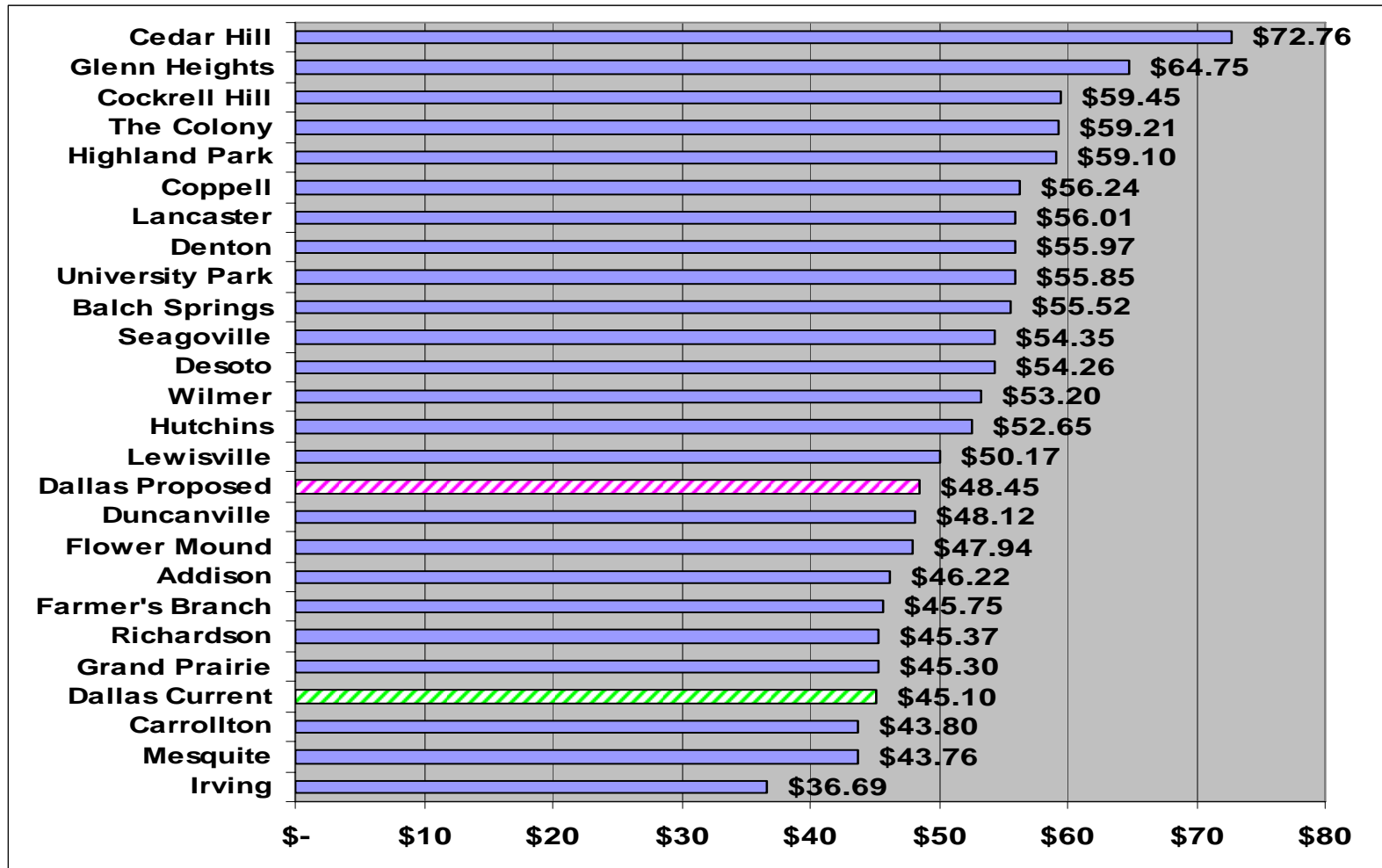
- Typical monthly residential water and wastewater bill would increase from \$45.10 to \$48.45
- US EPA affordability guideline for water and wastewater bills is 2% of median income
 - Dallas' water and wastewater bills would be 1.6% of median income
- 61% of rate increase is tied to cash transfers to construction and debt costs associated with supporting Capital Improvement Program

Index Cities Comparison of Average Monthly Water & Sewer Residential Bills



Note: Bill comparison based on rates effective February 2007; water consumption of 8,300 gallons; and, 6,100 gallon Winter Months Average for sewer

Customer Cities Comparison of Average Monthly Water & Sewer Residential Bills



Note: Bill comparison based on rates effective February 2007; water consumption of 8,300 gallons; and, 6,100 gallon Winter Months Average for sewer

Dallas Water Utilities Monthly Prompt Payment Rates

Customer Charge		Current	Proposed	Current	Proposed	Combined	Proposed
		Water	Water	Sewer	Sewer		Combined
5/8	Inch Meter	\$3.61	\$3.90	\$3.23	3.49	\$6.84	\$7.39
3/4	Inch Meter	4.23	4.57	3.78	4.09	\$8.01	\$8.66
1	Inch Meter	6.14	6.64	5.49	5.93	\$11.63	\$12.57
1 1/2	Inch Meter	11.56	12.50	10.33	11.17	\$21.89	\$23.67
2	Inch Meter	18.07	19.53	16.13	17.44	\$34.20	\$36.97
3	Inch Meter	43.37	46.88	38.72	41.86	\$82.09	\$88.74
4	Inch Meter	72.28	78.13	64.53	69.76	\$136.81	\$147.89
6	Inch Meter	144.55	156.26	129.06	139.51	\$273.61	\$295.77
8	Inch Meter	242.13	261.74	216.18	233.69	\$458.31	\$495.43
10	Inch Meter or larger	368.61	398.47	329.10	422.03	\$697.71	\$820.50

Usage Charge per 1,000 gallons

	Current	Proposed	Current	Proposed
	Water	Water	Sewer	Sewer
Residential				
Up to 4,000 gallons	1.41	1.41	3.72	3.93
4,001 to 10,000 gallons	2.31	2.57	3.72	3.93
10,001 to 15,000 gallons	3.20	3.55	3.72	3.93
Above 15,000 gallons	4.10	4.52	3.72	3.93
General Services				
Up to 10,000 gallons	1.55	1.70	2.21	2.45
Above 10,000 gallons	2.00	2.20	2.21	2.45
Above 10,000 gallons for use more than 1.4 times annual monthly average	3.05	3.30	2.21	2.45
Optional General Services				
1st million gallons or less (minimum)	1,260.00	1,450.00	2.13	2.36
Above 1 million gallons (per 1,000 gallons)	1.68	1.85	2.13	2.36

Proposed rates effective Oct. 1, 2007

Future Outlook

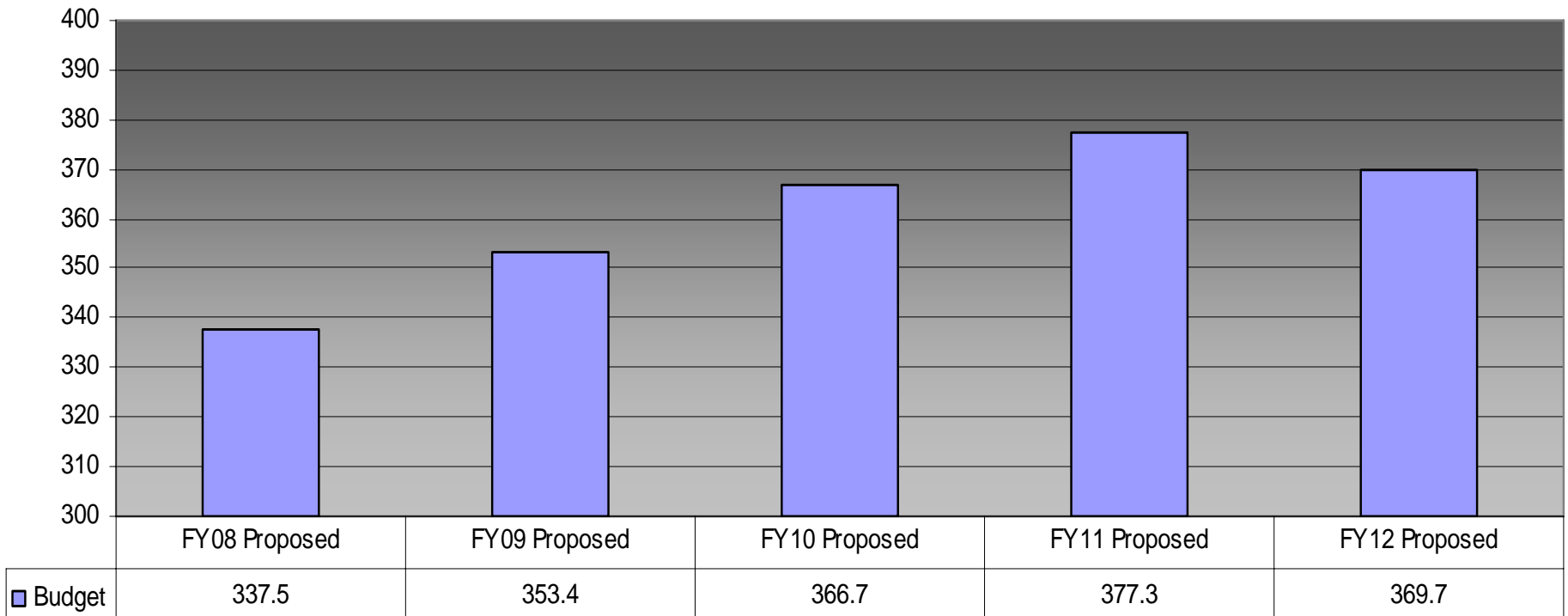
Infrastructure

Rates

Long Range Water Supply

Future Outlook: Capital Improvement Program

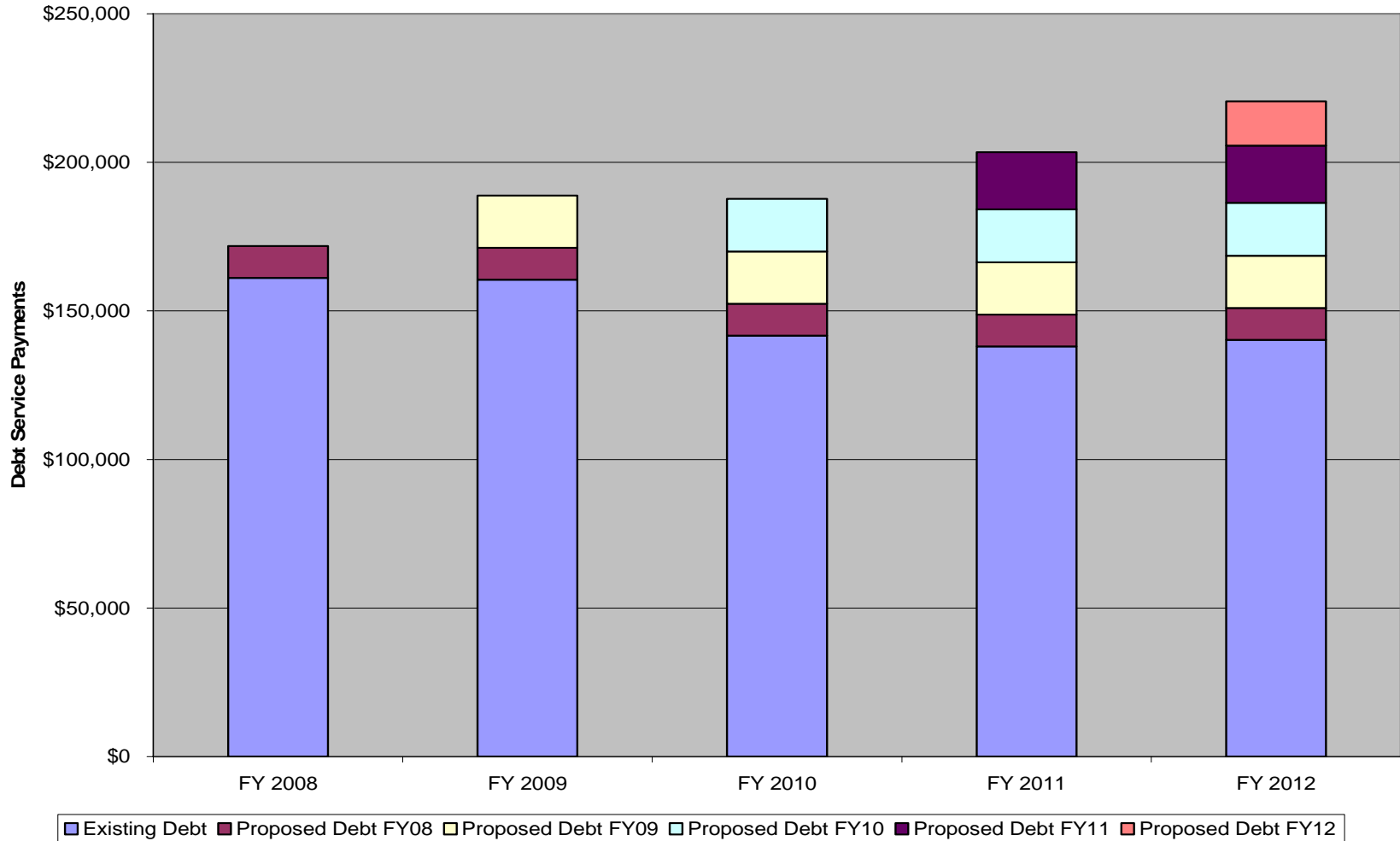
(Amounts in Million Dollars)



Note: Does not include cost of future water supply acquisitions

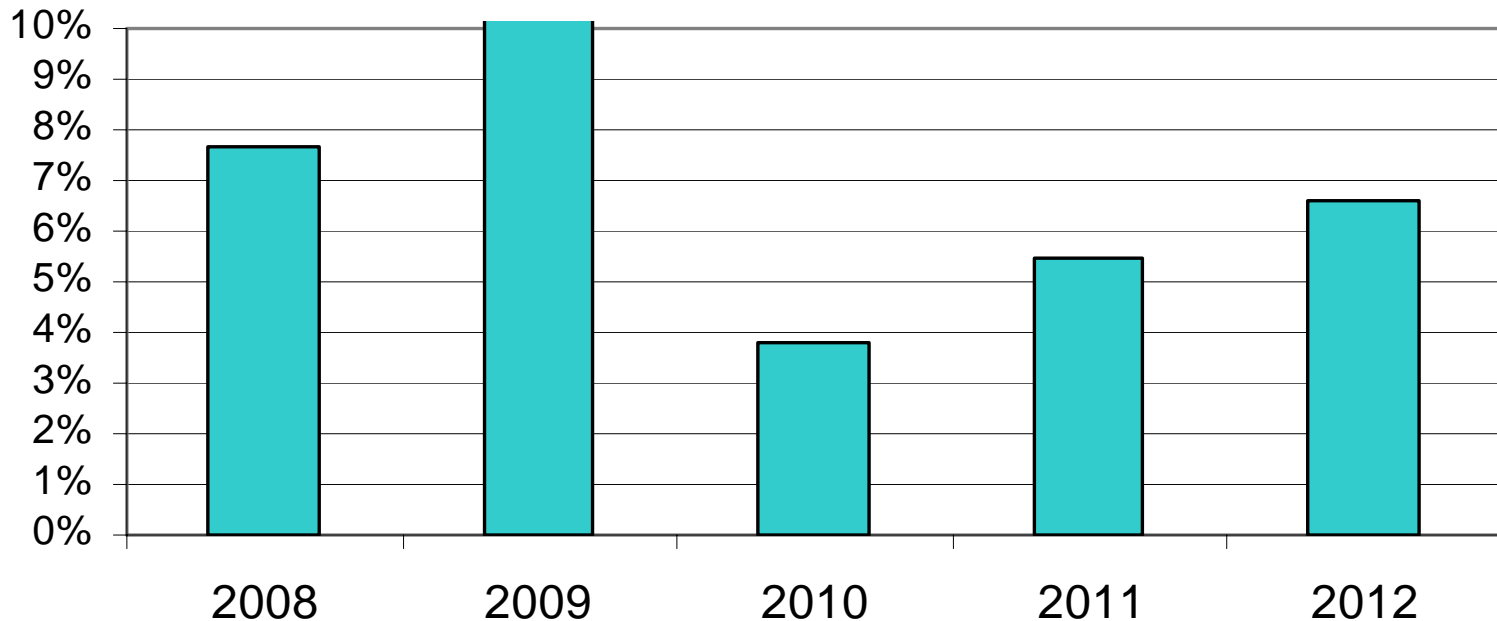
Future Outlook: Debt Service

(Amounts in Thousand Dollars)



Note: Does not include cost of future water supply acquisitions

Future Outlook: Rate Increases



Assumptions include: 1) O&M annual increases of 3%; 2) debt costs cover existing debt payment schedule and amount for bonds to be sold to refinance and refund outstanding commercial paper; and, 3) cash transfers to meet FMPC recommended 20% equity and bond ordinance coverage of 1.50 times max year P&I for year end and maintain 1.30 at any point during the year.

Note: Does not include cost of future water supply acquisitions

Dallas' Water Supply Strategies

Planning Guidelines

- Dallas' ranking for planned new water supply sources generally has been based on:
 - Cost
 - Efficiency
 - Environmental impact
 - Likelihood for development
- Water closer to the City is generally less expensive
 - Lower infrastructure costs due to shorter pipelines
 - Lower pumping costs—a recurring, annual expense

Current Dallas Water Supply Strategies

(Included in the State's 2007 Water Plan)

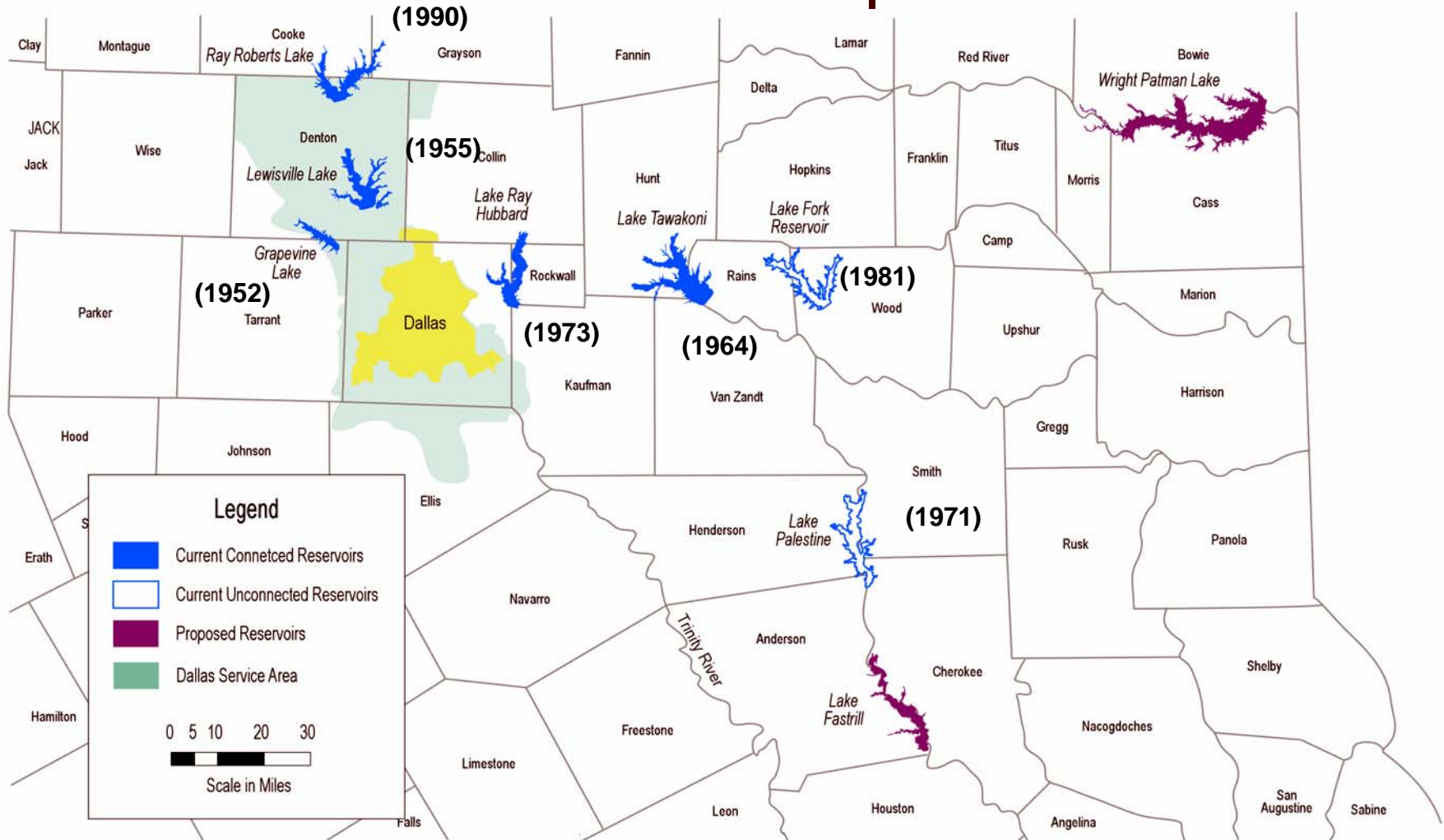
- Strategies were adopted by the City Council in March 2005
- Connect existing supplies to Dallas' system
 - Lake Fork by late 2008/early 2009
 - Lake Palestine by 2015
- Recommended Strategies
 - Water Conservation
 - Contract for return flows
 - Additional direct reuse
 - Lake Ray Hubbard and Lake Lewisville indirect reuse
 - Lake Wright Patman flood pool reallocation
 - Construct Lake Fastrill

The Path to 2060 – Water Supply of 1,040.57 MGD

Current	Underway	Likely	At Some Risk	Total Need (MGD)
<ul style="list-style-type: none"> • Ray Roberts/Lewisville • Grapevine • Ray Hubbard • Tawakoni • Elm Fork of Trinity 	<ul style="list-style-type: none"> • Lake Fork - 2009 (107.00 MGD) • Lake Palestine - 2015 (100.00 MGD) • Conservation - various dates (47.40 MGD) • Direct Reuse - various dates (18.25 MGD) 	<ul style="list-style-type: none"> • Contract for Return Flows - various dates (71.02 MGD) • Ray Hubbard Indirect Reuse - permitted - 2012 (60.00 MGD) • Lewisville Indirect Reuse - permitted - 2022 (60.00 MGD) 	<ul style="list-style-type: none"> • Wright Patman Flood Pool - 2035 (100.00 MGD) • Fastrill - 2045 (100.00 MGD) 	
376.90	272.65	191.02	200.00	1,040.57

- Our water supply in 2060 totals 1040.57 MGD 1040.57 (need)
 - Currently we have 376.90 MGD connected - 376.90 (current)
 - We are reasonably assured of an additional 272.65 MGD (underway) - 272.65 (underway)
 - An additional 191.02 MGD is likely - 191.02 (likely)
 - Wright Patman and Fastrill, totaling 200 MGD, are at some risk = 200.00
-
- 80 percent of 2060 water needs are reasonably assured, which meets Dallas' water needs through the year 2035

Dallas' Current and Proposed Reservoirs

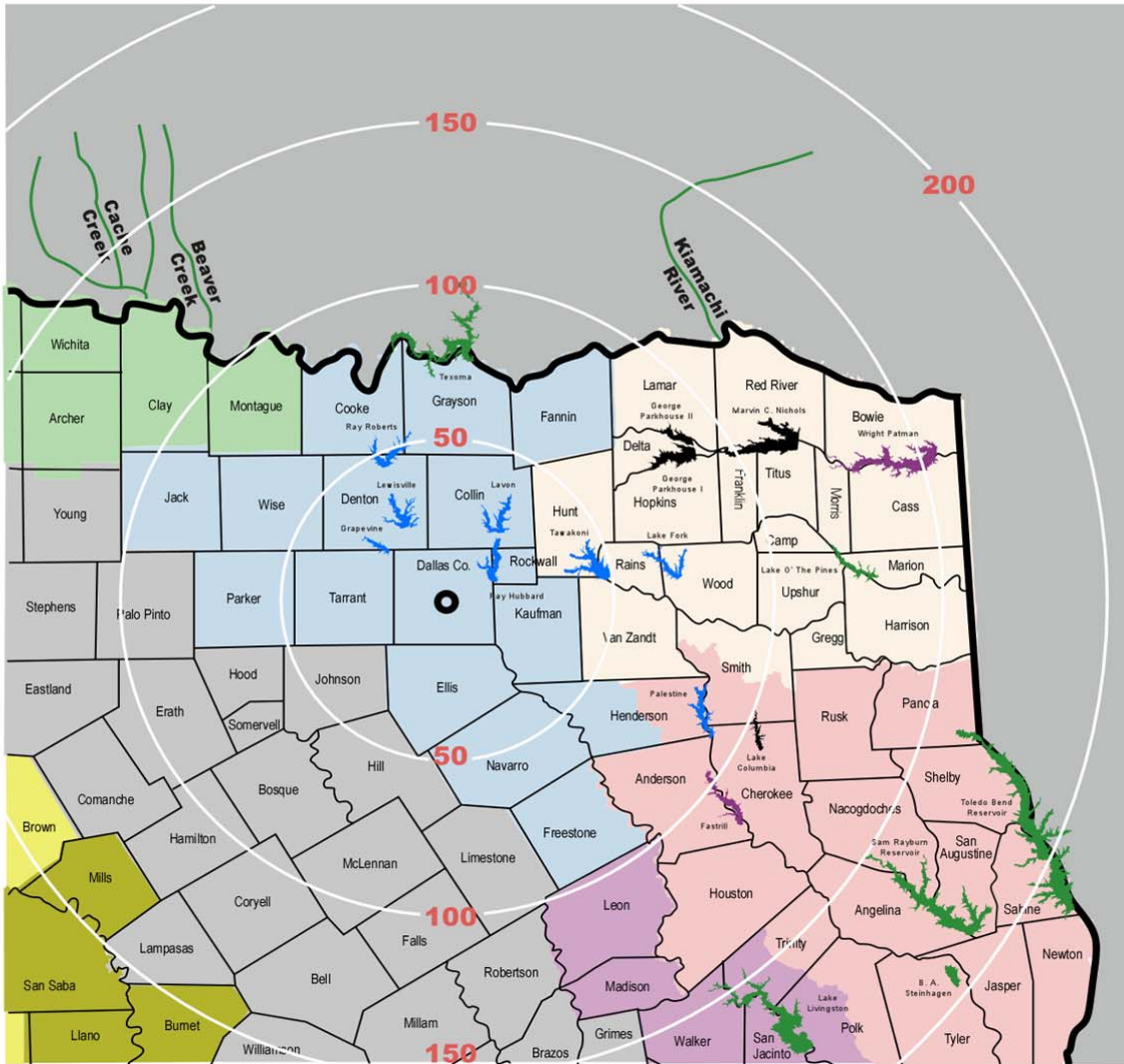


Dallas has water rights in 7 lakes, 2 (light blue) are unconnected. The 2 reservoirs (purple) are in the Long Range Water Supply Plan. The dates in parentheses are the dates the lakes were completed.

Dallas' Alternative Water Strategies

- Alternate strategies within 100 miles
 - George Parkhouse I and II (not yet built) 100 MGD
 - Marvin Nichols (not yet built) 100 MGD
 - Lake Texoma 100 MGD
- Alternate strategies within 150 miles
 - Lake Columbia (not yet built) 32 MGD
 - Oklahoma water 100 MGD
 - Lake O' the Pines 80 MGD
- Alternate strategies within 200 miles
 - Toledo Bend Reservoir 100-200 MGD
 - Lake Livingston Reservoir 100 MGD
 - Sam Rayburn/B. A. Steinhagen 100 MGD
- Alternate strategies within 300 miles
 - Mesa water 100-200 MGD

Dallas' Alternate Strategies



LAKES LEGEND

- Existing Dallas Reservoir (7)
- Proposed Dallas Reservoir (2)
 - 1 reservoir to be constructed
 - 1, an expansion of existing reservoir
- Alternate Dallas Strategy (7) (existing reservoirs)
- Alternate Dallas Strategy (4) (non-existing reservoirs)

Summary

- Dallas Water Utilities is a large, municipally owned regional water/wastewater supplier
 - Self-supporting
 - Costs are driven by infrastructure requirements for both growth and renewal
 - Responsibility for planning for water requirements for service area

Recommendation

- Adjust wholesale customer rates per cost of service study
- Increase retail rates 7.7%
 - Typical monthly residential water and sewer utility bill will increase from \$45.10 to \$48.45
- Issue 30-year revenue bonds
 - Supports a \$337.5M capital program
- Brief Council on Long Range Water Supply Strategies Fall 2007



Appendix

The 80th Legislature Regular Session: Water Legislation



August 2007

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Purpose of Briefing

- Provide information on the State's 80th legislative session and possible impacts on Dallas water supply strategies

Outline

- Senate Bill 3
Background
- Environmental Flows
- Conservation
- Impacts on Dallas and
Dallas Water Utilities
- State Financial
Assistance for Water
Supply Projects
- Summary and Next
Steps



State of Texas Legislative Water Related Activities

- Legislative Session ended May 28, 2007
- SB 3, HB 3 and HB 4 passed into law, containing overarching provisions regarding
 - Environmental Flows
 - Water Conservation and Planning
 - Designation of Unique Reservoir Sites and Sites of Unique Ecological Value
 - Creates a Study Commission on Region C Water Supply
 - Establishes a Legislative Joint Interim Committee
 - Creates a Water Advisory Committee Council to monitor the development and implementation of water conservation strategies in regional water plans
- HB 1656 passed into law
 - Regulation of Irrigation Systems and Irrigators
 - Municipalities with population of 20,000+ mandated to require irrigation system installers to be licensed and obtain irrigation permits
- General Appropriations Act (HB 1) passed into law
 - Provides financing for Water Supply Projects

Senate Bill 3

- SB 3 relates to the development, management and preservation of the water resources of the state
- SB 3 is divided into the following Articles:
 - Article 1. Environmental Flows
 - Article 2: Water Conservation and Planning and Other Water-Related Provisions
 - Article 3: Construction and Operation of Reservoirs
 - Article 4: Unique Sites and Sites of Unique Ecological Value
 - Article 5: Legislative Joint Interim Committee
 - Article 6: Water Development Board
 - Article 7: Rate Classes for Billing
 - Article 8: Role of Lake Somerville in Economic Development
 - Article 9: Agua Special Utility District
 - Article 10: True Ranch Municipal Utility District No. 1
 - Article 11: Tablerock Groundwater Conservation District
 - Article 12: Edwards Aquifer Authority
 - Article 13: Territory of Culberson County Groundwater Conservation District
 - Article 14: Effective Date

Senate Bill 3 (continued)

- SB 3 addresses a number of issues
- One of the most important things it does is provides for a consensus based process for environmental flow requirements
 - Flows are to be adequate to support a sound ecological environment to the maximum extent reasonable considering other public interests and other relevant factors
- Water rights permits issued prior to September 1, 2007 would not be subject to the environmental flow requirements specified by SB 3
 - Any new water rights permits or amendments to existing water rights permits which seek to increase the water rights appropriation would be subject to SB 3
- SB 3 established a Water Advisory Committee Council and Study Commission on Region C Supply
- Identified Marvin Nichols and Lake Fastrill as designated unique reservoir sites
- Established a Legislative Joint Interim Committee to review information on the water infrastructure needs identified in the State Water Plan – to meet at least annually

Senate Bill 3 – Environmental Flows

- Under SB 3, for the Trinity River Basin, the Environmental Flows Advisory Group must appoint the Basin and Bay Area Stakeholders Committee by no later than November 1, 2007
- For the Trinity River Basin, the Basin and Bay Area Stakeholders Committee shall establish a Basin and Bay Expert Science Team by no later than March 1, 2008
- The Basin and Bay Expert Science Team shall finalize environmental flow regime recommendations and submit them to the Basin and Bay Area Stakeholders Committee, the Environmental Flows Advisory Group TCEQ by no later than March 1, 2009, unless extended for good cause
- The Basin and Bay Area Stakeholders Committee shall submit to the TCEQ its comments on and recommendations regarding the Basin and Bay Expert Science Team's recommended environmental flow regime by no later than September 1, 2009
- The TCEQ shall adopt the environmental flow standards for the Trinity River Basin by no later than September 1, 2010

Senate Bill 3 – Conservation

- Added public policy of the state is to provide for the conservation and development of the state's natural resources including the voluntary stewardship of public and private lands
- defines “best management practices”
- Created a Water Conservation Advisory Council for the purpose of providing the State and the public with expertise in water conservation
- Gives the Texas Water Development Board (TWDB) the responsibility to appoint 23 members
- Members would serve staggered six-year terms that would end on August 31 of each odd-numbered year

Senate Bill 3 – Water Conservation Advisory Council

The 23 members will come from:

- Texas Commission on Environmental Quality
- Texas Department of Agriculture
- Texas Parks and Wildlife Department
- State Soil and Water Conservation Board
- Texas Water Development Board
- Regional water planning groups
- Federal agencies
- Municipalities
- Groundwater conservation districts
- River authorities
- Environmental groups
- Irrigation districts
- Institutional water users
- Professional water conservation associations
- Higher education
- Agriculture groups
- Refining and chemical manufacturing
- Electric generation
- Mining and recovery of minerals
- Landscape irrigation and horticulture
- Water control and improvement districts
- Rural water users
- Municipal utility districts

SB 3 Water Conservation Advisory Council Duties

- Monitoring trends in the implementation of water conservation
- Monitoring new technologies for possible inclusion in the best management practices guide developed by the water conservation implementation task force
- Monitoring the effectiveness of a statewide water conservation awareness program and associated local involvement in implementation of the program
- Developing and implementing a state water management resource library
- Developing and implementing a public water conservation recognition program
- Monitoring the implementation of water conservation strategies by water users included in regional water plans
- Monitoring target and goal guidelines for water conservation to be considered by the TWDB and TCEQ
- Submit a report by December 1 of each even-numbered year on the progress made in water conservation in the state to the governor, lieutenant governor, and the speaker of the House

SB 3 – Requirements and Impact on Dallas Ordinances

- Amend ordinances as needed:
 - To provide for penalties for landowners who violate Flood Insurance orders
 - To require rainwater harvesting systems for indoor use to have appropriate cross-connection safeguards and must be for nonpotable use
 - A home rule city may adopt and enforce ordinances requiring water conservation in that city or ETJ of that city
 - States that a county, city, or utility district may not collect stormwater fees from a state agency or public/private higher education institution
 - To comply with TCEQ rules and standards for irrigation systems, water conservation, and the duties and responsibilities of licensed irrigators

SB 3 – Requirements and Impact on Dallas Water Utilities

- Defines Best Management Practices for Water Conservation and requires submission of plan to State
 - DWU – Review existing plan to ensure meets requirements and submit to State
- Provides financial assistance for water conservation and GIS projects
 - DWU – Evaluate projects and grant possibilities
- TWDB may establish an Sustainable Water Supply Research Center at UT Arlington
 - DWU – Investigate opportunities for water conservation research with UTA

SB 3 – Requirements and Impact on Dallas Water Utilities (continued)

- TWDB shall appoint the initial members to the Water Conservation Advisory Council
 - DWU – Seek to have representation on this Council
- Created Study Commission on Region C Water supply with 6 members – 3 from Region C and 3 from Region D
 - DWU – Seek to have representation on this Commission
 - May impact Dallas' current water management strategies
- Legislative Joint Interim Committee reviewing water infrastructure needs identified in the State Water Plan
 - DWU – Monitor the process since any potential statewide water fees will come from this committee

State Financial Assistance for Water Supply Projects

Texas' General Appropriations Act (HB 1) as Passed by the 80th Texas Legislature Provides TWDB Financing Over the Next Biennium (Fiscal Years 2008 & 2009) for Water Supply Projects

Fiscal Year	2008	2009
<p>State Participation Loans allow for the optimization of regional State Water Plan projects through limited State participation where the benefits can be documented, and such development is unaffordable without State participation. Includes:</p> <p>Payment deferred loans for construction of SWP Projects</p> <p>Payment deferred loans for construction of regional water/wastewater projects</p>	\$80.8M	\$245.3M
<p>Water Infrastructure Fund Low Interest Loans (Low interest loans for construction of State Water Plan projects)</p>	\$69.6M	\$208.6M
<p>Water Infrastructure Fund 10 Year Deferral Loans (Payment deferred, low interest loans for development and permitting costs of State Water Plan projects)</p>	\$80.8M	\$ 80.8M

TWDB Actions Required to Implement Financial Assistance Programs for Water Supply Projects

- Sept. 2007 – Publish Rule Amendments Necessary to implement Financial Assistance Programs
- Dec. 2007 – Adopt Rule Amendments
- Jan. 2008 – Request Applications for Financial Assistance from Entities
- Feb. 2008 – Review and Prioritize Applications. Funds Available for Projects
- March 2008 – Board Awards Financial Assistance to Successful Applicants

Summary and Next Steps

Summary and Next Steps

- SB 3 provided major, overarching legislation for water issues
- Includes provisions for:
 - Streamflows
 - Water conservation
 - Unique reservoir sites
 - New legislative requirements
- Dallas Water Utilities will make suggested changes to water related ordinances and seek Council approval
- Dallas Water Utilities will monitor ongoing commissions and study groups to ensure that the City's interests are met
- Dallas Water Utilities will evaluate State financial assistance programs
 - Will seek approval from City Council to participate if programs would benefit Dallas