

## QUESTIONS AND ANSWERS ABOUT THE PROPOSED GRANITE SHOALS WASTEWATER TREATMENT PLANT

### **Why does Granite Shoals (GS) need a wastewater treatment plant (WWTP)?**

GS was developed in 1962 by developers who wanted to sell lots cheaply and quickly. Had they built a WWTP at the time, property values would have been higher (as they will be if the city builds a plant today), but the developers would have had to pay for the plant and collection system. Instead, thousands of septic tanks have been installed. The City's engineers believe that GS is the largest non-Colonia city in Texas without a WWTP. The lack of a WWTP has resulted in most of the city's tax burden being placed on waterfront residents and property owners.

The construction of a WWTP will have the following positive effects for Granite Shoals:

- Improved Environmental & Health Benefits: The GS geology is sieve-like granite gravel on top of solid granite bedrock. The average depth to the bedrock is 8 feet. The septic fields frequently drain onto the granite, and the septage naturally drains to the lowest point, which is Lake LBJ. Older, as well as poorly maintained or installed, septic tanks can leak even more. Some city residents remain on water wells, which are often located precariously near septic systems. Significant public health issues arise when untreated septage reaches water used or consumed by humans. A WWTP will collect the wastewater and centrally treat it to a high standard, and will result in improved and safer water quality in Lake LBJ, its tributaries within the city, and groundwater in the city.
- An Increased Sales Tax Base Will More Equally Distribute Tax Burdens Across the City: GS collects about \$75,000 per year in sales tax revenues, compared to \$7 million for Marble Falls. The reason for the slow commercial activity in GS is that the cost of building a septic system for a commercial enterprise is prohibitive. A new WWTP will bring new commerce to our city, not only providing more convenience for citizens who will no longer need to travel to Marble Falls or Kingsland for their shopping, medical and food needs, but also generating more sales tax that will decrease the city's reliance upon property taxes, the bulk of which are paid by waterfront landowners. In addition to sales tax increases, the new commerce will also increase the city's property tax base. The increased commerce will also allow non-residents to contribute to city revenues rather than relying solely upon our own citizens and property owners.
- Lower Construction Costs: Today's cost of a residential septic system can be as high as \$15,000, and aerobic systems can cost much more. Costs for commercial operations are far higher. Septic systems also require some maintenance themselves, whether it is adding agents to encourage bacterial action, or periodic pumping. Additionally, most new home construction projects now require two lots, rather than one, so that the septic system can be placed on a separate lot. Lower construction costs will encourage more



homebuilding and commercial activity into the city, generating additional sales and property tax revenues for the city, and spreading out the tax burden to more individuals.

- A Better Image for GS: Cities without WWTP's typically encourage and exhibit sub-standard development. Building a WWTP in GS will send a message to builders, families looking for a place to live, and commercial interests that GS is a viable and sustainable community.
- Loss of Control Over WWTP Services: If GS does not build a WWTP, developers of the proposed MUD (or other developers) may build their own system, and the city will lose control of its destiny with regard to wastewater services, and revenues that can be used for the benefit of city residents will be siphoned off to non-city uses. For example, Aqua Texas, a subsidiary of a large international private company, owns the small WWTP that serves Beaver Island, WEB Isle and Tropical Hideaway, charges its customers a "regional tariff" rate in excess of \$100 per month, though the true cost of service these customers is undoubtedly far lower. The profits go overseas. Cities do not make "profits" but instead utilize revenues from such systems only for serving their own population.
- The City Has Negotiated Significant Benefits for the WWTP that Will Not Be Available if GS Puts Off the WWTP Construction: The City negotiated with area ranch owners, who desire to sell their development project to a third party, to donate 15 acres to the City on which to construct a WWTP, and 25 acres on which to irrigate with the effluent. Further, the City has also negotiated with those owners the right to utilize a proposed golf course as land to irrigate with the effluent from the WWTP, which will give the City enormous growth potential for decades to come. If the City does not build a WWTP and commence that process this year, it will lose those benefits.

### **What has GS done to try to ensure that costs are low, but that the quality of the project remains high?**

The City went to full lengths to try to save an estimated \$5 million in costs related to the discharge of treated effluent. In the 1980's the predecessor agency to the Texas Commission on Environmental Quality (TCEQ), imposed a rule banning new discharges into any of the Highland Lakes. No other water bodies in the state have this restriction, and reclaiming water is a standard and accepted practice elsewhere in the state, worldwide, and even on the International Space Station. However, so-called environmental interests, the City of Austin, and the LCRA opposed GS (which sought the rule change with the City of Leander, and had the support of Kingsland MUD, the cities of Marble Falls and Horseshoe Bay), and the TCEQ denied GS' request to allow highly treated and exceptional quality effluent to be discharged into a tributary of Lake LBJ. The unfortunate effect of this decision is that levels of Lakes Travis and Buchanan will suffer as a result of denying return flows into the system, even though the effluent to be returned would be a far higher quality than the water taken out to be treated for drinking purposes. Residents along



the constant level lakes, such as LBJ, will also suffer with increased watering restrictions as a result of lower lake levels on Travis and Buchanan.

The City also obtained a grant from the Texas Water Development Board to prepare a regional wastewater study to look at alternatives in the area, and the feasibility of a new WWTP in Granite Shoals. The City hired the long-established Fort Worth engineering firm of Freese & Nichols (F & N) to prepare the study. The research returned from the grant-funded study, as well as that which F & N learned in its assistance to the City in developing the City's 2010 Comprehensive Plan and its impact fee assessment study, will be dovetailed into the plans and designs for the new WWTP, saving the city significant funds in duplication efforts. F & N was hired for this project, and the previous projects in accordance with the procedures of the Texas Professional Services Procurement Act, which requires the City's governing body to select the most qualified engineer for the city.

The City consulted its grant specialist to seek other grants. The only such grants available to GS are for installation of collection lines and hook-ups for underprivileged areas of the City. Thus, one of the areas that the City will first target for the first phase of service by the WWTP will be an underprivileged area on the east side of GS. Not all of the first phase will be eligible for grants, but the City will remain vigilant in searching for all grant opportunities in the future.

Finally, the source of loans for this project will be guaranteed by the State of Texas, and are low-interest rate loans. The City applied for the funds last year, and has received an invitation to apply for a loan from the State, which is something that cannot be insured in the future should the project be postponed. The interest rate that the State will charge the City is 3.8 percent. Further, interest rates are currently at all-time lows; delaying the project will likely cost GS residents in added interest costs.

### **What will the plant cost, and what will that initial cost cover?**

The engineers' have estimated that the first phase of the WWTP will cost approximately \$14,745,000. As discussed earlier, the City attempted to save about \$5 million, or one-third, of that cost by having GS' project treated like every other WWTP outside of the Highland Lakes, but opposition by so-called environmental groups, the City of Austin, and the LCRA cost the city that opportunity. The first phase will be the most intensive phase of the project. It will fund the construction of the initial plant module, initial trunk lines that will serve not only areas in the first phase, but all future phases, the irrigation system for the first and some future phases. It will also pay for obtaining the necessary permits from the TCEQ. Design, permit and construction costs for future phases will be much lower.

### **Will my taxes go up and what is the city's planned charge for monthly services?**

The City could fund the project in a number of ways, including only recovering the initial costs by a monthly service fee. However, that initial service fee would be cost prohibitive for many



residents, and would likely exceed \$130 a month. The City proposes to utilize several funding sources, including monthly service fees, water revenues, increased sales tax revenues, and ad valorem taxes. The City currently expects the monthly rate to be about \$30, along with an initial increased ad valorem tax increase of ten cents per \$100 (or about \$100 per year on a \$100,000 residence). The City's financial advisor states that due to potential growth in the city resulting from the WWTP, it may be possible that the next phases could be funded WITHOUT additional tax rate increases. Property owners whose homestead taxes are frozen because they are 65 years of age or more will NOT pay increased ad valorem taxes as a result the issuance of debt for the new WWTP. New tax increases will not be implemented before the 2013 tax year.

The current city tax rate is 0.4300 per \$100 in assessed valuation. This compares to 0.5852 for Burnet, 0.4999 for Cottonwood Shores, 0.6134 for Marble Falls, and 0.3300 for Horseshoe Bay. By comparison, Marble Falls School District is \$1.285.

### **What is the city's planned charge for initial connections?**

In addition to seeking the grants described above, the City will likely offer initial connections either at a no, or very low, cost. Persons living in grant-eligible areas will have their connection fees paid for by the grant. After an initial sign-up period expires, the City will charge a one-time connection fee to cover the cost of installation and for the materials and equipment. That amount has not yet been determined, but it is anticipated that the cost will be approximately \$1,500.

### **What other things is the city doing to generate revenue and keep expenses down?**

The City has and will be taking all steps possible to seek additional revenues to cover the cost of the WWTP. Part of these steps were identified in the 2010 Comprehensive Plan, and the City has already implemented a subdivision ordinance that requires new developers and construction to pay for the cost of installing city utilities (water and sewer lines) to their properties.

Second, the City has engaged an engineer to develop an impact fee ordinance. An impact fee ordinance requires new developments, including the proposed MUD, to pay for the City's costs to be incurred in providing utility and transportation services to those developments. This is over and above paying just for the infrastructure costs required by the subdivision ordinance, and includes payment for increased capacity to provide those services.

Third, earlier this year, the City brought in a team from the Texas State Comptroller's office to discuss hotel/motel tax options and economic development sales tax revenues. These proposals will require an election by the voters, and the earliest available election date is November, 2010. Fourth, the city manager has directed all city departments to keep under budget this fiscal year and to only make expenditures for items that are absolutely essential. The city council will begin the budget process this summer and will be looking for additional cost saving opportunities.



### **Who will be served by the first phase?**

The project is in its early planning, but the City has received some preliminary proposals from its engineers. As it currently stands, the first phase will include all of the property in the city limits along RM 1431, with the intended effect of bringing in more retail and service facilities for the city, increasing property tax assessments on 1431, and increasing the sales tax to more equally distribute the tax burden across the city. The first phase is also planned to include some areas in the Churchill, Kingswood, Elm Creek, Prairie Creek areas (where grant funding is possible), and to some waterfront areas along E. Briar and E. Castle Shoals.

### **How long will it take to complete the first phase?**

From start to finish, the first phase should be complete in late 2014 or early 2015.

### **When can we expect future phases to be put in?**

As property values and sales taxes increase, and expand the City's capacity to incur additional long term debt, the City will continue adding new service areas.

**There is a proposed development for which the city signed a development agreement, which stated that the city will provide water and wastewater services. Will these people be served first? Is the plant being built for the development? What benefits do city residents receive from the development? What will the development cost the city?**

The WWTP is being built for the City of Granite Shoals, not the MUD. While the City has agreed to provide service to the MUD, those new areas will only be served if the MUD is developed, and only after the development installs, at its sole expense, its own water distribution and sewer collection system. The development will also have to pay impact fees to the City to cover increased capacity that the development will require the City to provide. The owners of the MUD property have given the City not only the 15 acres for the plant itself (which the City receives regardless of whether the MUD is developed) and 25 acres for irrigation, but also an easement to provide trunk line collection services to the new development. The development, if it moves forward, will not cost the city, but will instead provide revenues for water and wastewater services, some property taxes for areas within the city, and sales tax revenues.

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If you have any questions or comments, please contact Mayor Frank Reilly at [mayor@graniteshoals.org](mailto:mayor@graniteshoals.org) or at 512-970-3811, or at City Hall at 598-2424, ext. 315.

