



MEMORANDUM

To: Mayor and Council Members

From: Greg Meszaros, Director, Austin Water

Date: April 9, 2015

Subject: Resolution 20141211-105 - Submetering

On December 11, 2014, City Council adopted Resolution No. 20141211-105 directing the City Manager to identify possible code amendments and associated administrative rules necessary to encourage submetering water use of each unit within two-, three-, and four-unit residential developments. As indicated in the resolution, the direction reflected the desire of Council to encourage water conservation while simultaneously reducing construction costs and increasing affordability for these housing types.

Austin Water analyzed the costs of installing private submeters versus public meters for each unit of two-, three-, and four- residential unit complexes. Our analysis indicates that on a project typical of the kinds of applications that Austin Water has been receiving lately for new or converted garage apartments in the central city, the cost of the public meter when compared to a private submeter was approximately \$400 more (this includes the cost of the meter itself and the associated inspection and capital recovery fees).

It should be noted that regardless of whether a public meter is used for each unit or private submeters are used, there may be a need to upgrade the water service line to accommodate the increased water demands created by the additional unit(s). (The water service line is the section of public water line in between the public water main in a street and the public water meter.) Any construction issues with the upgrade in water service (such as street cuts and repairs) would apply in either case.

While the \$400 cost of installing a public meter is not insignificant, there are concerns associated with private submeters. Mainly,

- *Collateral damage from disconnection of water service.* If submeters are used and water is shut off to the primary household (for example, for failure to pay a water bill), all units will temporarily lose water service until the default is cured.
- *Potentially higher billing tiers for accessory dwelling units or multiple units.* If there are multiple units on one property that are submetered and are served by one meter at the primary household, the volumetric billing rate is determined by the combined use of all units through the one meter. This situation can result in some of the units being charged a disproportionate amount than if each of the units used public meters because the

entire property is billed at a higher volumetric rate. Additionally, it could reduce the financial incentive to conserve water as noted in a 2004 joint study conducted by the Environmental Protection Agency, multi-family associations, and water utilities, which found that customers in multi-family properties reduce water use by 15% when billed directly for the water they use, whereas tenants who pay for their water through allocated bills or homeowners associations do not.

- *The potential loss of billing protections for accessory dwelling units or other units.* The Public Utilities Commission regulates multi-family residences (greater than four units) to ensure that rules and regulations related to fair billing practices are applied to tenants. Such regulations do not cover two-, three-, and four- residential unit complexes. Thus, if there were any billing irregularities or issues, tenants would not have regulatory assistance from the Public Utilities Commission. The use of a public meter for each unit ensures that the tenant has a greater role in current City billing regulations and practices.

Given these issues, Austin Water staff believes the benefits of a public meter outweigh the relatively minor cost. Austin Water staff does not recommend the allowance of private submeters in two-, three-, and four-unit residential complexes.

However, the importance of increasing affordability for Austin residents cannot be dismissed, and Austin Water will continue to seek other ways to reduce construction costs and increase affordability.

If you need clarification or have additional questions concerning this information, please feel free to contact me at 512-972-0108.

cc: Marc A. Ott, City Manager
Robert Goode, P.E., Assistant City Manager