

Kennedale/Arlington Collaboration

For Water Purchase and O&M Agreements

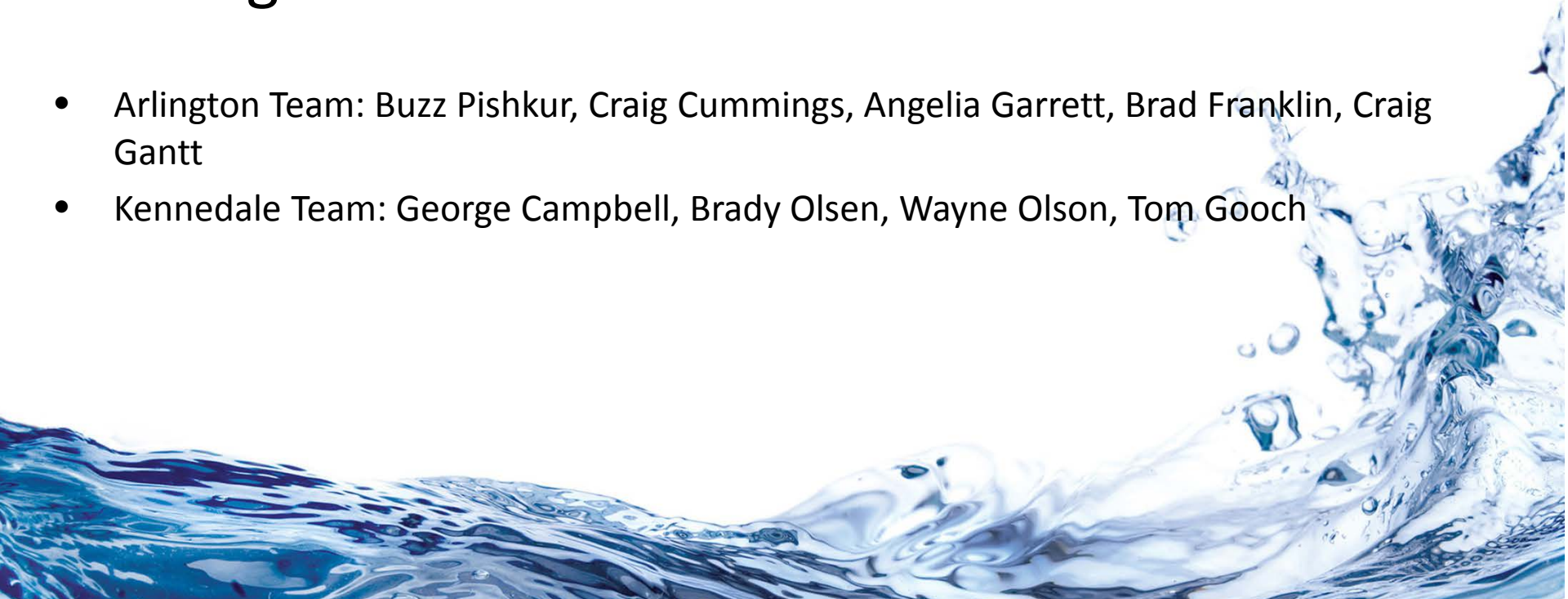
December 6th, 2018 Special Meeting



Successful Negotiations



- Arlington has been an open and up front partner throughout the process
- We truly believe this is a win for the citizens of Arlington and Kennedale
- Arlington Team: Buzz Pishkur, Craig Cummings, Angelia Garrett, Brad Franklin, Craig Gantt
- Kennedale Team: George Campbell, Brady Olsen, Wayne Olson, Tom Gooch

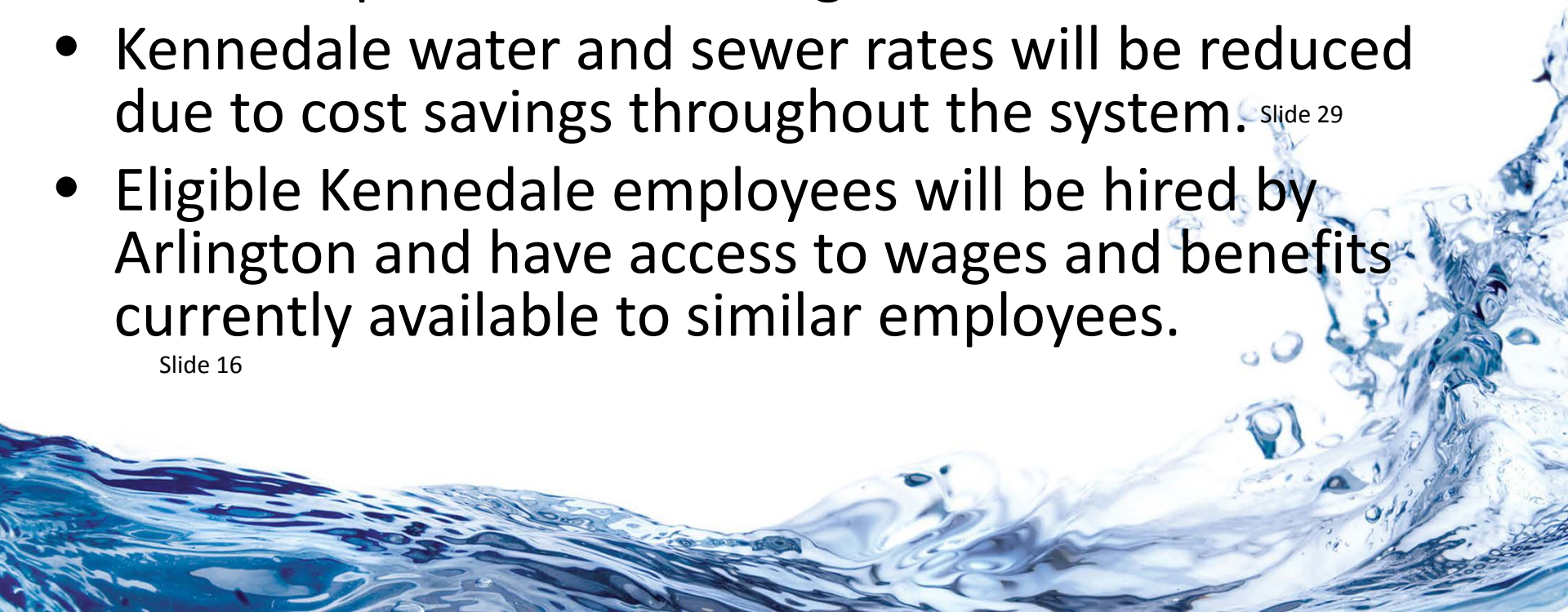


Cooperation Goals



- Arlington will take responsibility for operation and maintenance of Kennedale Water and Wastewater System. Slide 14
- Kennedale will retain ownership of all utility assets in place at time of agreement. Slide 17
- Kennedale water and sewer rates will be reduced due to cost savings throughout the system. Slide 29
- Eligible Kennedale employees will be hired by Arlington and have access to wages and benefits currently available to similar employees.

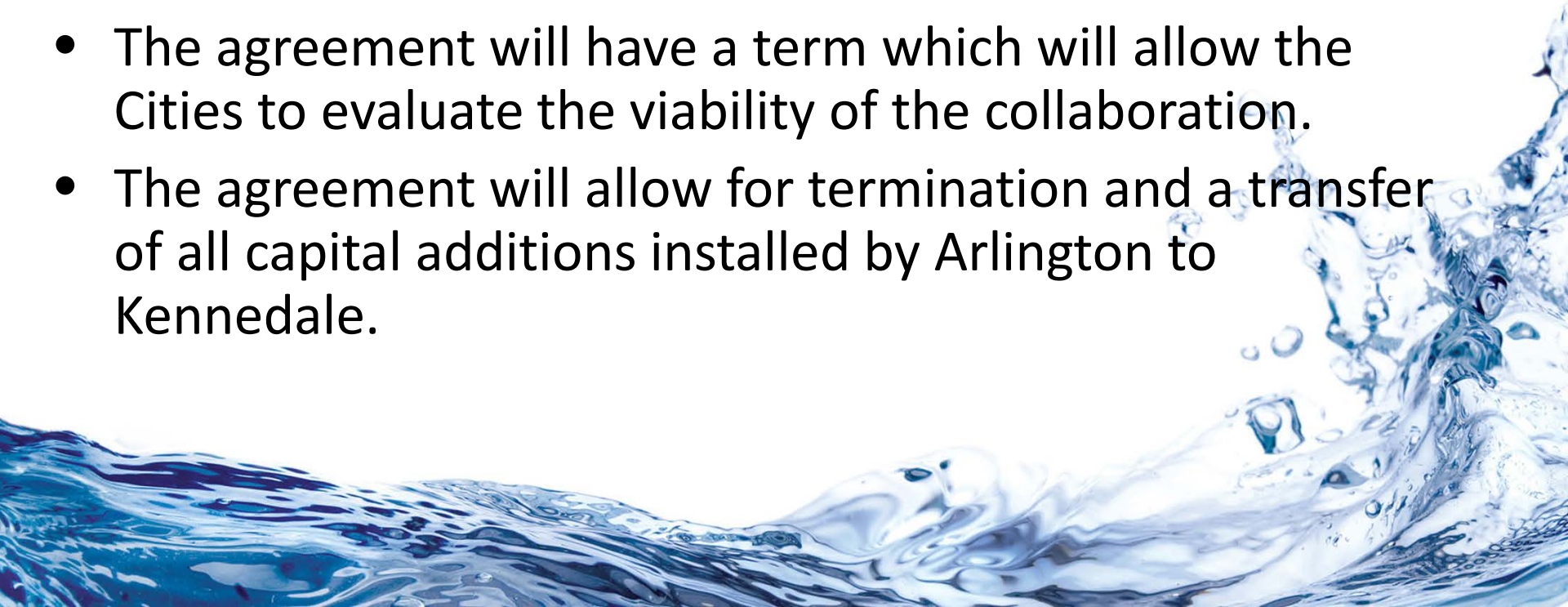
Slide 16



Cooperation Goals



- Kennedale will transition its water supply to Arlington to the fullest extent possible.
- Arlington will honor all existing contractual obligations of Kennedale that cannot be eliminated by the change in operation responsibility. Slide 18
- The agreement will have a term which will allow the Cities to evaluate the viability of the collaboration.
- The agreement will allow for termination and a transfer of all capital additions installed by Arlington to Kennedale.



Timeline



- 2017
 - Began discussions with Arlington on possible interlocal agreement for operation of the Water and Sewer system
- 2018
 - Meetings with Arlington Staff
 - November 2nd 2017, February 2nd, March 9th, April 27th, May 16th, May 23rd, July 9th, August 24th, October 31st, November 7th, November 30th
 - UIB
 - June 5th, November 29th
 - Council Action
 - May 30th—Authorized Freese and Nichols to evaluate technical aspects of contract
 - Discussed with Council throughout 2018 and 2019 budget discussions and regular meetings

Contract Highlights



- Initial term of 5 years – renewable in 5-year increments.
 - After two years, renegotiate price based on actual costs
- Annual non-routine maintenance and repair limit of \$100,000
- \$10,000 single maintenance expenditure limit without Kennedale approval.
- Eligible Kennedale employees will be offered employment in same or similar positions, subject to successful results on all pre-employment screenings.

Contract Highlights

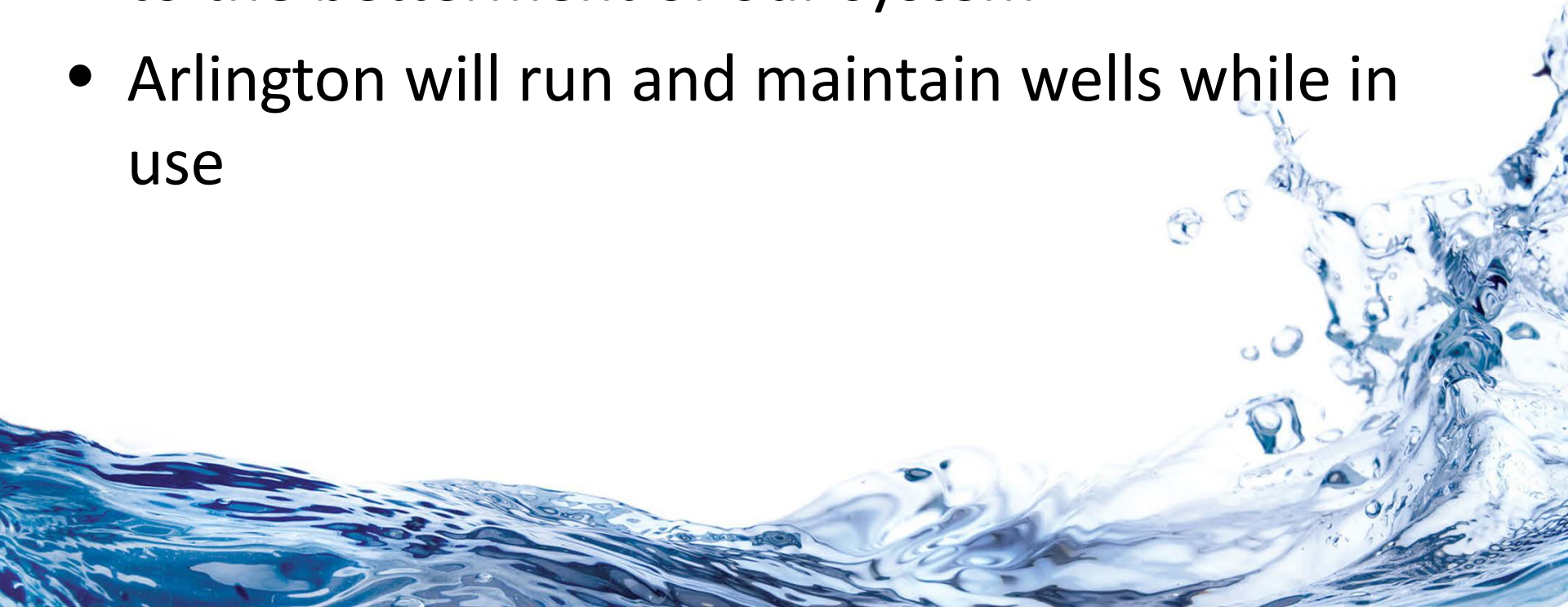


- Kennedale retains ownership of all system assets.
- Funding is provided in Arlington's fee to construct an interconnect to deliver Arlington water to Kennedale & annual capital projects thereafter.
- Arlington will propose an annual capital improvement plan to Kennedale.
- Kennedale will grant Arlington transmission rights for water distribution at a set fee with a fee adjustment formula.
- Kennedale should see a \$600,000 savings in operating costs

Services Included



- Arlington will maintain system to same standards of its own system.
- Arlington will implement existing technology to the betterment of our system
- Arlington will run and maintain wells while in use



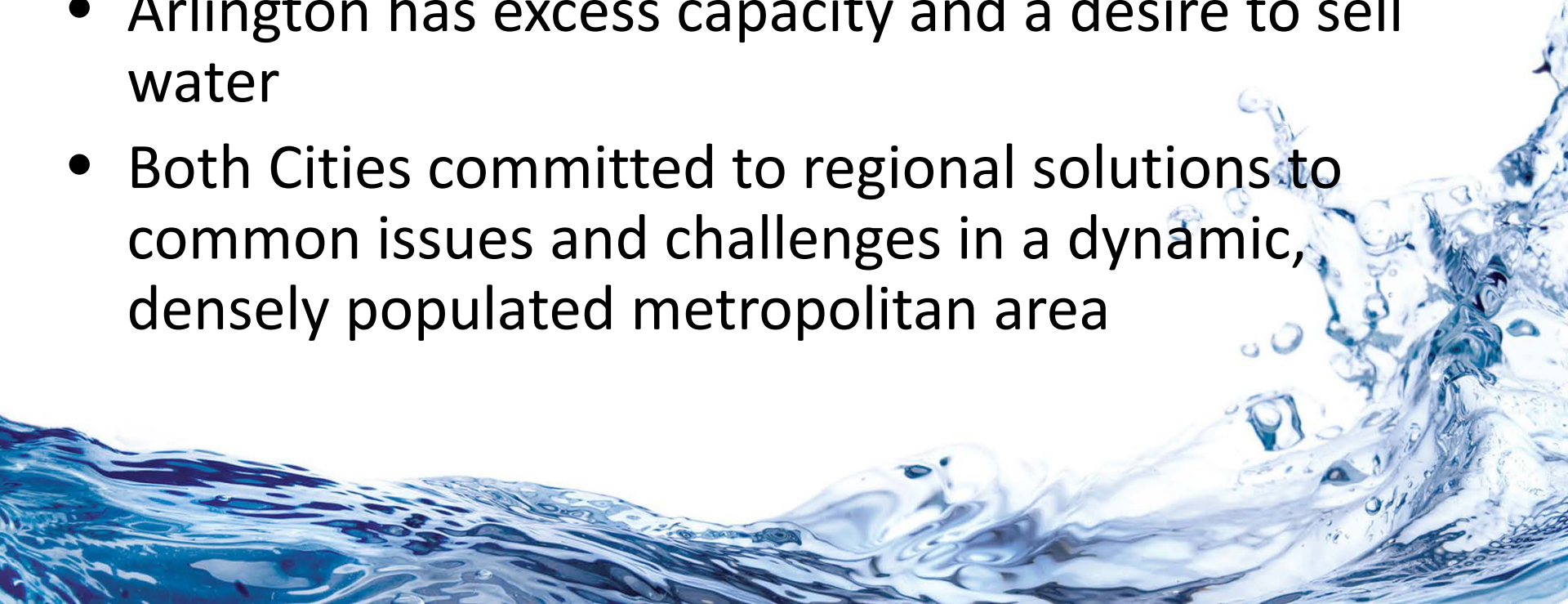
Impact on Kennedale



How We Got Here



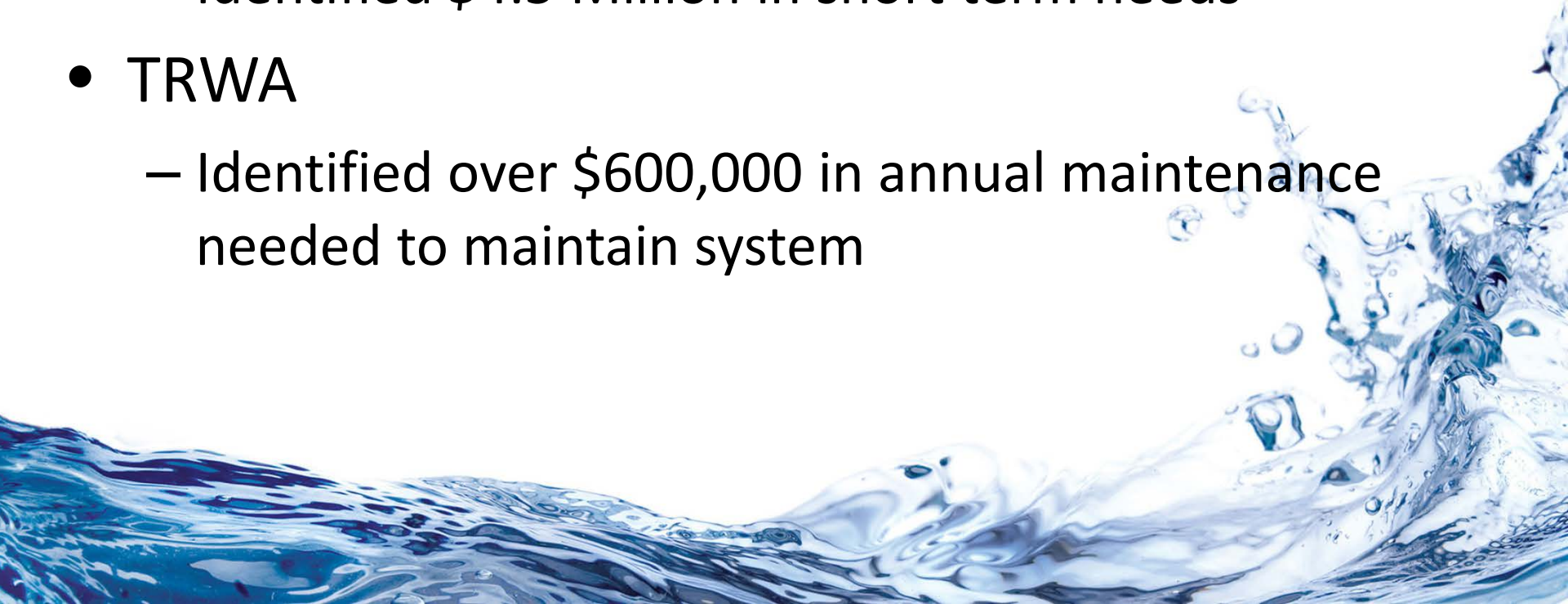
- Citizens and Council highly interested and motivated to reduce the water and sewer rates
- City has previously delayed needed maintenance and capital improvements
- Arlington has excess capacity and a desire to sell water
- Both Cities committed to regional solutions to common issues and challenges in a dynamic, densely populated metropolitan area



Outside Studies



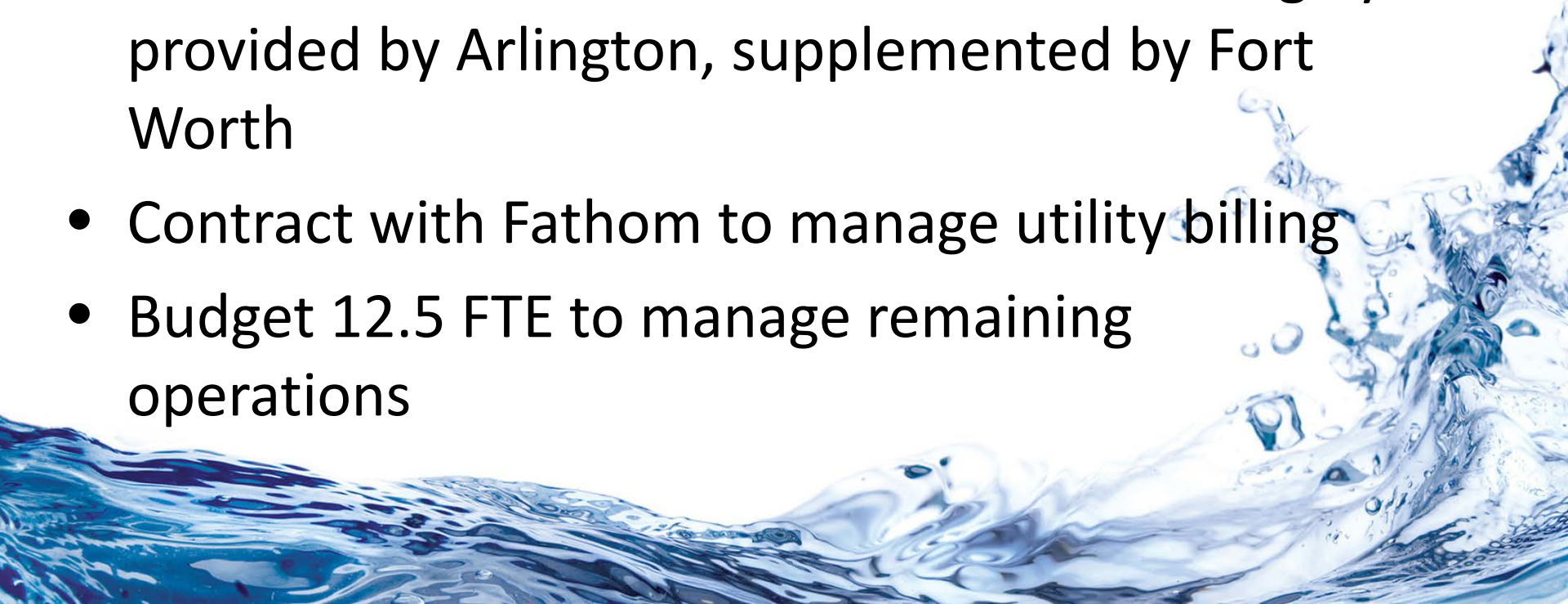
- Kennedale has long underfunded capital and maintenance projects for the W&S system
- Freese & Nichols Study
 - Identified \$4.5 Million in short term needs
- TRWA
 - Identified over \$600,000 in annual maintenance needed to maintain system



Current System



- As a cost savings measure, majority of water supply comes from existing wells.
- Remaining water supply provided by Fort Worth
- Wastewater treatment and transmission largely provided by Arlington, supplemented by Fort Worth
- Contract with Fathom to manage utility billing
- Budget 12.5 FTE to manage remaining operations



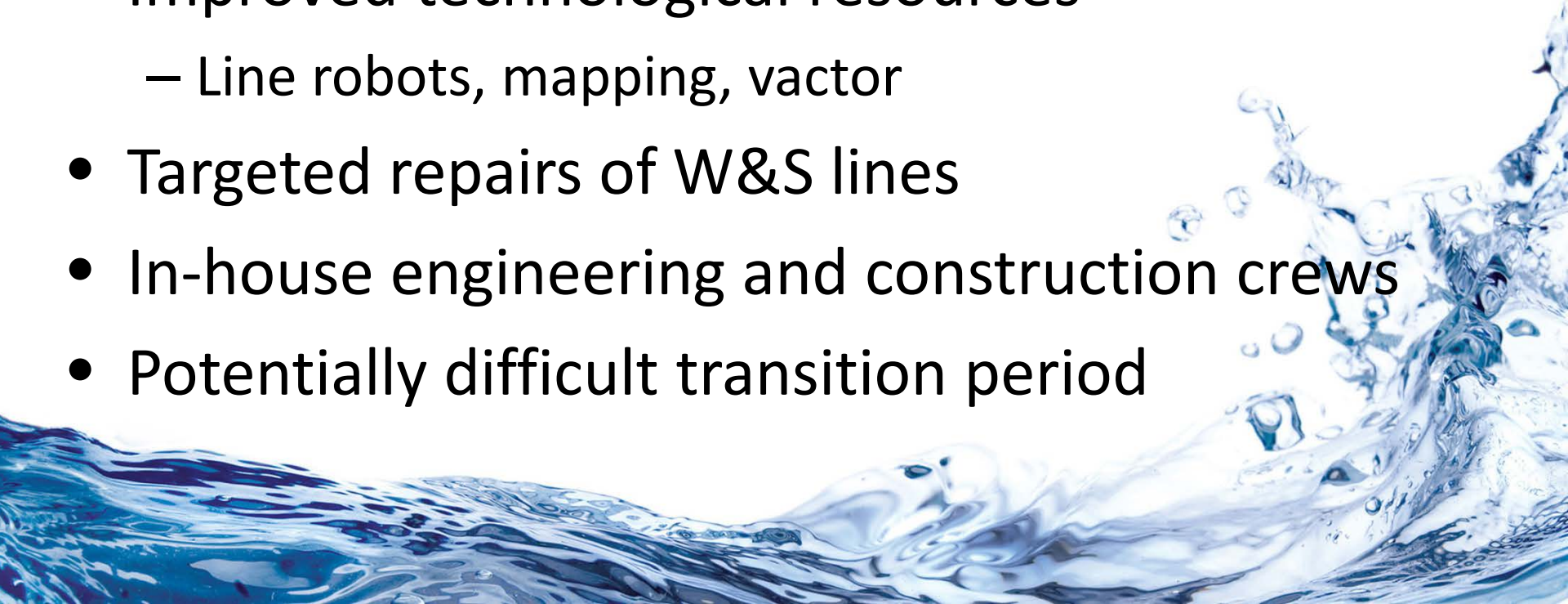
Impact of Arlington Contracts



Operational Impact



- Move off wells
 - Hopefully improved taste
 - Possible improved pressure
- Improved technological resources
 - Line robots, mapping, vector
- Targeted repairs of W&S lines
- In-house engineering and construction crews
- Potentially difficult transition period



Direct Citizen Impact



- Arlington and Kennedale citizens will be able to pay bills at multiple locations in either city
 - Still a presence in Kennedale City Hall
- Citizens will report service issues directly to Arlington



Employee Impact

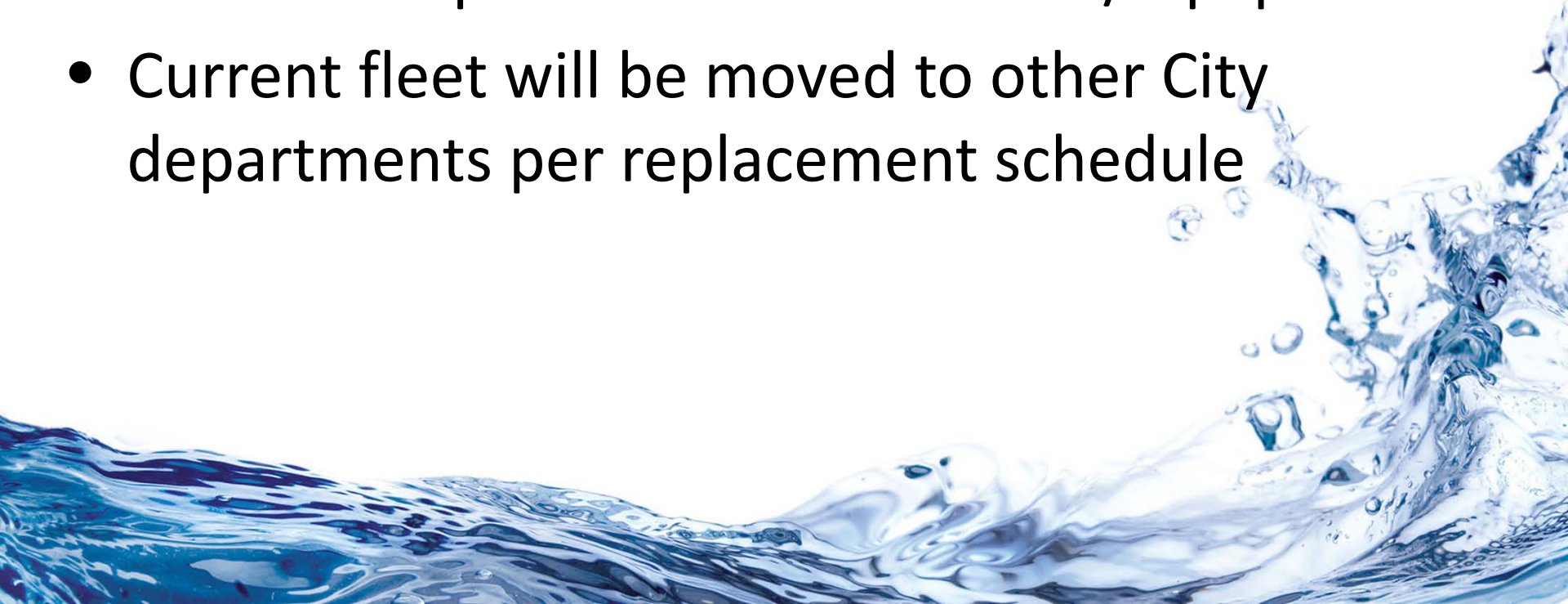


- All eligible employees (6) being offered employment with Arlington
 - Will receive at least equal pay and benefits and retain retirement benefits through TMRS
- Ineligible employees (2) being offered to stay during 2 month transition period
- All employees being offered payment for sick days as if fully vested
- No employees in Water and Sewer Fund after the end of February

Infrastructure



- Kennedale will own all infrastructure
- Within first months of transition, a full inventory will occur and Arlington will offer fair market price for assorted tools/equipment
- Current fleet will be moved to other City departments per replacement schedule



Existing Contracts



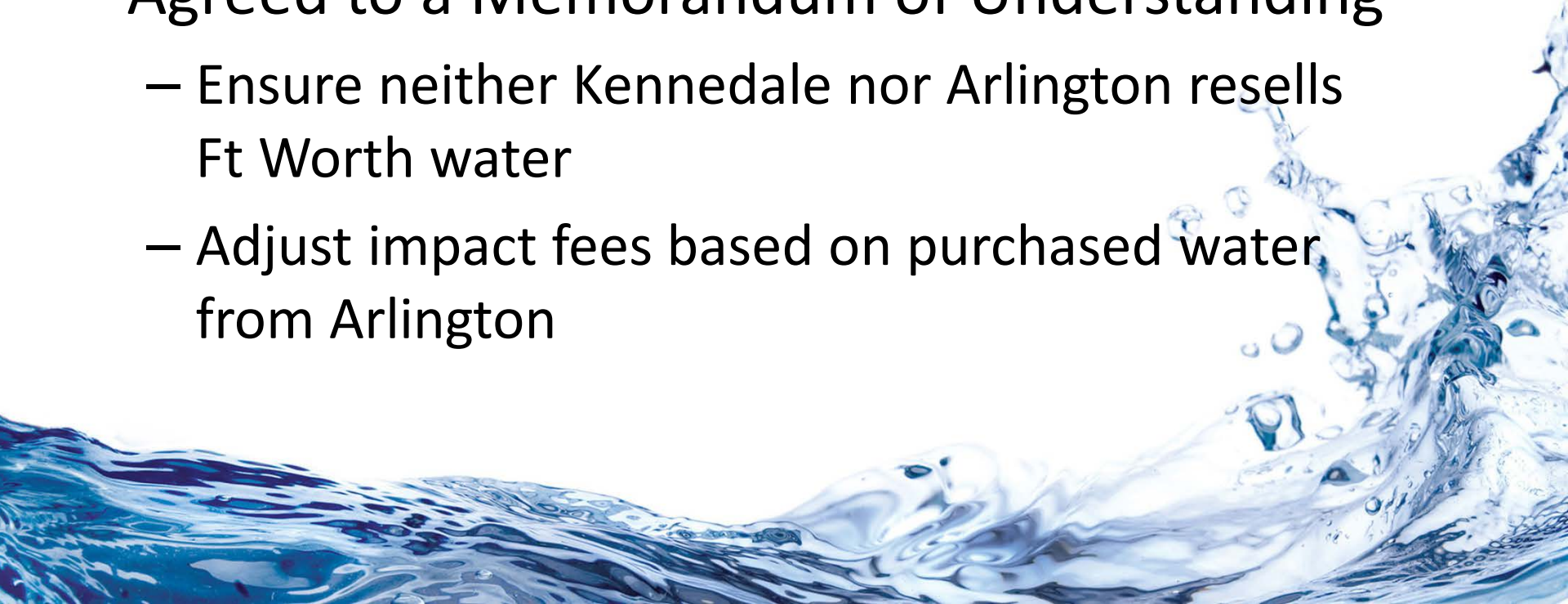
- Fort Worth- Sale of Water (2031) and Wastewater Services (2048)
- Arlington- Wastewater Service
- Fathom-Billing (2027)
- Progressive Waste



Fort Worth Contract



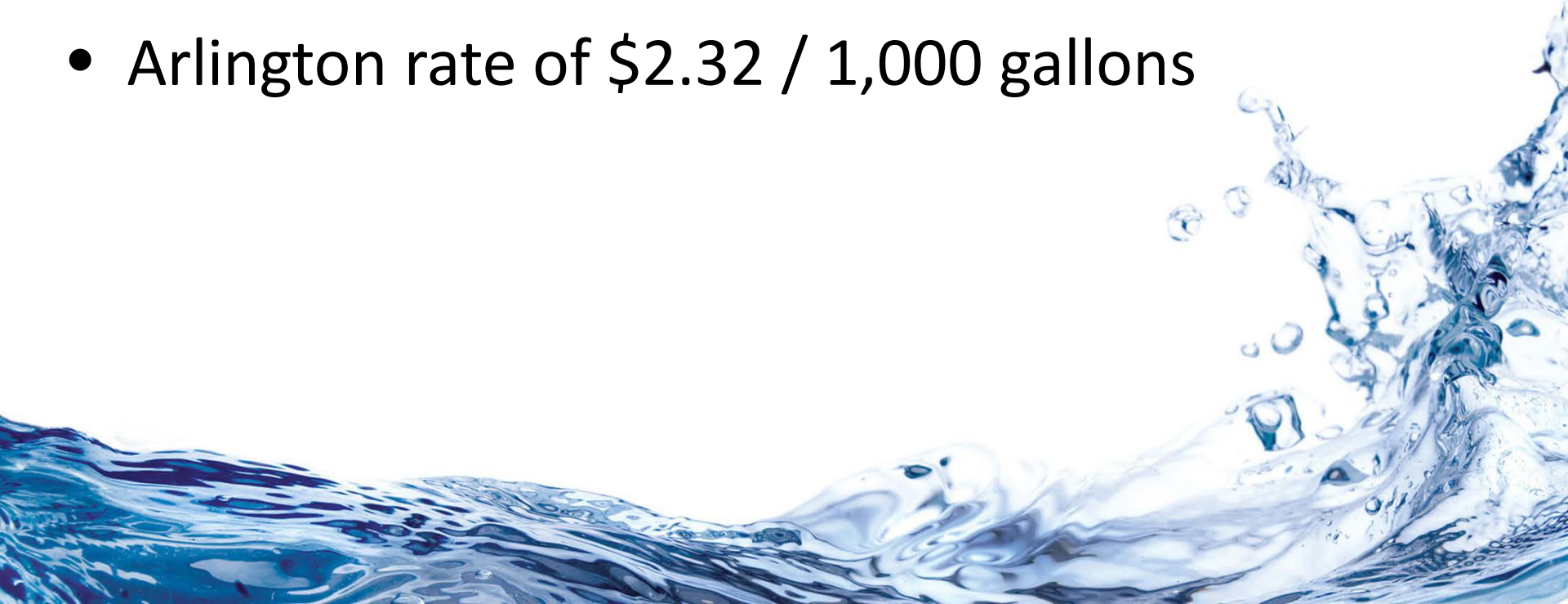
- Fort Worth was a good partner in this process
- Agreed to review contract in case of conflict with current water purchase agreement
- Agreed to a Memorandum of Understanding
 - Ensure neither Kennedale nor Arlington resells Ft Worth water
 - Adjust impact fees based on purchased water from Arlington



Fort Worth Water vs Arlington Water



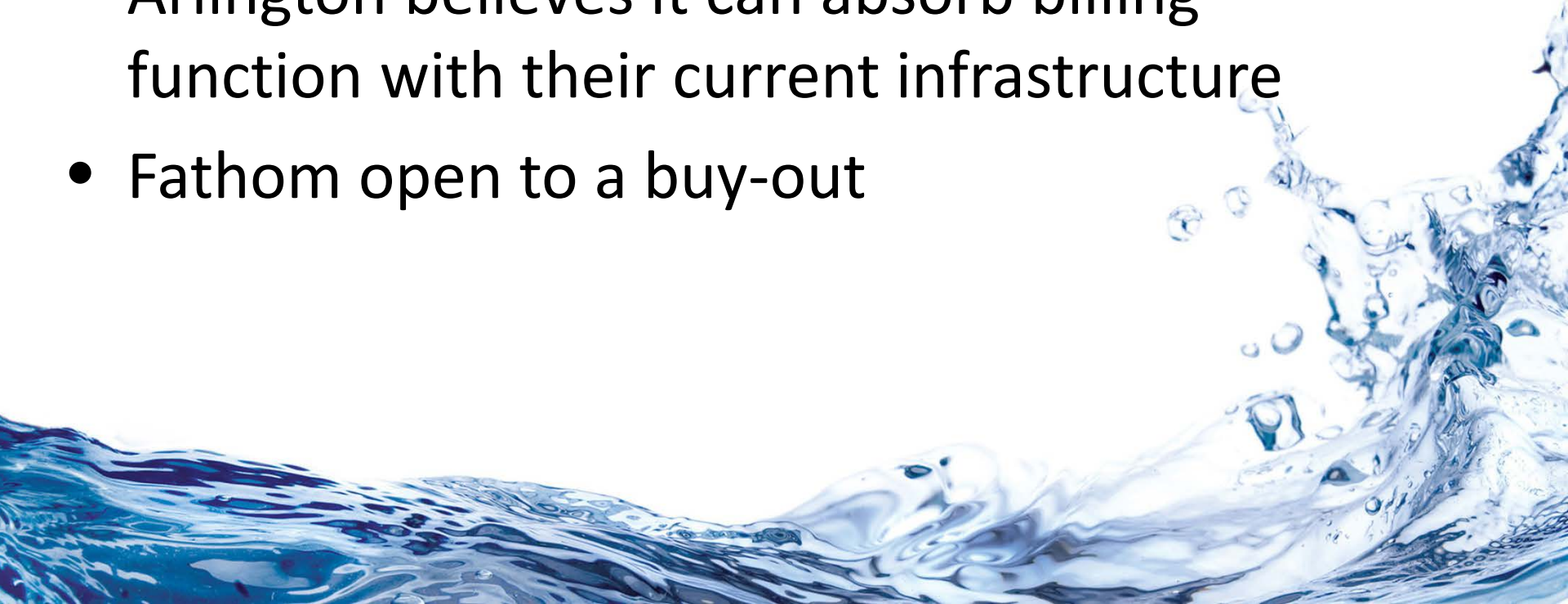
- Fort Worth formula based on rolling averages of maximum daily use, maximum hourly use, and total volume
 - Paying ~\$2.62/ 1,000 gallons
- Arlington rate of \$2.32 / 1,000 gallons



Fathom



- Currently budgeted to spend ~\$220,000 per year for service
- Contract ends in 2027
- Arlington believes it can absorb billing function with their current infrastructure
- Fathom open to a buy-out



Costs Retained by Kennedale



- Kennedale will retain ownership of existing infrastructure
 - Will need to pay to maintain existing service building
- Engineering costs to review Arlington capital proposals
- Debt Service
- General property and liability insurance
- Franchise Fee and City Return on Investment

Cost of Operations



Item	Current Budget	Year 1 Amended Budget	Typical Year Arlington Contract
	Fathom Contract	\$223,856	\$223,856
Fort Worth Water	\$226,300	\$226,300	\$226,300
Arlington Sewer	\$696,000	\$696,000	\$696,000
Fort Worth Sewer	\$21,900	\$21,900	\$21,900
Return of Investment	\$355,518	\$355,518	\$355,518
Franchise Fee	\$190,658	\$190,658	\$190,658
Debt	\$509,680	\$509,680	\$509,680
Insurance	\$16,473	\$16,473	\$16,473
Building Maintenance/Other	\$49,181	\$49,181	\$49,181
Engineering	\$80,000	\$80,000	\$50,000
Emergency Exp/Reserve			\$150,000
Annual Capital			\$250,000
Purchase Water Arlington			\$500,000
One-Time Capital	\$635,000	\$635,000	
Other Kennedale Operating Costs	\$1,654,953		
Arlington O&M Agreement		\$1,088,000	\$788,000
Total	\$4,659,519	\$4,092,566	\$4,027,566

Financial Impact



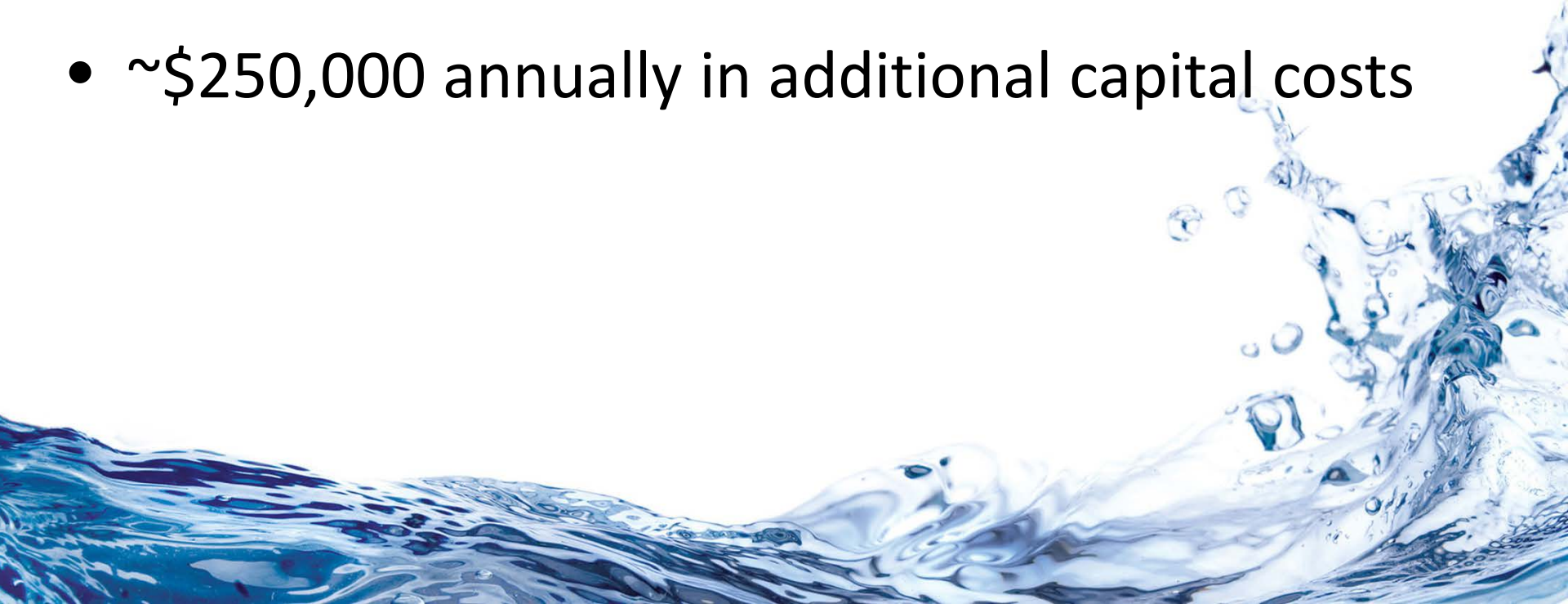
- ~\$600,000 savings in operations
- ~\$200,000 net increase in purchased water
- Additionally, able to fund reserve and continue capital spending



New Costs

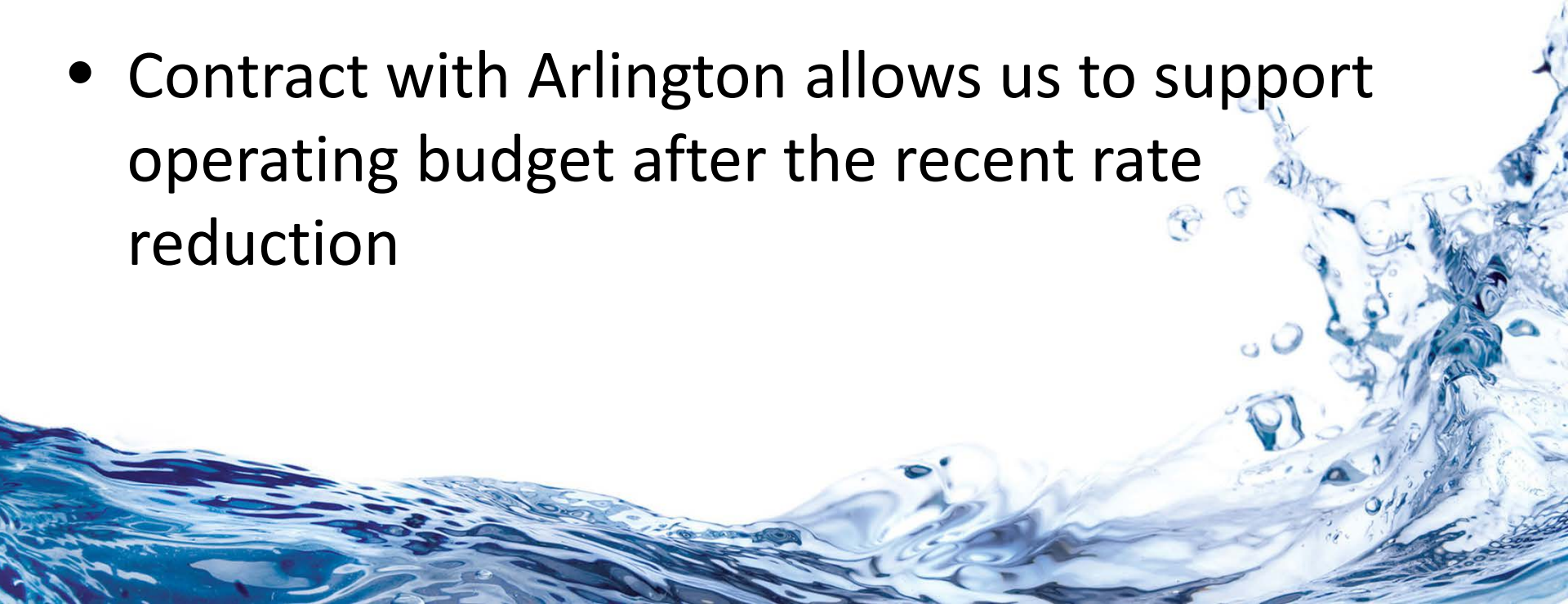


- ~\$200,000 to \$300,000 net cost in purchased water
- ~\$150,000 annual to fund emergency maintenance and fund reserve
- ~\$250,000 annually in additional capital costs



Effect on Rates

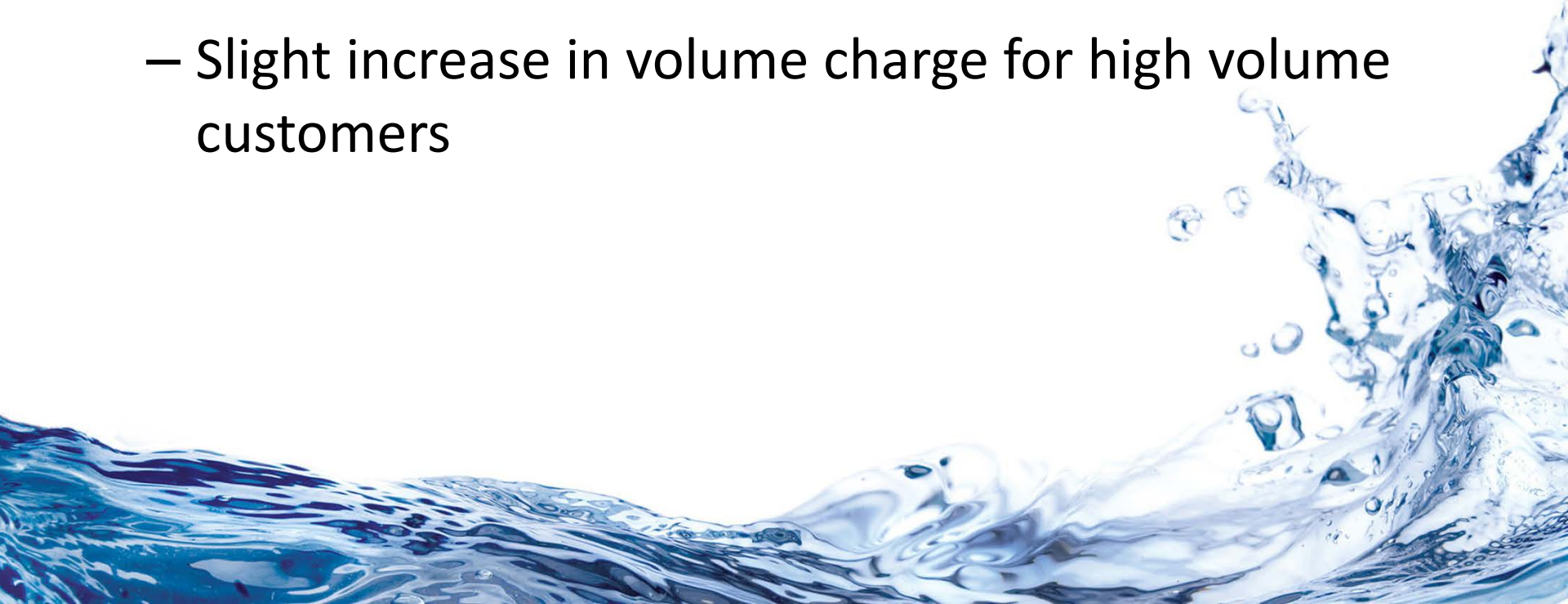
- Need ~\$4.03 million in revenue to support ongoing expenditures
- Current rates budgeted to bring in \$4.01 million
- Contract with Arlington allows us to support operating budget after the recent rate reduction



Rate Recommendation



- Move adopted rates in line with AWWA guidelines
 - Reduction in base rate for larger meters
 - Reduction in base rate for commercial customers
 - Slight increase in volume charge for high volume customers



Rate Recommendation

City of Kennedale Water & Sewer Rates

(ADOPTED SEPTEMBER 17, 2018)

Water Rates

Service Within The City Limits

Meter Size	Residential Base	Senior/Disabled Base*	Commercial Base	Industrial Base	Multiple Res/Comm Base
3/4"	\$20.00	\$20.00	\$26.00	\$26.00	\$26.00 Per Unit
1"	\$43.34	\$43.34	\$43.34	\$43.34	\$26.00 Per Unit
1.5"	\$86.58	\$86.58	\$86.58	\$86.58	\$26.00 Per Unit
2"	\$138.58	\$138.58	\$138.58	\$138.58	\$26.00 Per Unit
3"	\$260.00	\$260.00	\$260.00	\$260.00	\$26.00 Per Unit
4"	\$433.42	\$433.42	\$433.42	\$433.42	\$26.00 Per Unit
Volume	Residential Rate	Senior/Disabled Rate	Commercial Rate	Commercial Rate	Multiple Res/Comm Rate**
0-5000 Gallons	\$2.75 Per 1000 Gallons	\$2.75 Per 1000 Gallons	\$2.75 Per 1000 Gallons	\$2.75 Per 1000 Gallons	N/A
5001-20000	\$5.36 Per 1000 Gallons	\$5.36 Per 1000 Gallons	\$5.36 Per 1000 Gallons	\$5.36 Per 1000 Gallons	N/A
20001-50000	\$6.70 Per 1000 Gallons	\$6.70 Per 1000 Gallons	\$6.70 Per 1000 Gallons	\$6.70 Per 1000 Gallons	N/A
50001+	\$6.70 Per 1000 Gallons	\$6.70 Per 1000 Gallons	\$8.38 Per 1000 Gallons	\$8.38 Per 1000 Gallons	N/A

*For senior/disabled rate, a credit of \$7.50 per month/billing cycle will apply towards the applicable meter size for water service.

**For multiple residential units on a single meter, the volume charge shall be calculated on a per unit basis by dividing the total volume of water used by the number

Sewer Rates

Service Within The City Limits

	Residential	Senior/Disabled	Commercial	Industrial Base	Multiple Res/Comm
Base	\$30.00	\$30.00*	\$55.00	\$55.00	N/A
Per 1000 Gallons	\$2.90	\$2.90	\$6.72	\$4.50	N/A

*For senior/disabled rate, a credit of \$7.50 per month/billing cycle will apply towards the applicable base for sewer service.

Rate Recommendation



City of Kennedale Water & Sewer Rates

(PROPOSED)

Water Rates

Service Within The City Limits

Meter Size	Residential Base	Senior/Disabled Base*	Commercial Base	Industrial Base	Multiple Res/Comm Base
3/4"	\$20.00	\$20.00	\$25.00	\$25.00	\$26.00 Per Unit
1"	\$33.40	\$33.40	\$41.75	\$41.75	\$26.00 Per Unit
1.5"	\$66.60	\$66.60	\$83.25	\$83.25	\$26.00 Per Unit
2"	\$106.60	\$106.60	\$133.25	\$133.25	\$26.00 Per Unit
3"	\$200.00	\$200.00	\$250.00	\$250.00	\$26.00 Per Unit
4"	\$333.40	\$333.40	\$416.75	\$416.75	\$26.00 Per Unit
Volume	Residential Rate	Senior/Disabled Rate	Commercial Rate	Commercial Rate	Multiple Res/Comm Rate**
0-5000 Gallons	\$2.50 Per 1000 Gallons	\$2.50 Per 1000 Gallons	\$2.50 Per 1000 Gallons	\$2.50 Per 1000 Gallons	N/A
5001-20000	\$5.50 Per 1000 Gallons	\$5.50 Per 1000 Gallons	\$5.50 Per 1000 Gallons	\$5.50 Per 1000 Gallons	N/A
20001-50000	\$7.00 Per 1000 Gallons	\$7.00 Per 1000 Gallons	\$7.00 Per 1000 Gallons	\$7.00 Per 1000 Gallons	N/A
50001+	\$7.00 Per 1000 Gallons	\$7.00 Per 1000 Gallons	\$8.50 Per 1000 Gallons	\$8.50 Per 1000 Gallons	N/A

*For senior/disabled rate, a credit of \$7.50 per month/billing cycle will apply towards the applicable meter size for water service.

**For multiple residential units on a single meter, the volume charge shall be calculated on a per unit basis by dividing the total volume of water used by the number

Sewer Rates

Service Within The City Limits

	Residential	Senior/Disabled	Commercial	Industrial Base	Multiple Res/Comm
Base	\$30.00	\$30.00*	\$55.00	\$55.00	N/A
Per 1000 Gallons	\$2.90	\$2.90	\$6.50	\$4.50	N/A

*For senior/disabled rate, a credit of \$7.50 per month/billing cycle will apply towards the applicable base for sewer service.

Citizen Impact



Customer Profile #1 Residential-3/4"

3/4" meter Residential Customer, using 6500 gallons of water and 4700 gallons of Sewer per

Rate Year	Water Bill if used:	Sewer Bill if used:	Total Bill	Overall Chg
Month Year	6500	4700		
July 2013	\$35.73	\$36.41	\$72.14	
Jan 2016	\$52.53	\$58.63	\$111.16	54.09%
Sept 2017	\$48.29	\$49.63	\$97.92	-11.91%
Sept 2018	\$41.79	\$43.63	\$85.42	-12.77%
Proposed	\$40.75	\$43.63	\$84.38	-1.22%

Customer Profile #2 Residential-1"

1" meter Residential Customer, using 8000 gallons of water and 6000 gallons of Sewer per

Rate Year	Water Bill if used:	Sewer Bill if used:	Total Bill	Overall Chg
Month Year	8000	6000		
July 2013	\$45.49	\$41.73	\$87.22	
Jan 2016	\$112.30	\$62.40	\$174.70	100.30%
Sept 2017	\$95.33	\$53.40	\$148.73	-14.87%
Sept 2018	\$73.17	\$47.40	\$120.57	-18.93%
Proposed	\$62.40	\$47.40	\$109.80	-8.93%

Citizen Impact

Customer Profile #3 Residential-3/4"

3/4" meter Residential Customer, using 15000 gallons of water and 11000 gallons of Sewer

Rate Year	Water Bill if used:	Sewer Bill if used:	Total Bill	Overall Chg
Month Year	15000	11000		
July 2013	\$80.52	\$62.18	\$142.70	
Jan 2016	\$98.00	\$76.90	\$174.90	22.56%
Sept 2017	\$93.35	\$76.90	\$170.25	-2.66%
Sept 2018	\$87.35	\$61.90	\$149.25	-12.33%
Proposed	\$87.50	\$61.90	\$149.40	0.10%

Customer Profile #4 Residential-1"

1" Residential Customer, using 45,000 gallons of water and 30,000 gallons of Sewer per r

Rate Year	Water Bill if used:	Sewer Bill if used:	Total Bill	Overall Chg
Month Year	45,000	30,000		
July 2013	\$247.92	\$139.89	\$387.81	
Jan 2016	\$335.75	\$132.00	\$467.75	20.61%
Sept 2017	\$326.65	\$132.00	\$458.65	-1.95%
Sept 2018	\$304.99	\$117.00	\$421.99	-7.99%
Proposed	\$303.40	\$117.00	\$420.40	-0.38%

Special Thanks



- Buzz Pishkur and the City of Arlington
- Chris Harder with City of Fort Worth
- Wayne Olson
- Tom Gooch of Freese and Nichols
- Current Public Works staff

