

Kennedale/ Arlington COLLABORATION Water Purchase and O&M Agreements

MARCH 12, 2019 UIB MEETING



Changes Since November



- Set specific fee schedule for first 2 years
- Defined fee structure for years 3 and beyond
- Developed formula for customer service costs
- Added assurance that neither City would subsidize the other
- Established effective date of Friday, March 29, 2019

UPDATED INFORMATION WILL APPEAR IN RED THROUGHOUT



Successful Negotiations



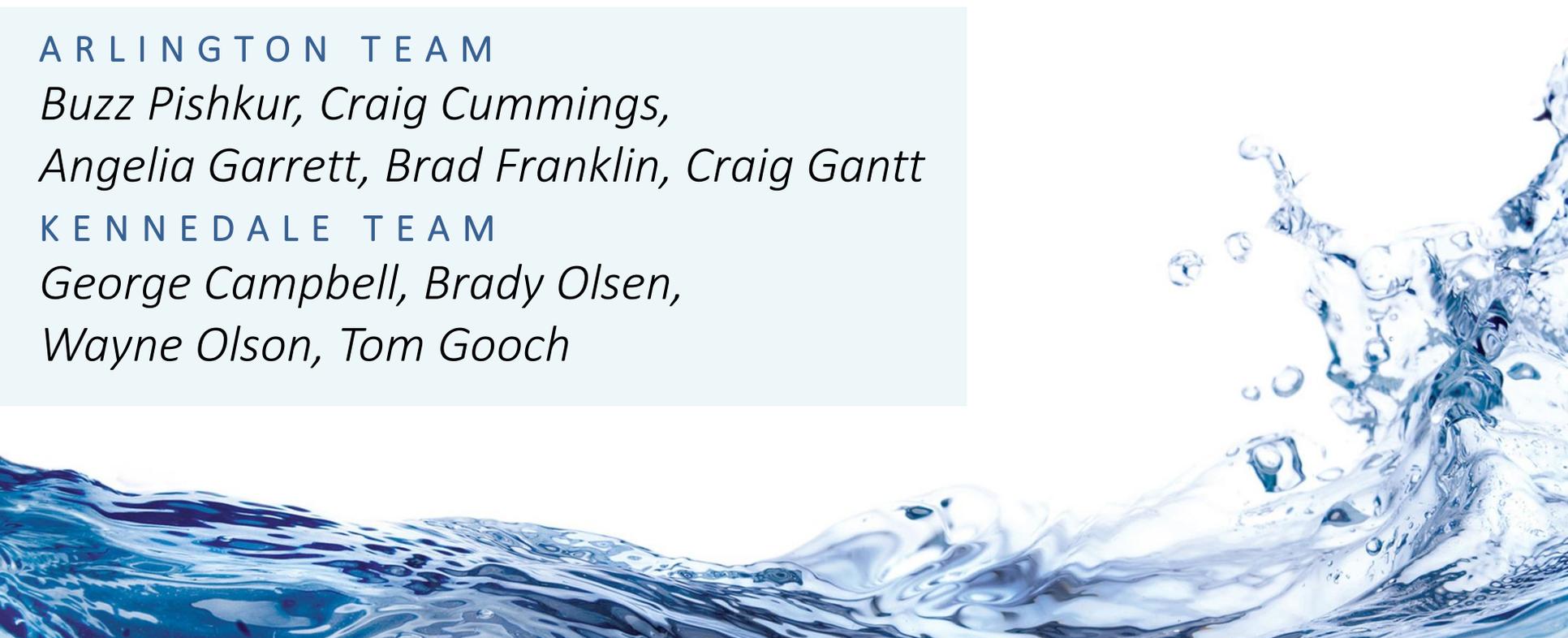
- Arlington was open and up-front throughout
- Staff genuinely believes this will prove beneficial for both Kennedale and Arlington residents

ARLINGTON TEAM

*Buzz Pishkur, Craig Cummings,
Angelia Garrett, Brad Franklin, Craig Gantt*

KENNEDALE TEAM

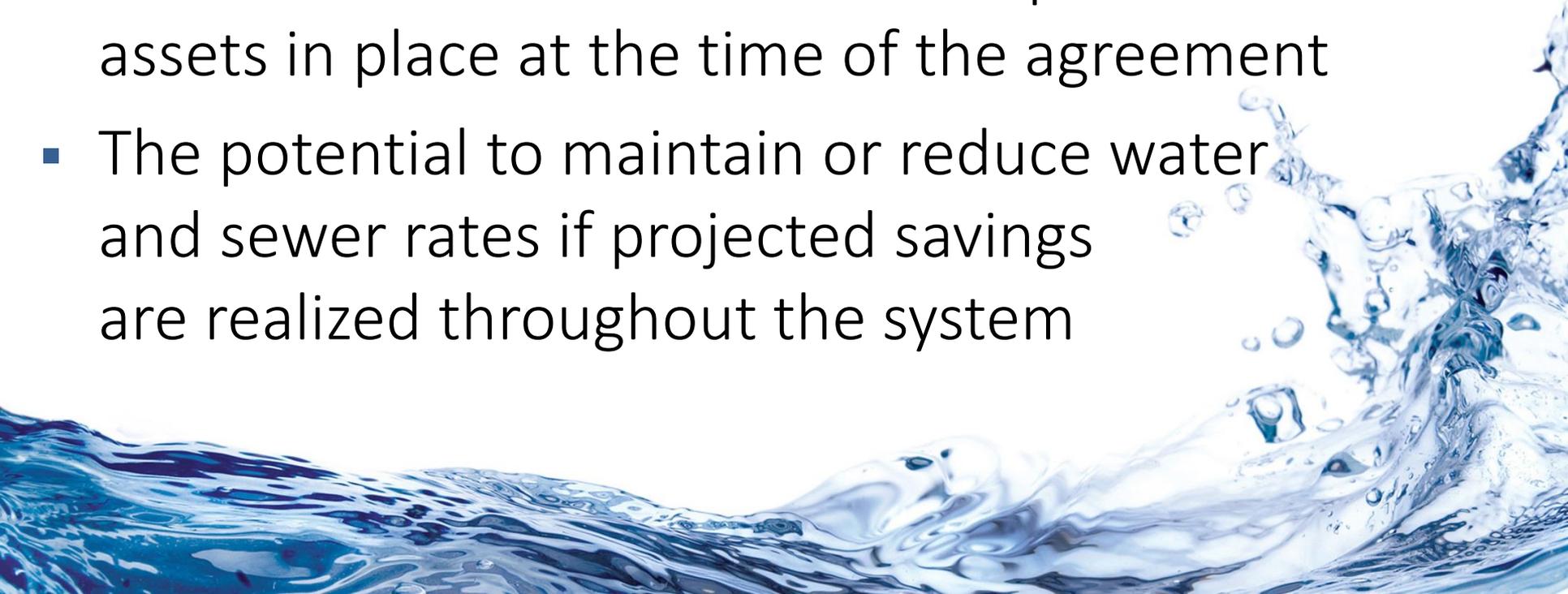
*George Campbell, Brady Olsen,
Wayne Olson, Tom Gooch*



Cooperation Goals



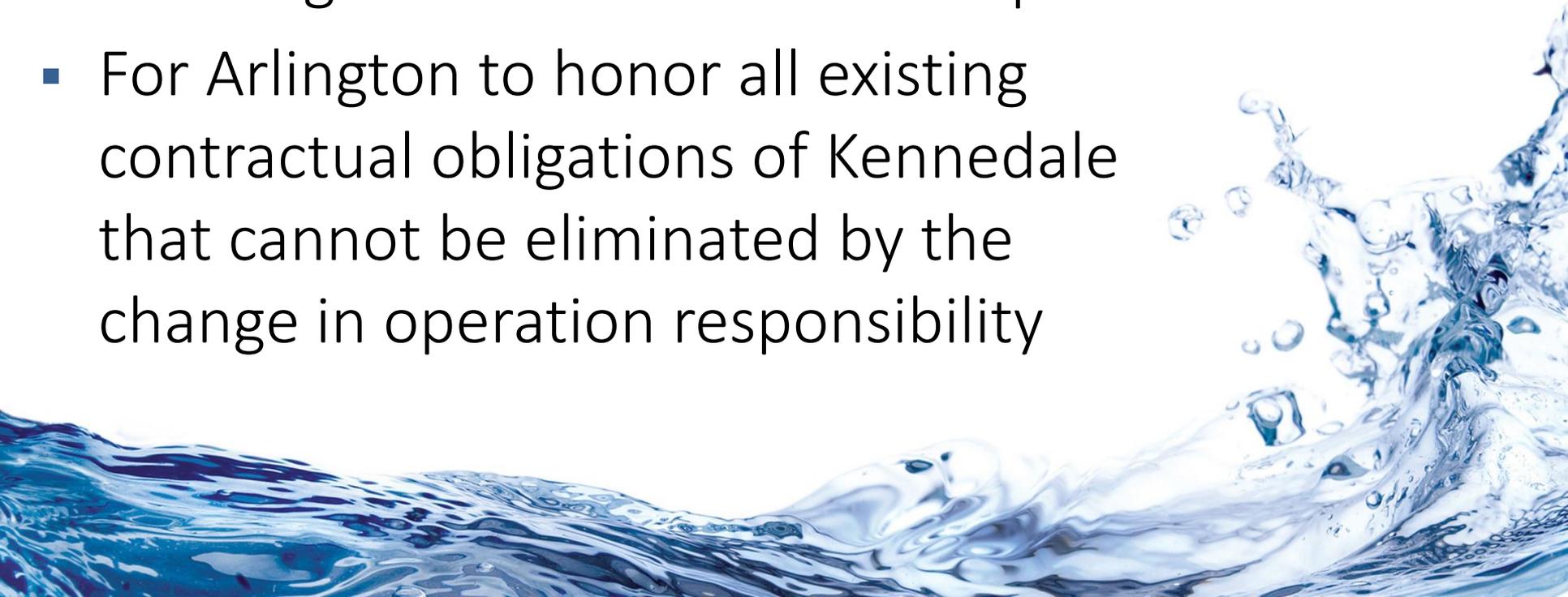
- For the City of Arlington to assume responsibility for the operation and maintenance of the City of Kennedale Water and Wastewater Utility System
- For Kennedale to retain ownership of all related assets in place at the time of the agreement
- The potential to maintain or reduce water and sewer rates if projected savings are realized throughout the system



Cooperation Goals



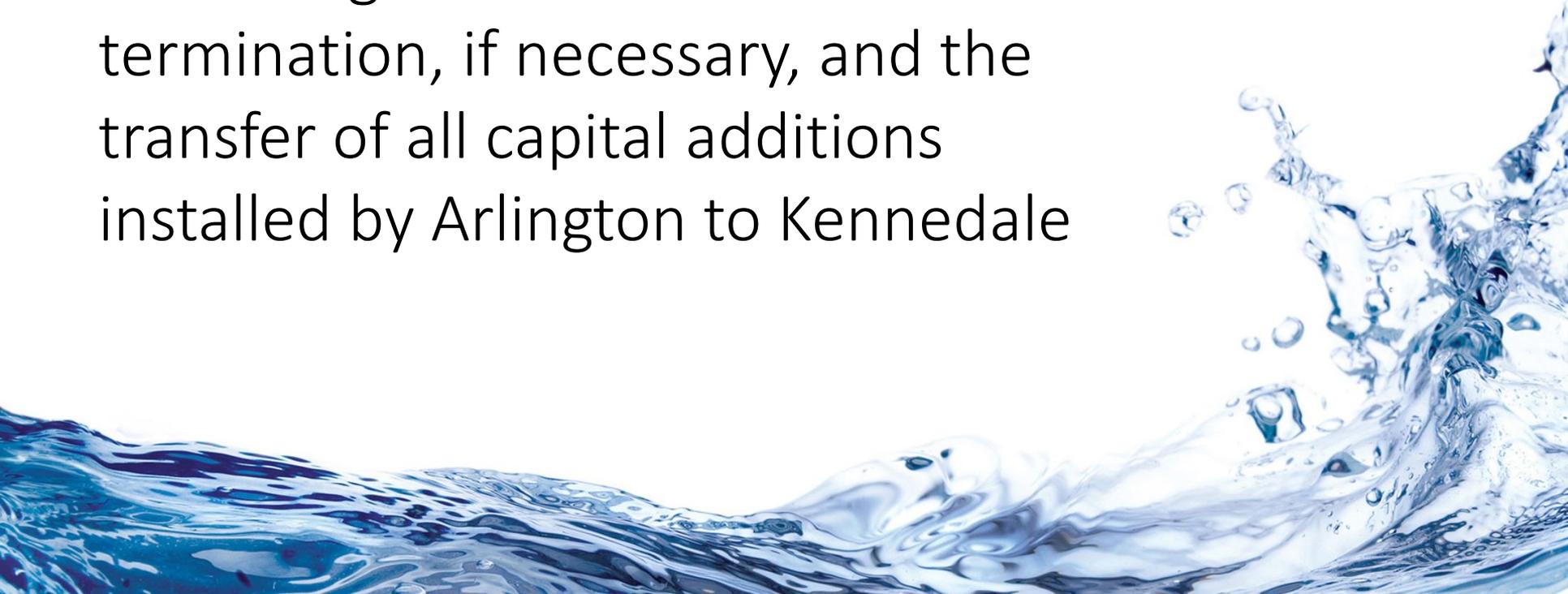
- For Arlington to hire eligible Kennedale employees and offer access to comparable wages and benefits
- For Kennedale to transition its water supply to Arlington to the fullest extent possible
- For Arlington to honor all existing contractual obligations of Kennedale that cannot be eliminated by the change in operation responsibility



Cooperation Goals



- For the agreement to have terms that allow each City to evaluate the viability of the collaboration
- For the agreement to allow for termination, if necessary, and the transfer of all capital additions installed by Arlington to Kennedale



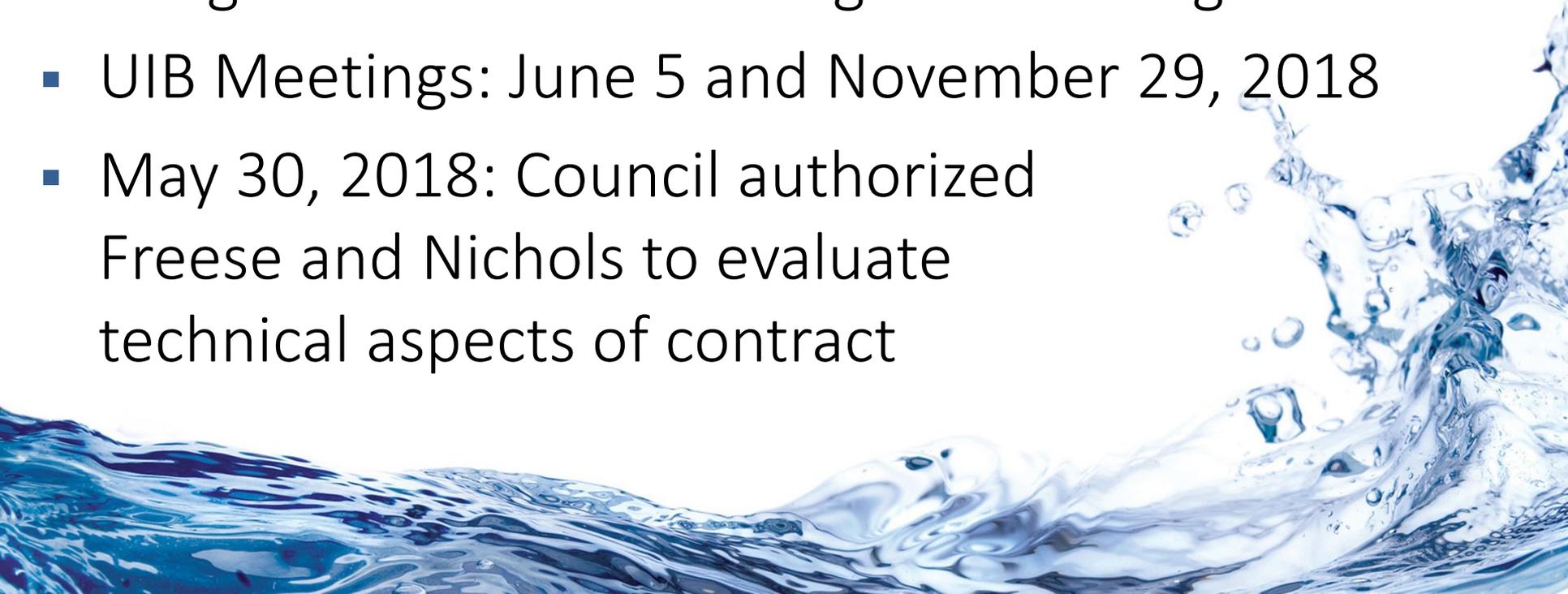
Timeline



- 2017: Initial discussions with Arlington

STAFF MEETINGS WITH ARLINGTON: November 2, 2017; February 2, March 9, April 27, May 16, May 23, July 9, August 24, October 31, November 7, November 30, December 3, 2018; and February 11 and 12, 2019

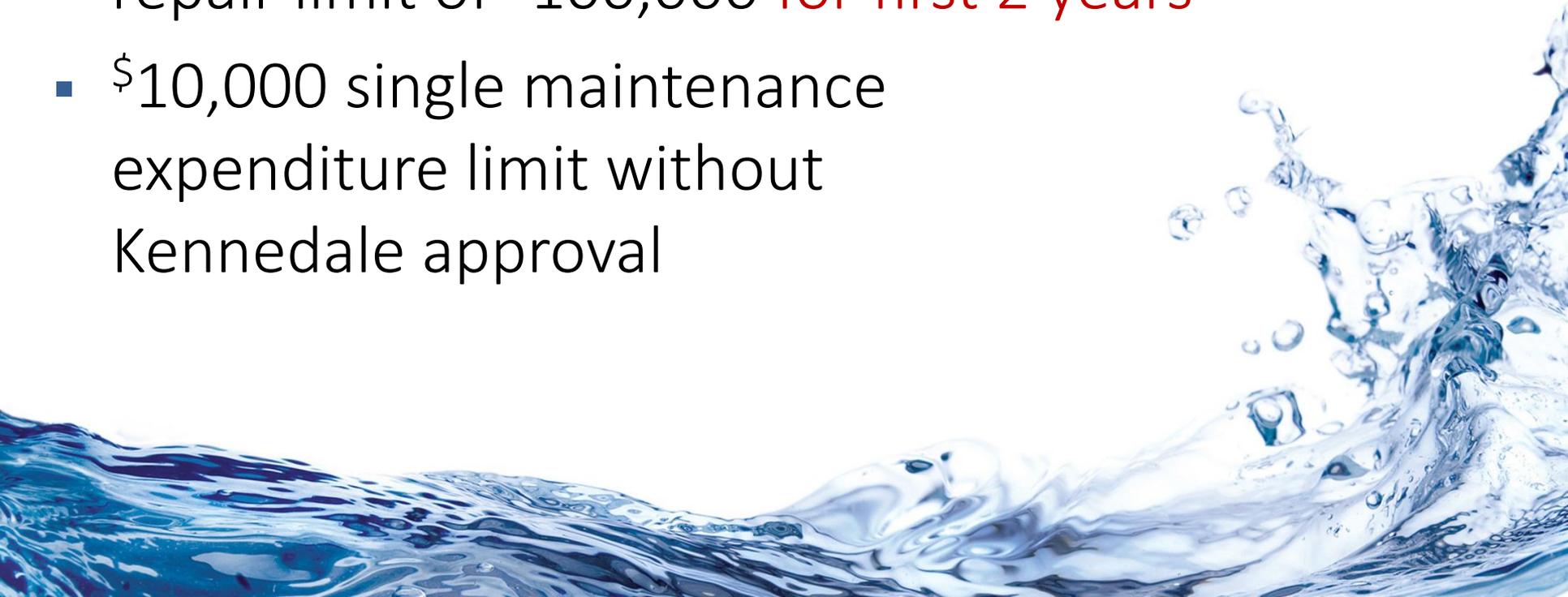
- Staff updated Council throughout 2018 and 2019 budget discussions and Regular Meetings
- UIB Meetings: June 5 and November 29, 2018
- May 30, 2018: Council authorized Freese and Nichols to evaluate technical aspects of contract



Contract Highlights



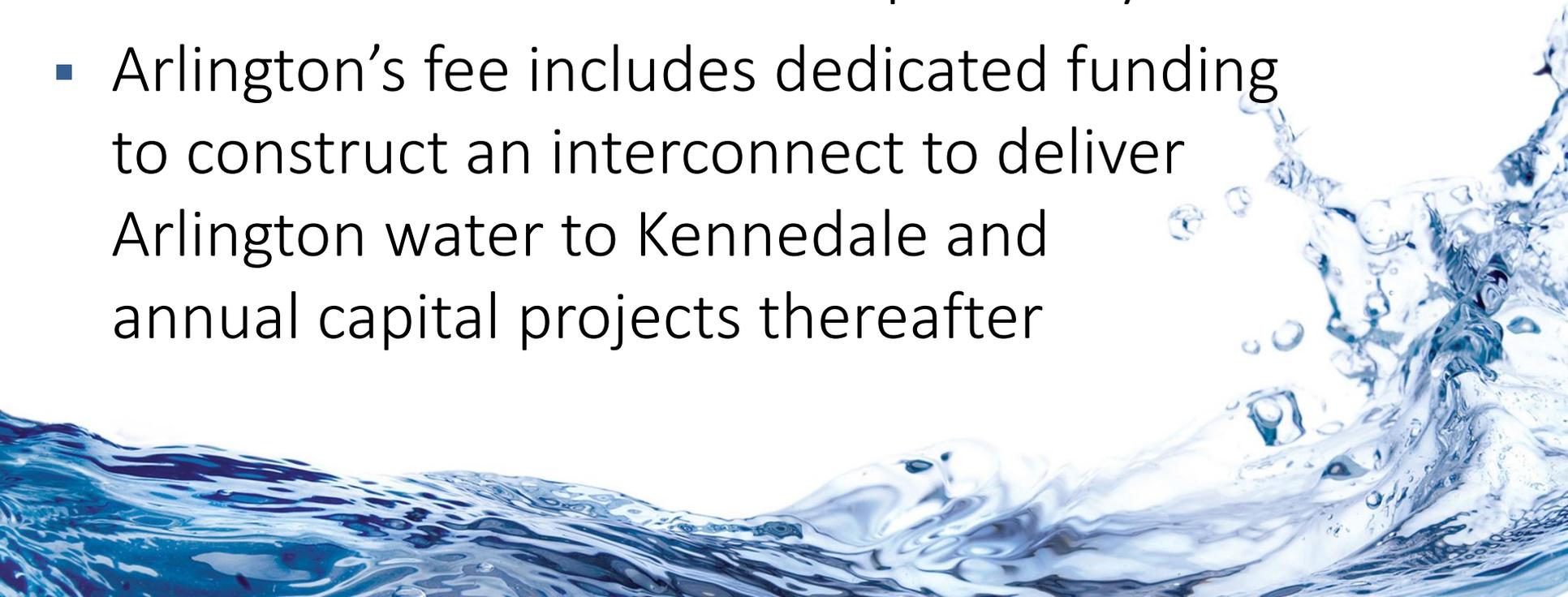
- Term: 5 years; Renewable in 5-year increments
- After 2 years, renegotiate costs based on actuals
- Annual non-routine maintenance and repair limit of \$100,000 for first 2 years
- \$10,000 single maintenance expenditure limit without Kennedale approval



Contract Highlights



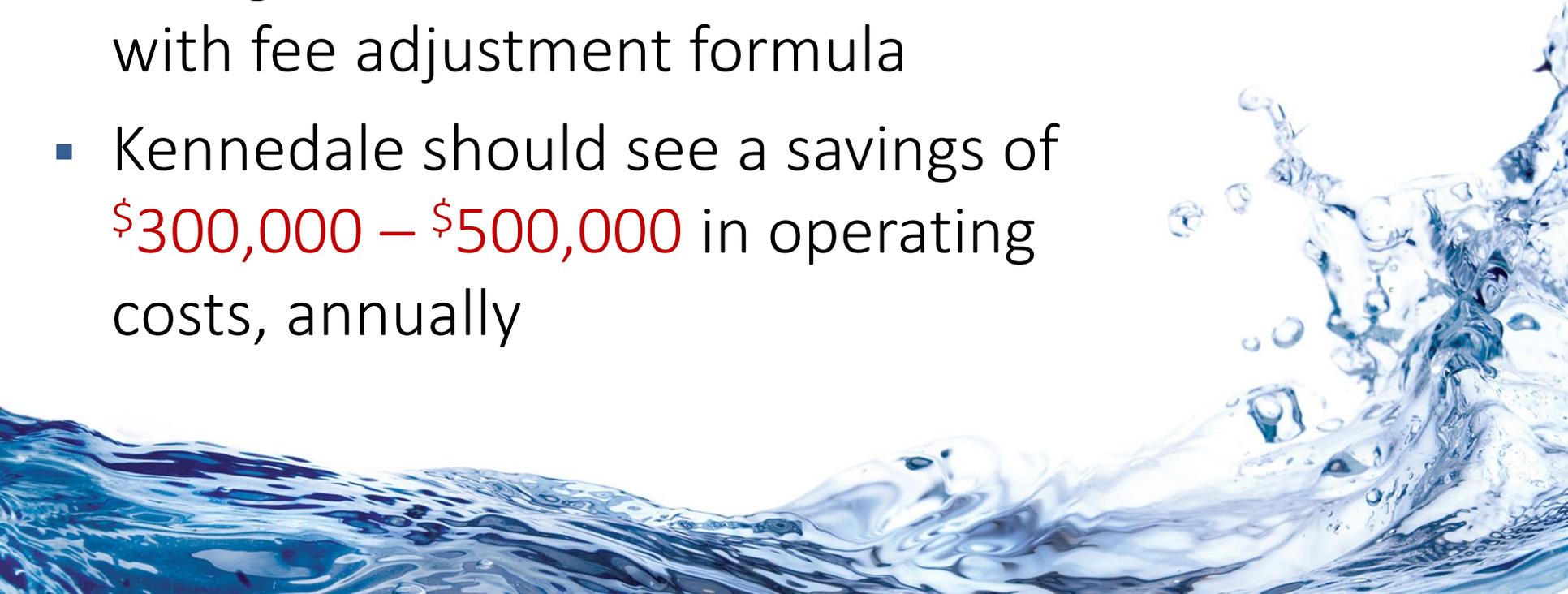
- Eligible Kennedale employees offered employment in same or similar positions, subject to screenings
- Kennedale retains ownership of all system assets
- Arlington's fee includes dedicated funding to construct an interconnect to deliver Arlington water to Kennedale and annual capital projects thereafter



Contract Highlights



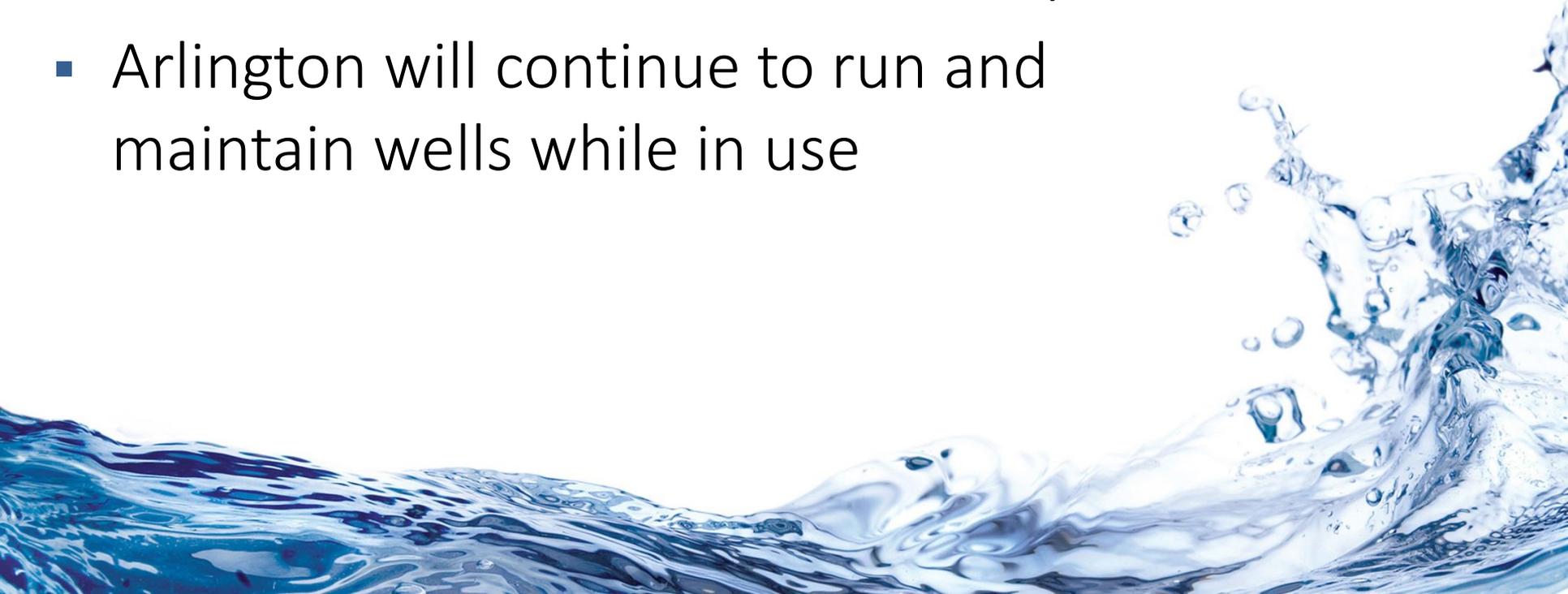
- Arlington will propose an annual CIP (Capital Improvement Plan) to Kennedale
- Kennedale grants transmission rights to Arlington for water distribution at set fee with fee adjustment formula
- Kennedale should see a savings of **\$300,000 – \$500,000** in operating costs, annually



Services Included



- Arlington will maintain the Kennedale utility system at the same standards as its own
- Arlington will implement existing technology to the betterment of Kennedale system
- Arlington will continue to run and maintain wells while in use



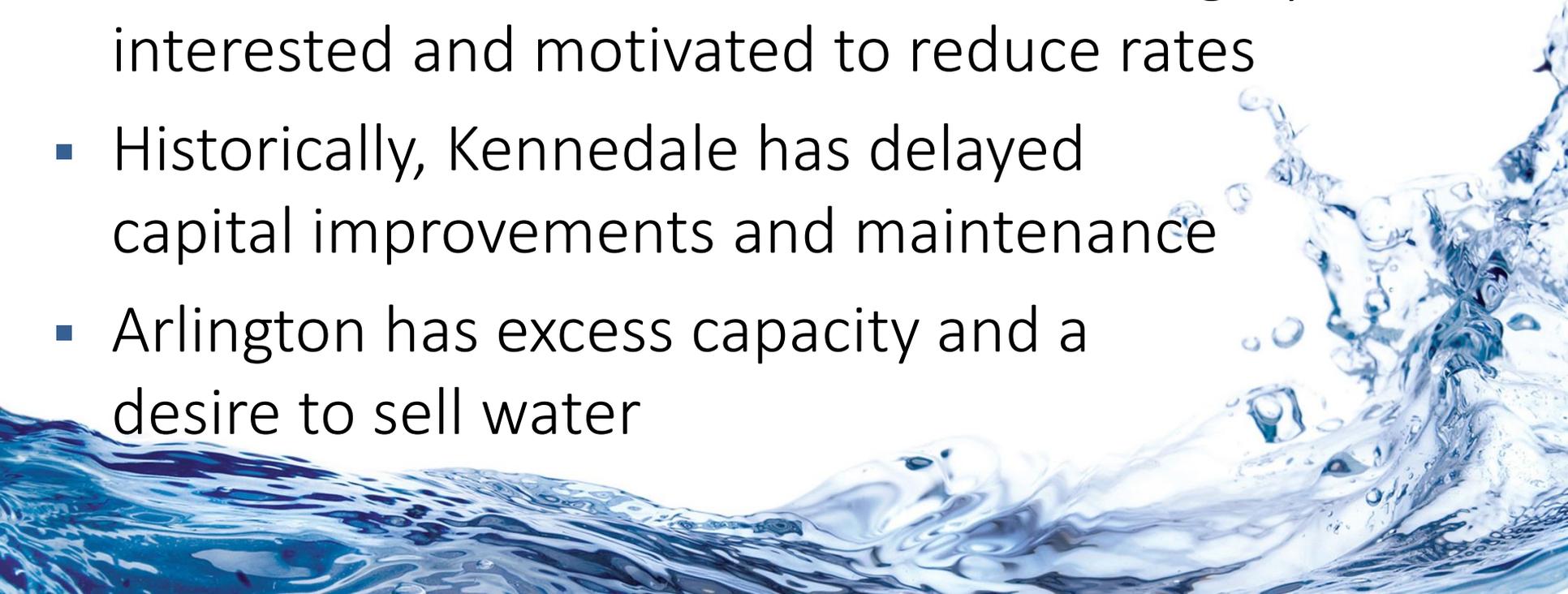
Impact on the City of Kennedale



How We Got Here



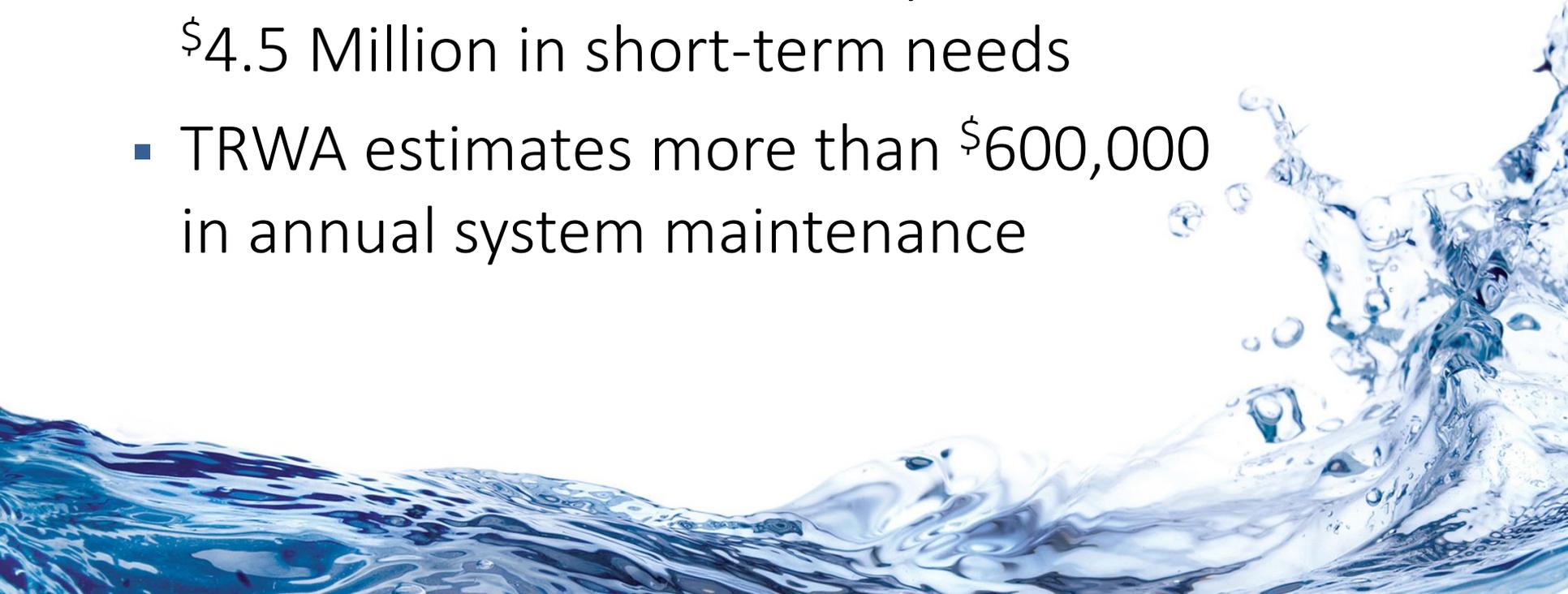
- Both Cities committed to regional solutions to common issues and challenges in a dynamic, densely populated metropolitan area
- Kennedale citizens and Council were highly interested and motivated to reduce rates
- Historically, Kennedale has delayed capital improvements and maintenance
- Arlington has excess capacity and a desire to sell water



Outside Studies



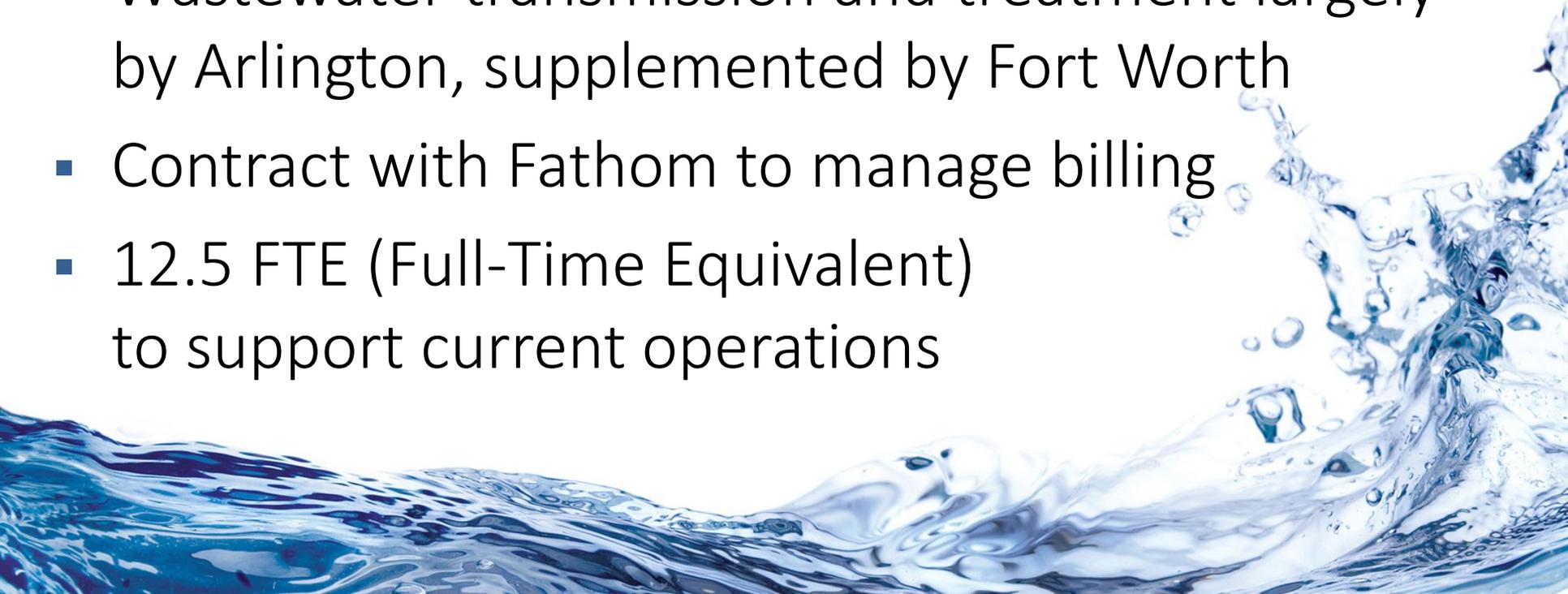
- Kennedale has historically underfunded capital and maintenance projects for the Water and Wastewater Utility System
 - A Freese and Nichols study identified \$4.5 Million in short-term needs
 - TRWA estimates more than \$600,000 in annual system maintenance



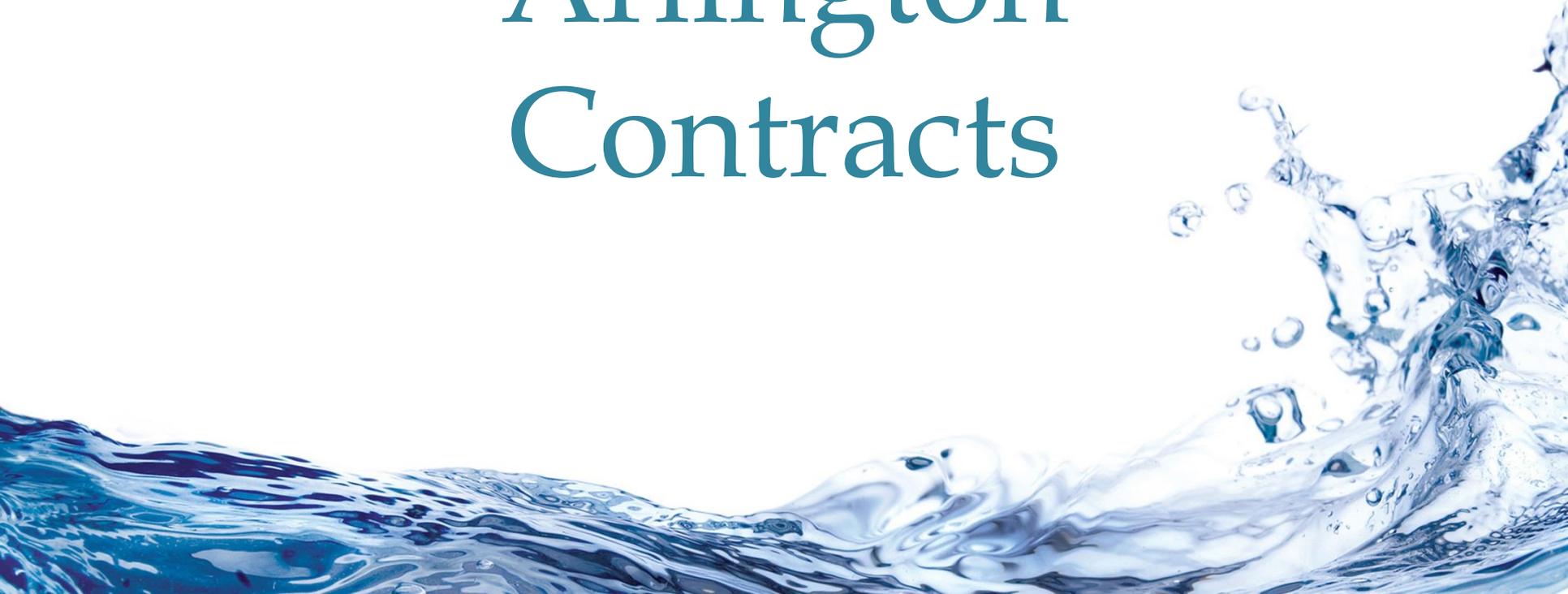
Current System



- As a cost-saving measure, the majority of water supply comes from existing wells
- The remainder is purchased from Fort Worth
- Wastewater transmission and treatment largely by Arlington, supplemented by Fort Worth
- Contract with Fathom to manage billing
- 12.5 FTE (Full-Time Equivalent) to support current operations

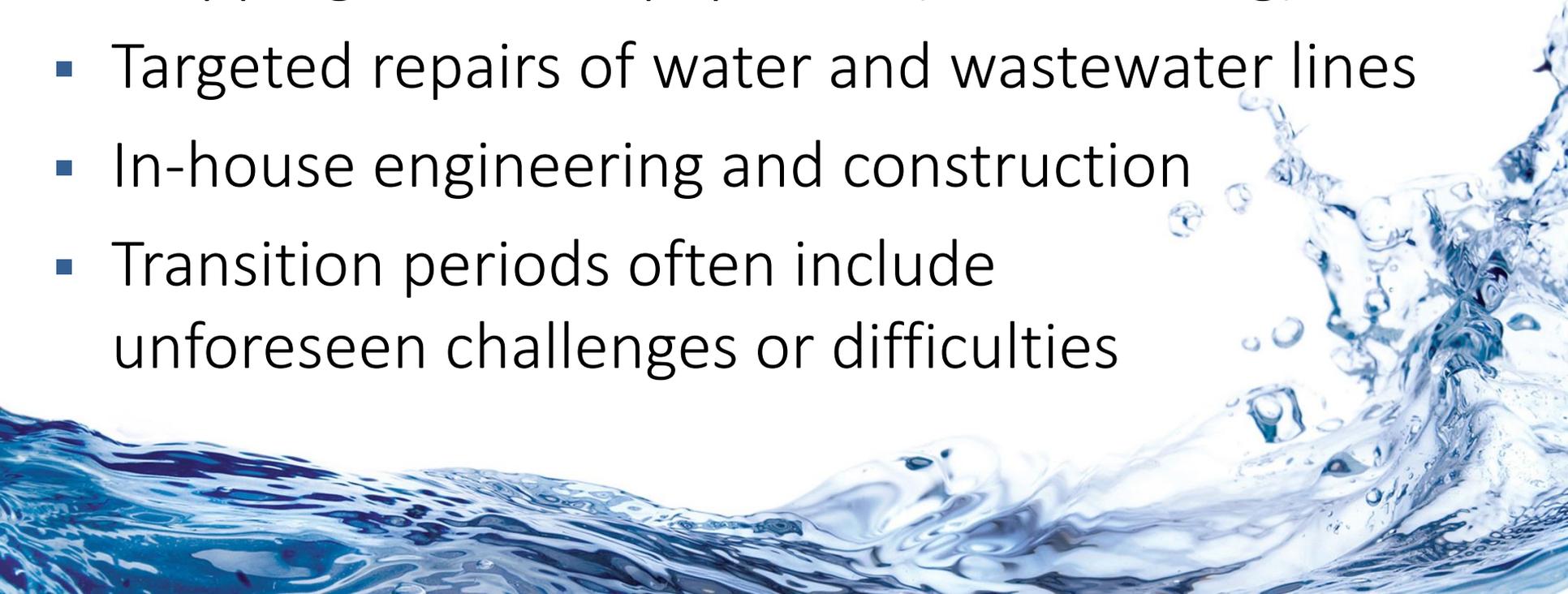


Impact of Arlington Contracts



Operational Impact

- Moving away from well water has the potential to provide improved taste and pressure
- Improved technological resources: line robots, mapping, Vactor equipment (line cleaning)
- Targeted repairs of water and wastewater lines
- In-house engineering and construction
- Transition periods often include unforeseen challenges or difficulties



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
 - **May not happen immediately**
- Customers report service issues directly to Arlington



Employee Impact



- All eligible employees (5) offered positions at Arlington with at least equal pay and benefits and retain retirement benefits through TMRS
- Ineligible employees (2) offered to stay with Kennedale during 2-month transition period
- All receive sick days paid out at highest rate
- No employees in Water/Sewer after May;
Adding 1 employee to Stormwater and
1 to Building Maintenance

Infrastructure



- Kennedale will own all infrastructure
- Following transition, a full inventory will occur and Arlington will offer fair market value for tools and equipment
- Current fleet vehicles moved to other departments per replacement schedule



Existing Contracts



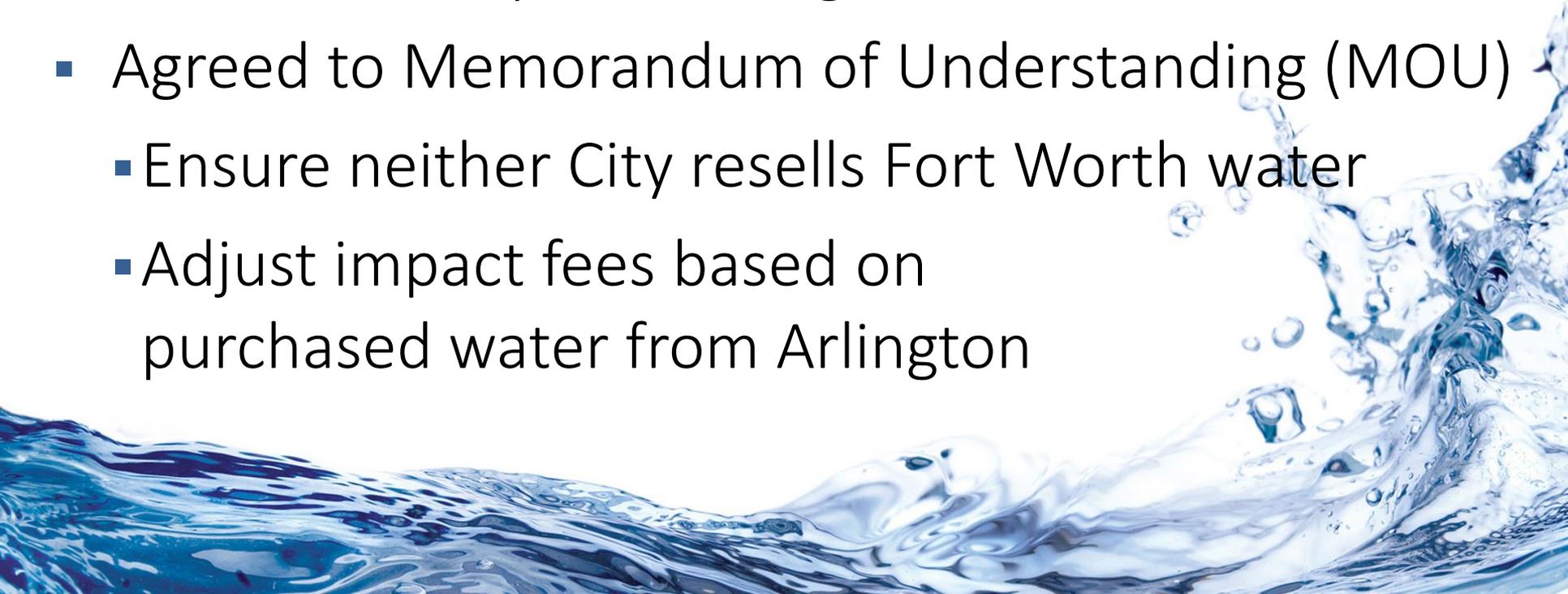
- City of Fort Worth: Purchase of Water (2031); and Wastewater Services (2048)
- City of Arlington: Wastewater Services
- Global Water Fathom: Utility Billing (2027)
- Waste Connections/WC of Texas (formerly Progressive Waste)



Fort Worth Contract



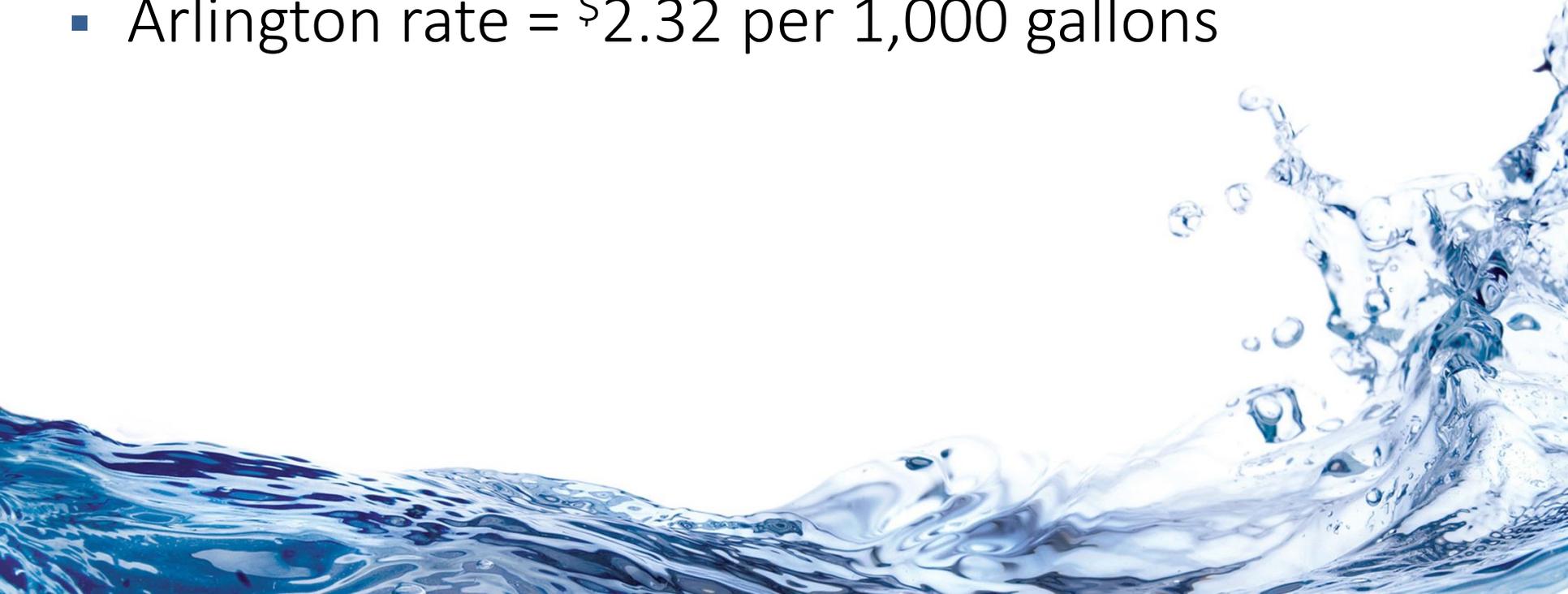
- City of Fort Worth was an excellent partner regarding this process
- Agreed to review contract in case of conflict with current water purchase agreement
- Agreed to Memorandum of Understanding (MOU)
 - Ensure neither City resells Fort Worth water
 - Adjust impact fees based on purchased water from Arlington



Fort Worth Water vs. Arlington Water



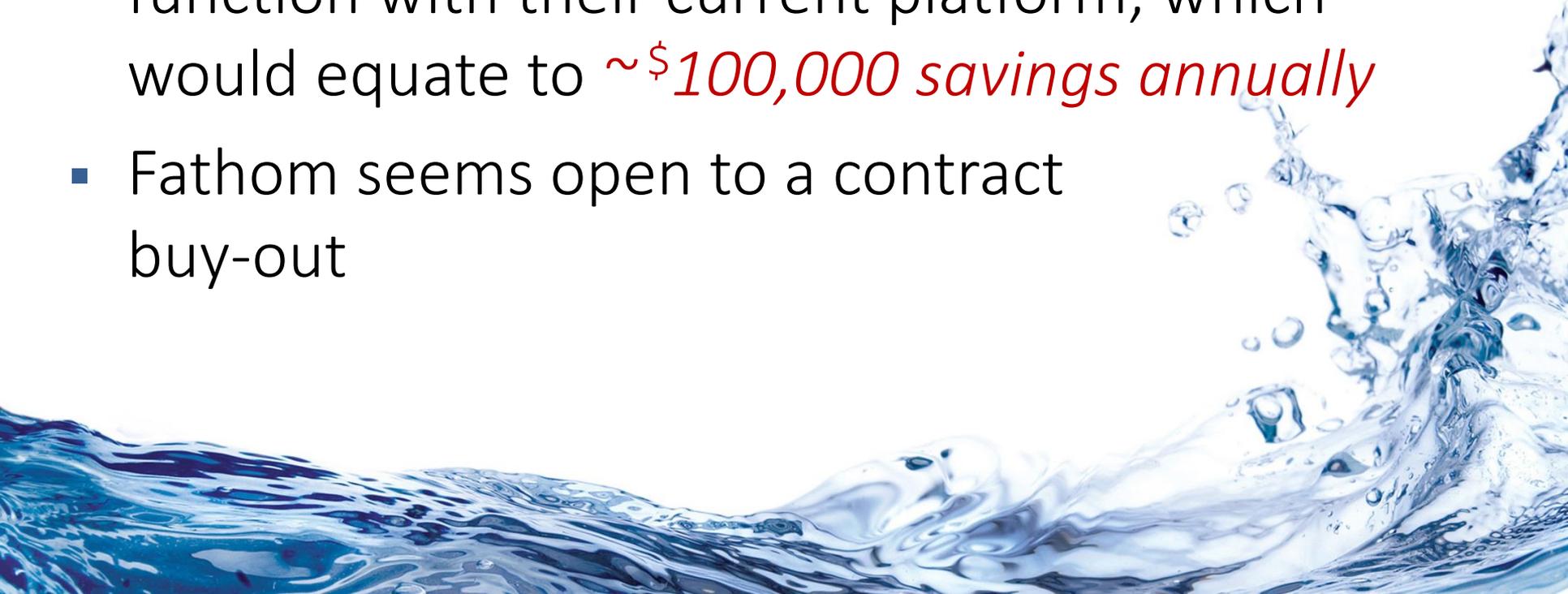
- Fort Worth formula based on rolling averages of maximum daily use, maximum hourly use, and total volume = ~ \$2.62 per 1,000 gallons
- Arlington rate = \$2.32 per 1,000 gallons



Global Water Fathom



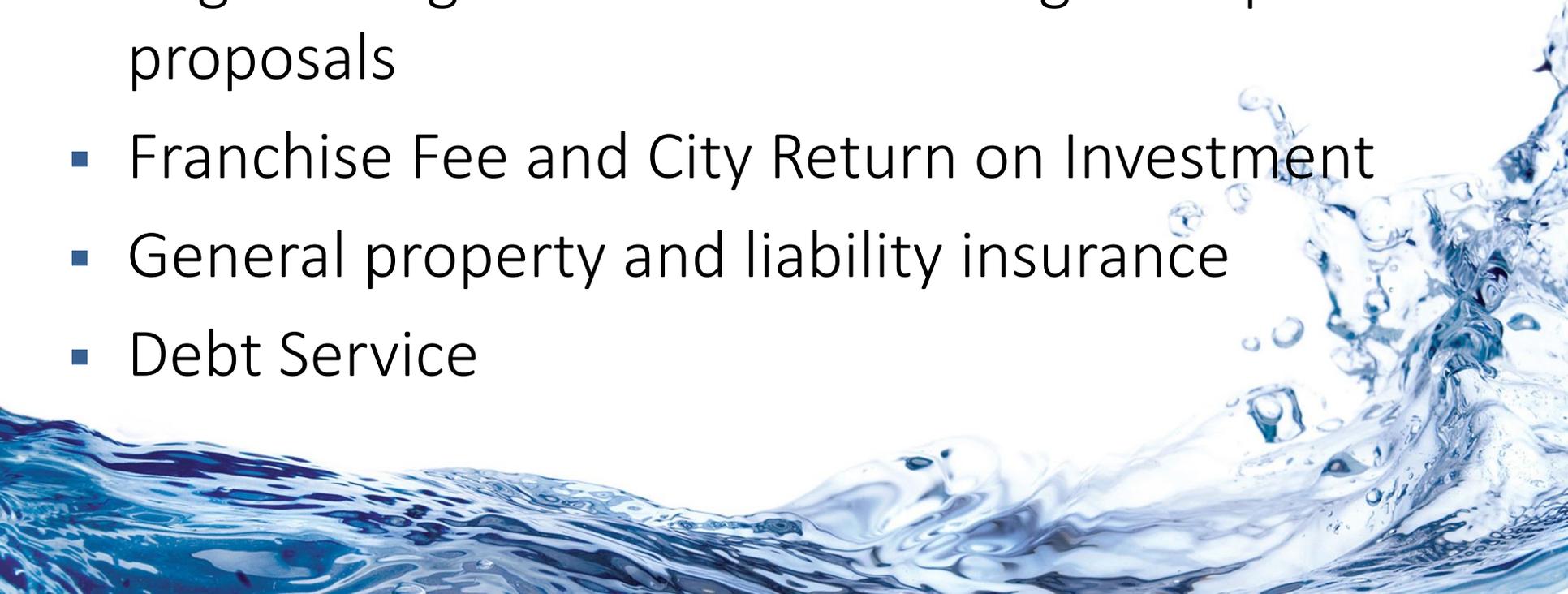
- Currently budgeted at ~\$220,000 per year
- Contract ends in 2027
- Arlington believes it can absorb billing function with their current platform, which would equate to *~\$100,000 savings annually*
- Fathom seems open to a contract buy-out



Costs Retained by Kennedale



- Kennedale retains ownership of existing infrastructure and responsibility of maintenance of existing service building
- Engineering costs to review Arlington capital proposals
- Franchise Fee and City Return on Investment
- General property and liability insurance
- Debt Service



Cost of Operations

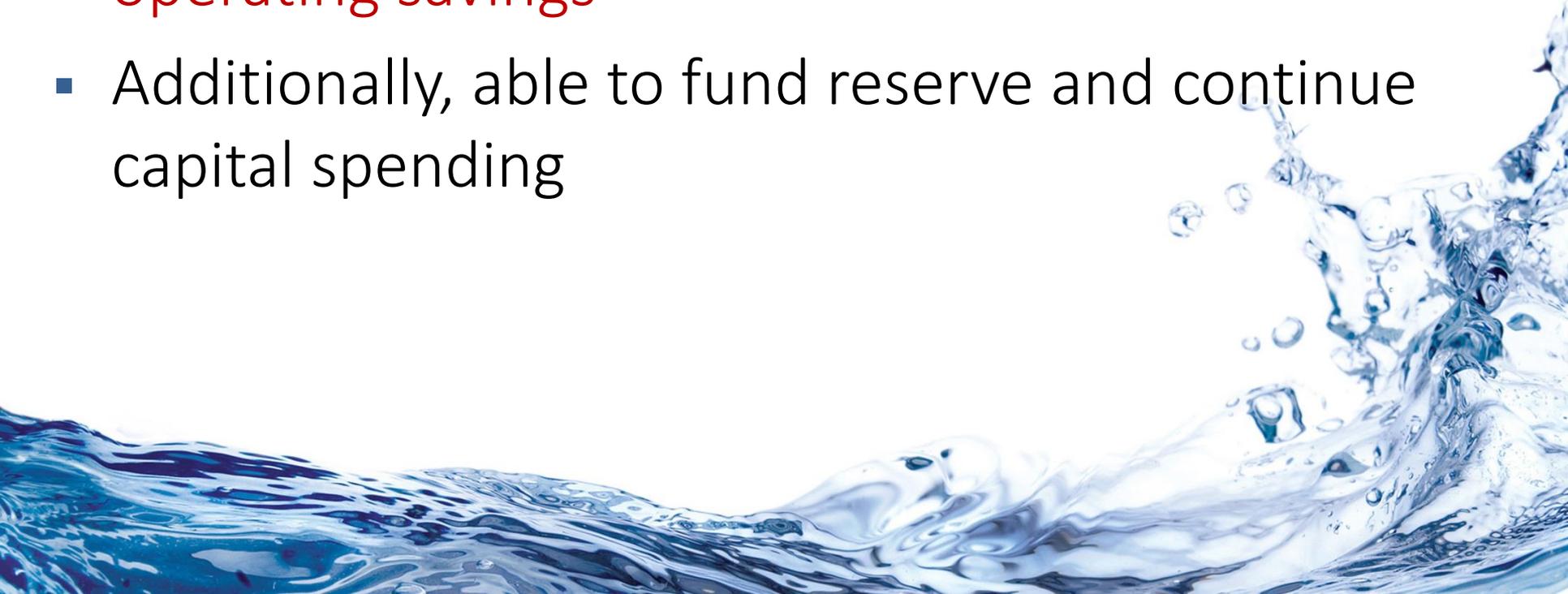


Item	Current Budget	Arlington Year 1*	Arlington Year 2	Arlington Year 3	Arlington Year 4
Fathom Contract	\$223,856	\$223,856			
Fort Worth Water	\$226,300	\$115,000	\$115,000	\$120,750	\$126,788
Arlington Sewer	\$696,000	\$696,000	\$730,800	\$767,340	\$805,707
Fort Worth Sewer	\$21,900	\$21,900	\$22,995	\$24,145	\$25,352
Return of Investment	\$355,518	\$355,518	\$355,518	\$355,518	\$355,518
Franchise Fee	\$190,658	\$190,658	\$190,658	\$190,658	\$190,658
Debt	\$509,680	\$509,680	\$507,318	\$511,370	\$448,028
Insurance	\$16,473	\$16,473	\$17,297	\$18,161	\$19,070
Building Maintenance/Other	\$49,181	\$49,181	\$50,165	\$51,168	\$52,192
Engineering	\$80,000	\$50,000	\$52,500	\$52,500	\$52,500
Arlington Customer Service			\$115,000	\$120,750	\$126,788
Emergency Exp/Reserve		\$150,000	\$150,000	\$150,000	\$150,000
Annual Cash Funded Capital		\$250,000	\$250,000	\$300,000	\$300,000
Purchase Water Arlington		\$100,000	\$600,000	\$630,000	\$661,500
One-Time Capital	\$635,000				
Other Kennedale Operating Costs	\$1,654,953				
Arlington O&M Agreement		\$1,200,000	\$900,000	\$550,000	\$577,500
Total	\$4,659,519	\$3,928,266	\$4,057,250	\$3,842,360	\$3,891,598

Financial Impact



- Some operating savings in year one and two
 - *Lessened due to various start up costs*
- Year three and beyond could see \$500,000 in operating savings
- Additionally, able to fund reserve and continue capital spending



New Costs



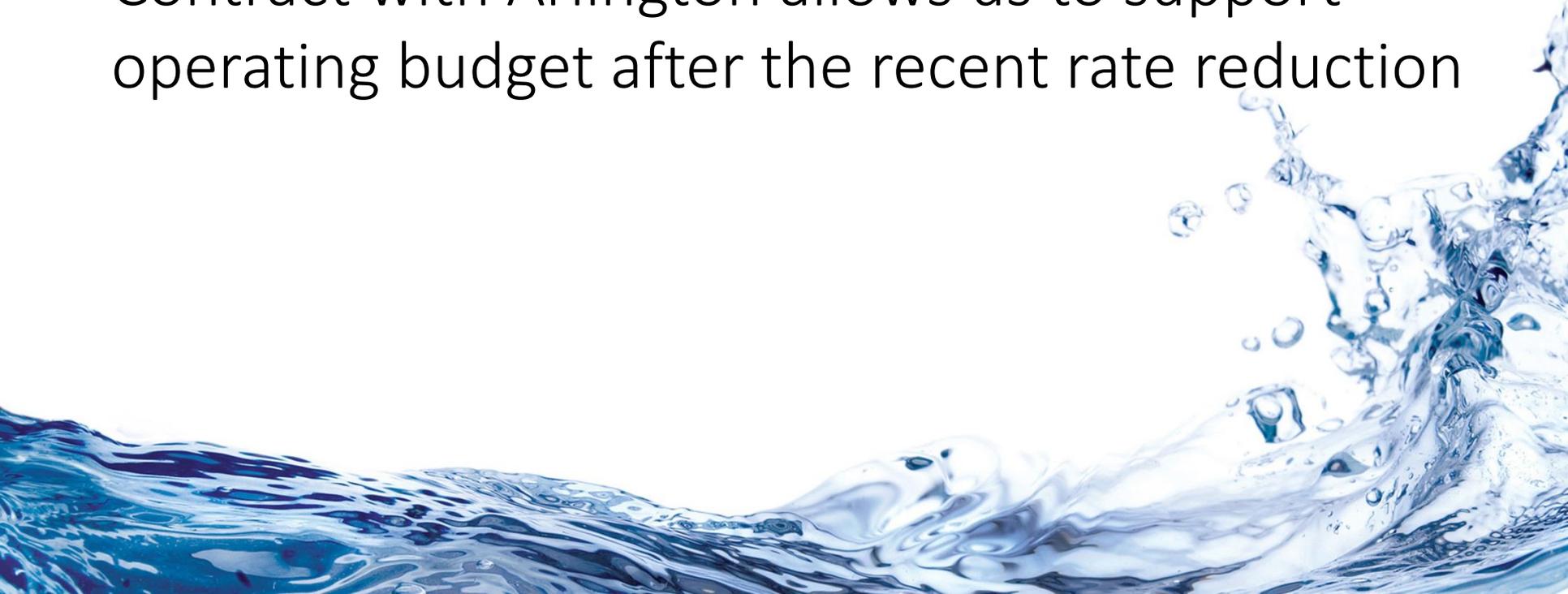
- Purchased water from Arlington
- ~ \$150,000 annual to fund emergency maintenance and fund reserve
- ~ \$250,000 annually in additional capital costs



Effect on Rates



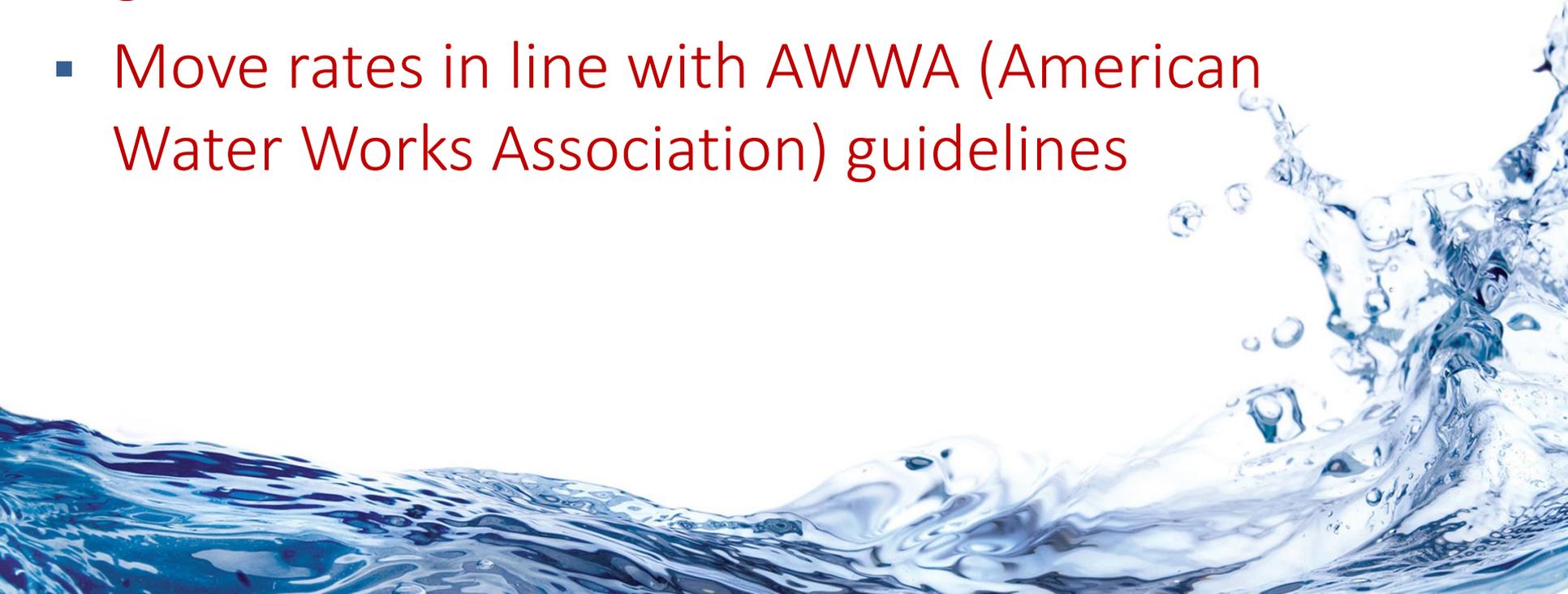
- Need ~ \$4.05 million in revenue to support ongoing expenditures
- Current rates budgeted to bring in \$4.01 million
- Contract with Arlington allows us to support operating budget after the recent rate reduction



Rate Recommendation



- Maintain current rate until next budget cycle
- At that time, there will be 2-3 months of data on Arlington operations and associated costs to guide a decision
- Move rates in line with AWWA (American Water Works Association) guidelines



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	N/A			
5001-20000	\$5.36 Per 1000 Gallons	N/A			
20001-50000	\$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.

Special Thanks



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

