Attached is a presentation outlining the Proposed FY2020-2021 Operating Budget for the Water and Sewer Fund. The Fund anticipates a 0.79% or $3.7M increase in total expenditures primarily due to increases in capital spending necessary to fund the 5-Year Capital Improvements Program. Operating increases include transfers to the Trinity River Authority for wastewater treatment, increases in the cost of retiree healthcare, anticipated increases in the Utility’s bad debt write off.

The attached presentation also provides updates to major programs and organizational priorities addressed in the FY2020-2021 budget. The Utility is beginning to reap the benefits to operations of prior year capital investments. That is highlighted in both the biosolids and MyH2O programs. Water loss will also be addressed through enhanced distribution system leak detection efforts and the launch of the SmartRepair program, offering household assistance to residents who are unable to pay for the repair of leaks in their homes. In 2021 the Utility will also increase its focus on safety and will improve compliance and efficiency through efforts to improve contracting and procurement activities.

Each year the Utility completes cost of service studies for Retail and Wholesale customer classes for both water and sewer services. Those studies are used to determine the rates that will be recommended to the City Council. This year’s retail cost of service studies indicate that adequate revenue exists within the current retail rate structure so additional rate adjustments are not required.

In addition to retail rates, wholesale rates paid by the Utility’s 34 water customer cities and 23 sewer customer cities are based on cost of service studies. Those studies are performed on a 3-year rotation using consultant services, alternating water and sewer with department staff completing the study the other years. For FY2020-2021 both water and sewer studies were completed by NewGen Strategies and Solutions. The process and methodology are established within the Uniform Wholesale Contracts for water and sewer services. Studies are based on test year expenditure data, adjusting for known and measurable changes. Volumes used to calculate the rate change are based on prior year actual use. Results of the cost of service studies and preliminary rates are presented to the Wholesale Advisory Committee, comprised of representatives of each of the customer cities. Staff met with the Cost of Service Subcommittee of the Wholesale Advisory Committee on February 20 and May 14 and met with the full Wholesale Advisory Committee on June 25 to present the final wholesale water and sewer rates. Study recommendations result in in revenue requirements of +1.0% for Wholesale Water and -10.5% for Wholesale Sewer service.

Should you have any questions about the proposed budget or rate processes, please contact Water Director Chris Harder at 817-392-5020 or Deputy Director Kara Shuror at 817-392-8819.

David Cooke
City Manager
WATER AND SEWER FUND
ANNUAL BUDGET AND PROGRAM UPDATES
FY2020-21
Presentation Overview

FY2021 PROPOSED BUDGET

Approach to Budget Development
Projected Revenue
Expenditure Budget Summary
Significant Changes
Staffing Trends
2021 Impact of Key Initiatives
FY2021 BUDGET GOALS

REVENUE
- Incorporate impact of customer growth
- Conservative assessment of commercial and irrigation classes in light of potential economic impact
- Leverage fee revenue

EXPENDITURES
- Optimize operations
- Address areas of risk and compliance
- Leverage previous capital investments
- Fund ongoing capital needs
Project Revenue $479.5M

RETAIL SERVICE
- No rate increases
- 2% growth in accounts
- Projected revenue at current rates produced $2.6M additional revenue

WHOLESALE WATER
- Contract Cost of Service Study
- Rate change of +1%
- Decrease in max day/max hour
- Projected 2021 revenue $60.7M

NON SERVICE REVENUE
- Up 2% ($779k) as a result of new fees for taps, account services and backflow assembly testing

WHOLESALE SEWER
- Contract Cost of Service Study
- Rate change of -10.5%
- Increase in BOD & TSS charges
- Projected 2021 revenue $30.4M
**WATER AND SEWER FUND EXPENDITURES:**

<table>
<thead>
<tr>
<th></th>
<th>FY20 Adopted</th>
<th>FY21 Proposed</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>$277,796,497</td>
<td>$280,483,207</td>
<td>$2,686,710</td>
</tr>
<tr>
<td>Reclaimed</td>
<td>$510,235</td>
<td>$510,235</td>
<td>$0</td>
</tr>
<tr>
<td>Sewer</td>
<td>$197,411,974</td>
<td>$198,489,391</td>
<td>$1,077,417</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$475,718,706</strong></td>
<td><strong>$479,482,833</strong></td>
<td><strong>$3,764,127</strong></td>
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</tbody>
</table>
# Water and Sewer Fund Significant Changes (+/- $250K)

## Increases

<table>
<thead>
<tr>
<th>Capital:</th>
<th></th>
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<tbody>
<tr>
<td>Pay Go</td>
<td>$2,858,689</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$1,118,862</td>
</tr>
</tbody>
</table>

**Operations & Maintenance:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Biosolids</td>
<td>$1,170,000</td>
</tr>
<tr>
<td>Bad Debt</td>
<td>$968,101</td>
</tr>
<tr>
<td>TRA</td>
<td>$803,953</td>
</tr>
<tr>
<td>Healthcare</td>
<td>$773,943</td>
</tr>
<tr>
<td>ITS Transfers</td>
<td>$258,165</td>
</tr>
</tbody>
</table>

**Total** $7,951,716

## Reductions

**Capital:**

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Vehicles/Equip</td>
<td>($675,113)</td>
</tr>
</tbody>
</table>

**Operations & Maintenance:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary/Benefit</td>
<td>($1,112,742)</td>
</tr>
<tr>
<td>Chemicals</td>
<td>($742,588)</td>
</tr>
<tr>
<td>Consultants</td>
<td>($571,600)</td>
</tr>
<tr>
<td>Fleet Services</td>
<td>($540,121)</td>
</tr>
<tr>
<td>Workers Comp</td>
<td>($355,502)</td>
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<tr>
<td>Electricity</td>
<td>($349,156)</td>
</tr>
</tbody>
</table>

**Total** ($4,346,822)
Staffing Trends

**STAFF PER 1000 POPULATION (RETAIL ONLY)**

Proposed budget maintains staffing level at 999AP*

*Includes conversion of 2020 mid-year commitment for Communications Specialist*
2021 Impact of Key Initiatives

BIOSOLIDS
Full transition to Synagro Operations

MyH2O
70% Field installation
Launch of portal

WATER LOSS
Leak Detection
Customer Assistance

SAFETY
Environmental Hazards
Comprehensive Training

PROCUREMENT
Centralization of Planning and Compliance
Biosolids Processing

- Contract with Synagro executed in 2020
- Design-Build-Operate Project funded by TWDB
- Full Synagro operations in 2021

NEW CONTRACT REDUCES LONG TERM COST OF OPERATIONS
Biosolids Long Term Cost Impact

- Reduction in Cost per dry ton by 2023: 46%
- Reduction in Total Costs by 2023 including cost of debt: 21%
FY21 Transitional Impacts

Biosolids Cost of Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>RENDA OPERATIONS</th>
<th>O&amp;M - $10.1M Contract + $2.2M Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020-22</td>
<td>INTERIM OPERATIONS</td>
<td>O&amp;M - $10.4M Contract + $2.1M Chemicals -2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>O&amp;M - $11.5M (inclusive) - 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>O&amp;M - $10.6M (inclusive) - 2022</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Annual Debt Service - $3.2M</td>
</tr>
<tr>
<td>2023</td>
<td>SYNAGRO OPERATIONS</td>
<td>O&amp;M - $6.7M</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Annual Debt Service - $3.2M</td>
</tr>
</tbody>
</table>

11
MyH2O Program Goals

- Improve Customer Experience
- Advance Business Processes
- Enhance Transparency
- Leverage Use of Data
- Reduce Water Loss
MyH2O Technology

FIELD NETWORK
- 268,000 meters/endpoints
- 32 tower gateway base-stations
- 1 test environment & 1 mobile unit

READ DATA MANAGEMENT
- Remote Network Interface (RNI)
- Meter Data Management (MDM)

DATA TOOLS
- Integrated billing, CRM, IVR, GIS, work order management, and Paymentus
- Blueworks process transformation
- MyH2O online/mobile platform
FY21 Service Enhancements

MyH2O Portal: FULL-SERVICE MOBILE SOLUTION

- Start, stop, or transfer service
- Detailed interval water use data
- Comparative water use data
- Smart iQ Analytics and alerts
- Conservation tab providing for education and program enrollment
- Notification preferences
- Paperless billing
- Ability to set budget alerts and notifications
- Electronically submit billing questions
2021 FACTS AND FIGURES

47%
Reduction in manual reads

13%
Reduction in cost of meter reading and support
FY21 Transitional Impacts

Validation of Billing Reads

- Perform comparative analysis of manual versus digital reads prior to acceptance into billing files
- Monitor MDM data to determine root cause of potential billable data issues in advance of bill production

Dual Process Field Data Review

- Daily review of RNI and MDM data to validate metering, address alerts, determine root cause of ‘no read’ and failed meter communications
- Daily review of SPMR data for manual reads to reassign skip reads, ensure contract compliance, and address inactive consumption reports
- Balance cycles and routes to maintain consistent billing

Data Use Training and Coaching

- Analytical skills development and systems training for Sr. Customer Service reps to aid customers in interpreting hourly use data and billing
- Alert management for customers not in portal
2021 Goals:
- Reduce apparent loss through improvements in billing and meter accuracy
- Reduce real losses through enhanced leak detection efforts
2021 Goals:
- Reduce real losses through enhanced leak detection efforts
- Reduce Infrastructure Leakage Index (ILI) from 5.28 to 3.75 over 5-years

2021 Initiatives:
- Acoustical Leak and Correlation Survey of 1500 miles of distribution system using contractual service plus in-house labor - $350,000 funded in 2021 through Water Efficiency Condition Assessment Program
- Establish 5 District Metering Areas (DMA) in coordination with MyH2O and evaluate performance
2021 Program Goals:
- Reduce water lost to leaks
- Keep water bills from increasing due to leaks
- Keep essential water service affordable to all residents

2021 Initiative:
- Program enables the repair or replacement of broken or leaking fixtures, faucets and pipes including labor for income qualifying Fort Worth homeowners up to $3,000
- $400,000 available in 2021 through conservation program
Environmental
Health and Safety

2021 PROGRAM GOALS:

- Reduce Workers Comp Claims
- Prevent and address accidents
- Establish and update workplace safety policies and procedures
- Provide comprehensive and targeted safety resources and training
- Increase site visits
- Develop Contractor Safety Program
- Develop Process Safety Management Plan for chemical and environmental hazards
**ENVIROMENTAL HEALTH AND SAFETY PROGRAM STRUCTURE**

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Christine Webb, CSP  
Environmental Health/Safety Manager

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<table>
<thead>
<tr>
<th>Nancy Honeysuckle, GSP Safety Coordinator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility and Contractor Site Inspection program/policy</td>
</tr>
<tr>
<td>Employee Health Programs (i.e. Athletic Trainer, Hearing, and Respiratory)</td>
</tr>
<tr>
<td>Accident review and Workers Compensation analysis</td>
</tr>
<tr>
<td>Develop/Manage Process Safety Management Plan (PSM) for Environmental Hazards</td>
</tr>
<tr>
<td>Safety Training Lead (needs assessment, alignment, and reporting)</td>
</tr>
<tr>
<td>Develop and Manage Contractor Safety Program</td>
</tr>
</tbody>
</table>

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*Positions derived from reprioritization of existing resources*
H2O Procurement Oversight

PROGRAM COMPONENTS

GOODS/SERVICE PROCUREMENT
- Utility-wide annual plan with forecasted needs
- Technical specifications and requirements
- Verified terms and payable controls

CONSTRUCTION MANAGEMENT
- Manage terms/conditions
- Ensure competitive pricing and MBE compliance
- Manage vendor performance
- Compliance / quality controls

INVENTORY MANAGEMENT
- Efficient inventory levels
- Sustainable supply chain
- Ensure competitive pricing
- Internal controls

CONTRACT COMPLIANCE
- Negotiated / optimized renewals
- Vendor performance management
- Contract and invoice audits
- Non-compliance resolution
FACTS AND FIGURES

800+

Active contracts and purchase agreements with $260M in annual payments; New AR requires dedicated procurement resources and optimized procurement

*Positions derived from re-prioritization of existing resources*
Questions?

CHRIS HARDER, WATER DIRECTOR
817-392-5020