

**To the Mayor and Members of the City Council**

August 20, 2020

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SUBJECT: 2020-2021 WATER AND SEWER FUND BUDGET

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 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



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

Projected
Revenue
\$479.5M

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:

	FY20 Adopted	FY21 Proposed	Change
Water	\$ 277,796,497	\$280,483,207	\$ 2,686,710
Reclaimed	\$ 510,235	\$ 510,235	\$ -
Sewer	<u>\$ 197,411,974</u>	<u>\$198,489,391</u>	<u>\$ 1,077,417</u>
Total	\$ 475,718,706	\$479,482,833	\$ 3,764,127

+0.79%

WATER AND SEWER FUND SIGNIFICANT CHANGES (+/- \$250K)

INCREASES

Capital:

Pay Go	\$2,858,689
Debt Service	\$1,118,862

Operations & Maintenance:

Biosolids	\$1,170,000
Bad Debt	\$ 968,101
TRA	\$ 803,953
Healthcare	\$ 773,943
ITS Transfers	<u>\$ 258,165</u>

Total \$ 7,951,716



REDUCTIONS

Capital:

Vehicles/Equip	(\$675,113)
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Operations & Maintenance:

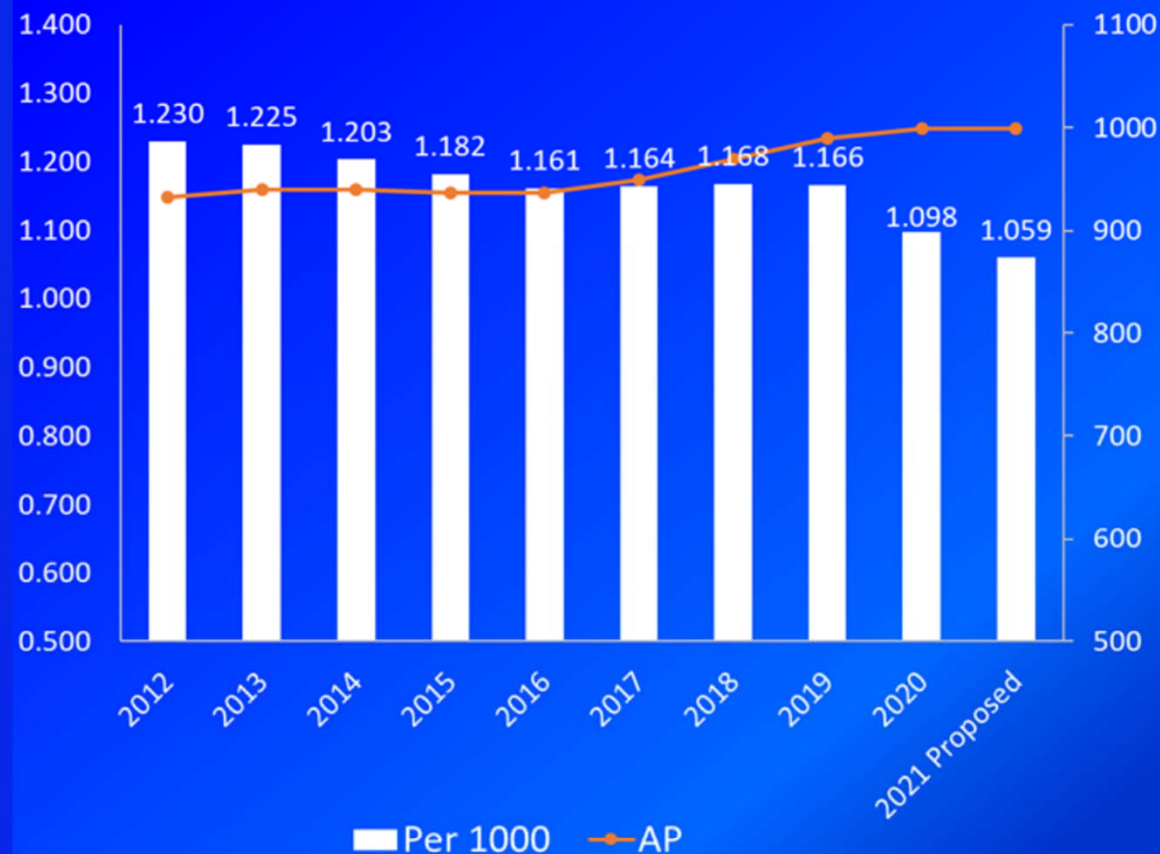
Salary/Benefit	(\$1,112,742)
Chemicals	(\$742,588)
Consultants	(\$571,600)
Fleet Services	(\$540,121)
Workers Comp	(\$355,502)
Electricity	<u>(\$349,156)</u>

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



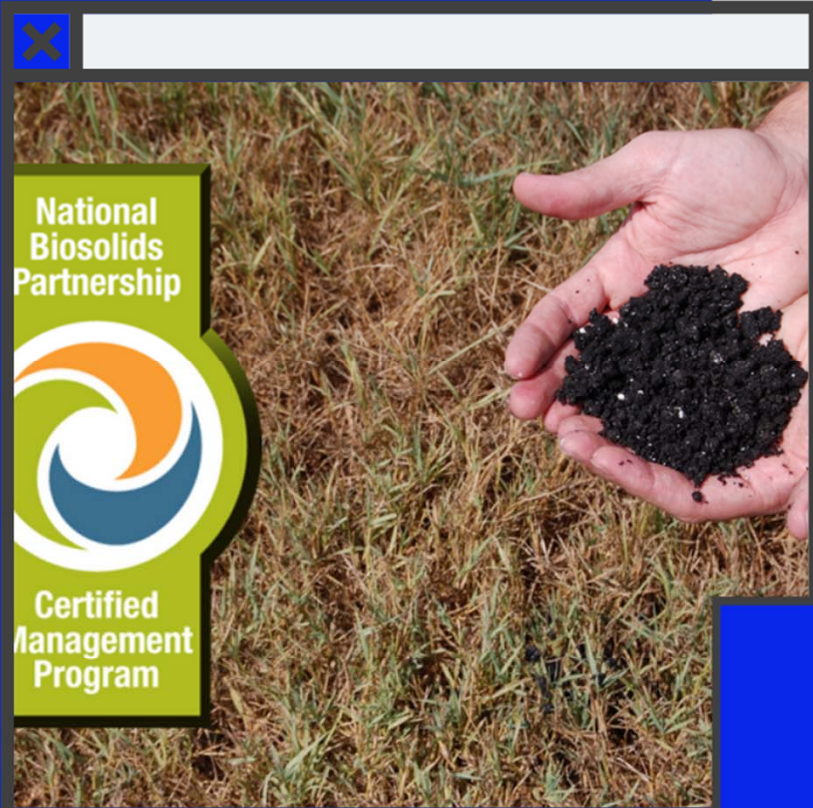
SAFETY

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



↓ **46%**

Reduction in Cost per dry
ton by 2023

↓ **21%**

Reduction in Total Costs by
2023 including cost of debt

FY21 Transitional Impacts

Biosolids Cost of Operations

2019 RENDA OPERATIONS	O&M - \$10.1M Contract + \$2.2M Chemicals
2020-22 INTERIM OPERATIONS	O&M - \$10.4M Contract + \$2.1M Chemicals -2020 O&M - \$11.5M (inclusive) - 2021 O&M - \$10.6M (inclusive) - 2022 Annual Debt Service - \$3.2M
2023 SYNAGRO OPERATIONS	O&M - \$6.7M Annual Debt Service - \$3.2M

MyH2O Program Goals



Improve
Customer
Experience

Advance
Business
Processes



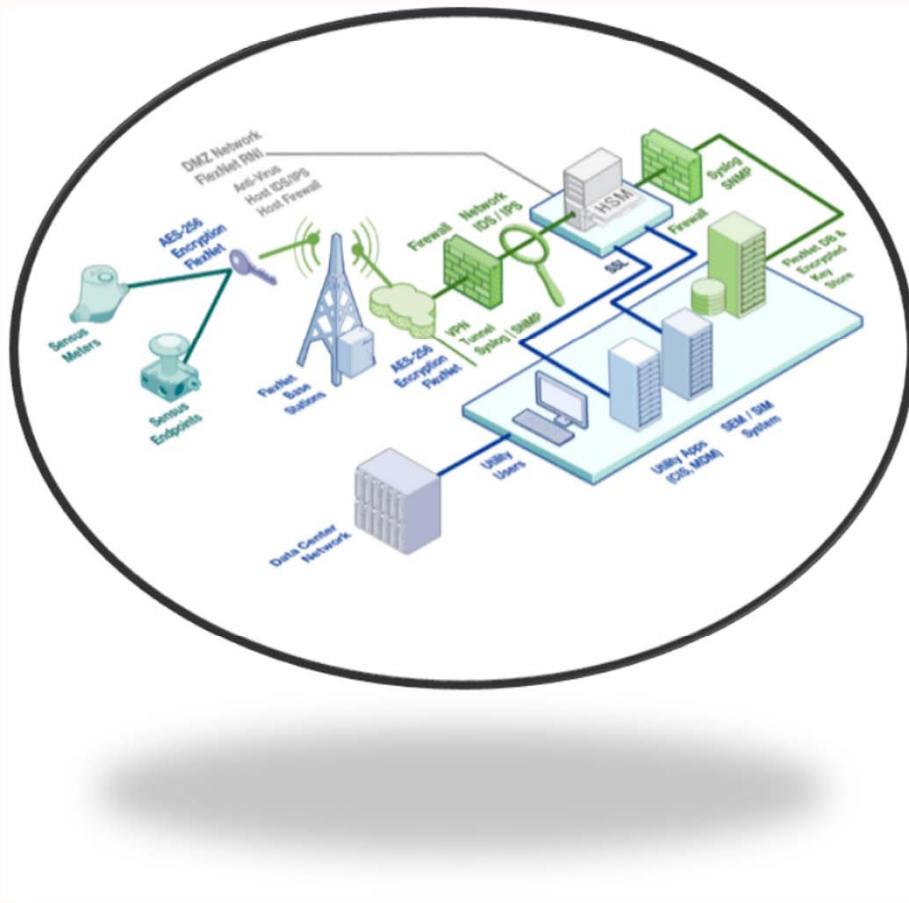
Enhance
Transparency

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

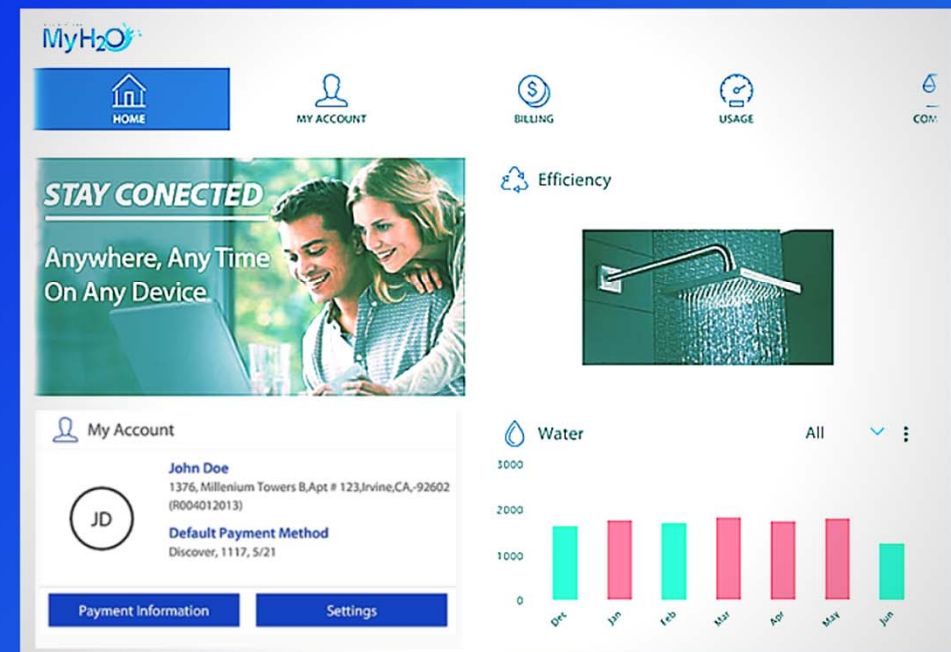
- Integrated billing, CRM, IVR, GIS, work order management, and Paymentus
- Blueworks process transformation
- MyH2O online/mobile platform

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

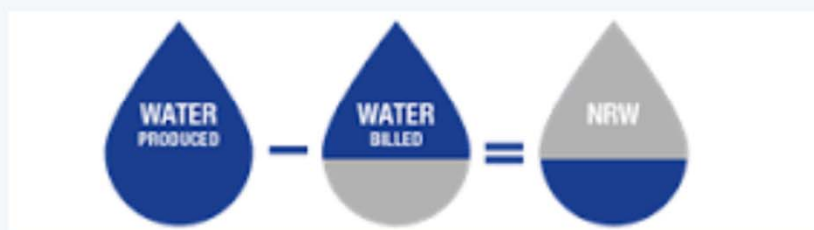
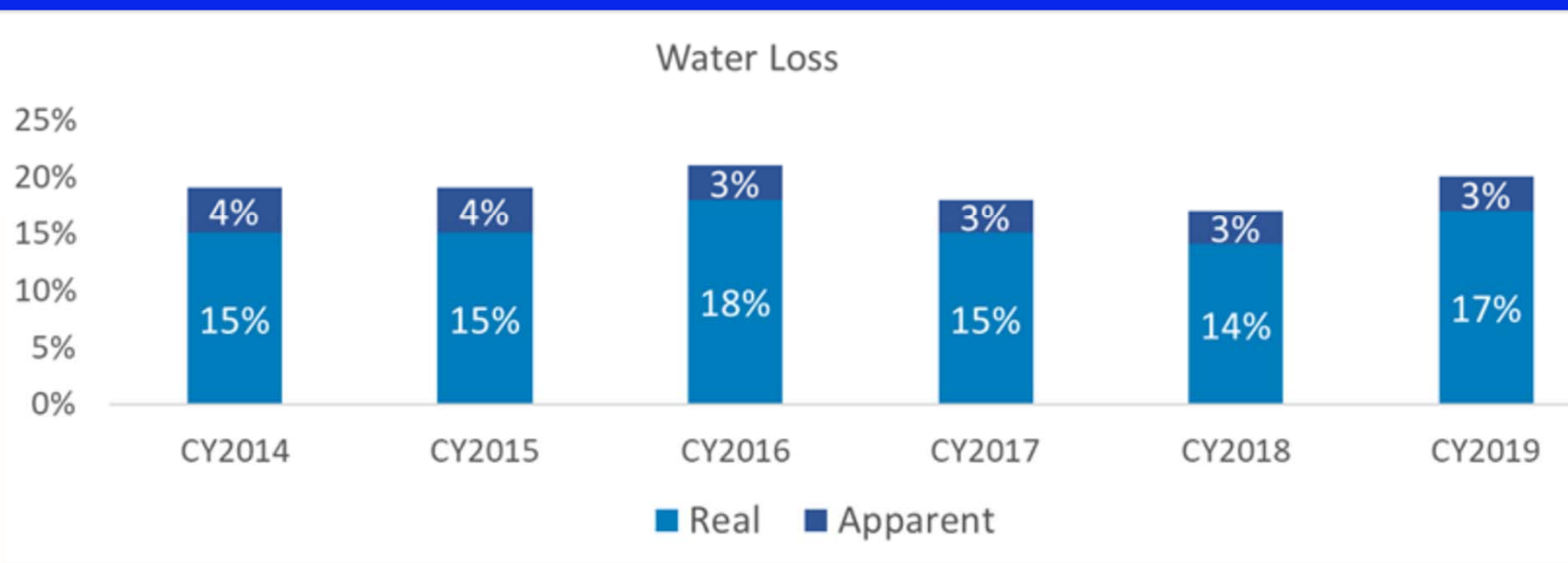
DUAL PROCESS FIELD DATA REVIEW

- 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

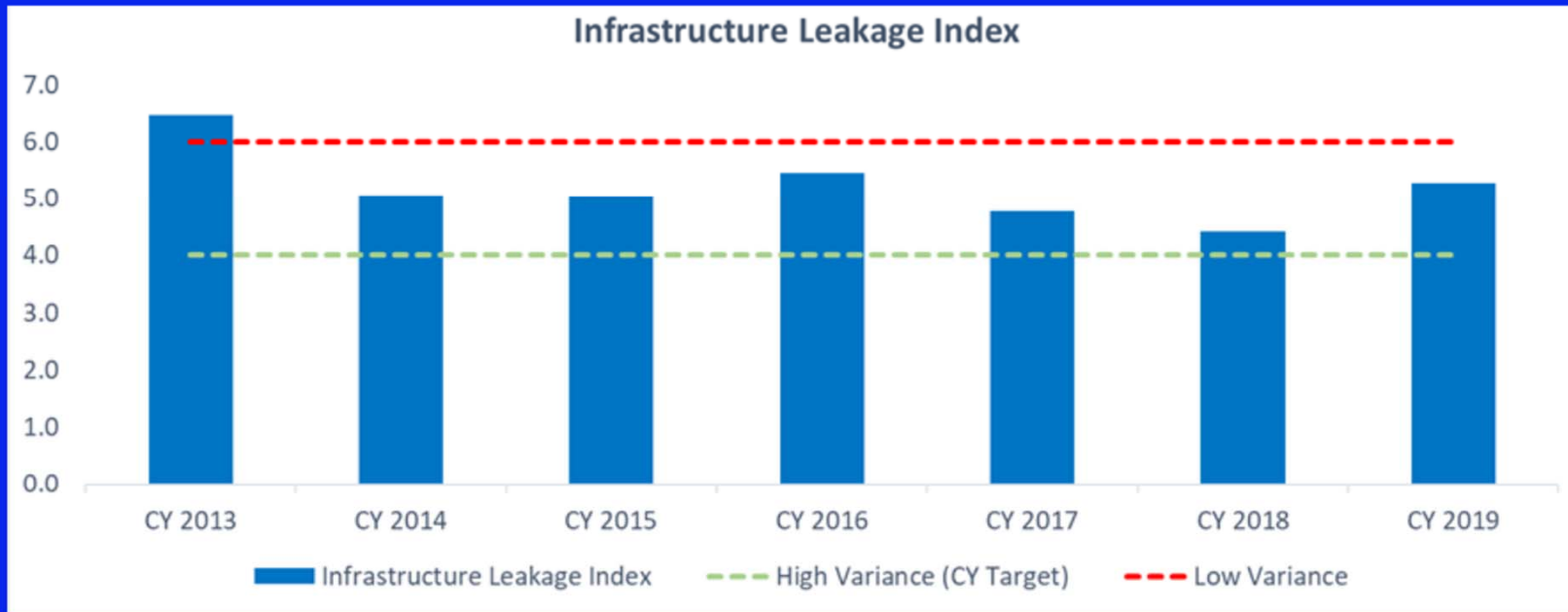
- Analytical skills development and systems training for Sr. Customer Service reps to aid customers in interpreting hourly use data and billing
- Alert management for customers not in portal

WATER LOSS METRICS - NON-REVENUE WATER (NRW)



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

SmartRepair Plumbing Program

1 DRIP per second wastes
10,000 GALLONS per year

A water conservation leak repair program

Plumbing assistance for low-income homeowners



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

ENVIRONMENTAL HEALTH AND SAFETY PROGRAM STRUCTURE

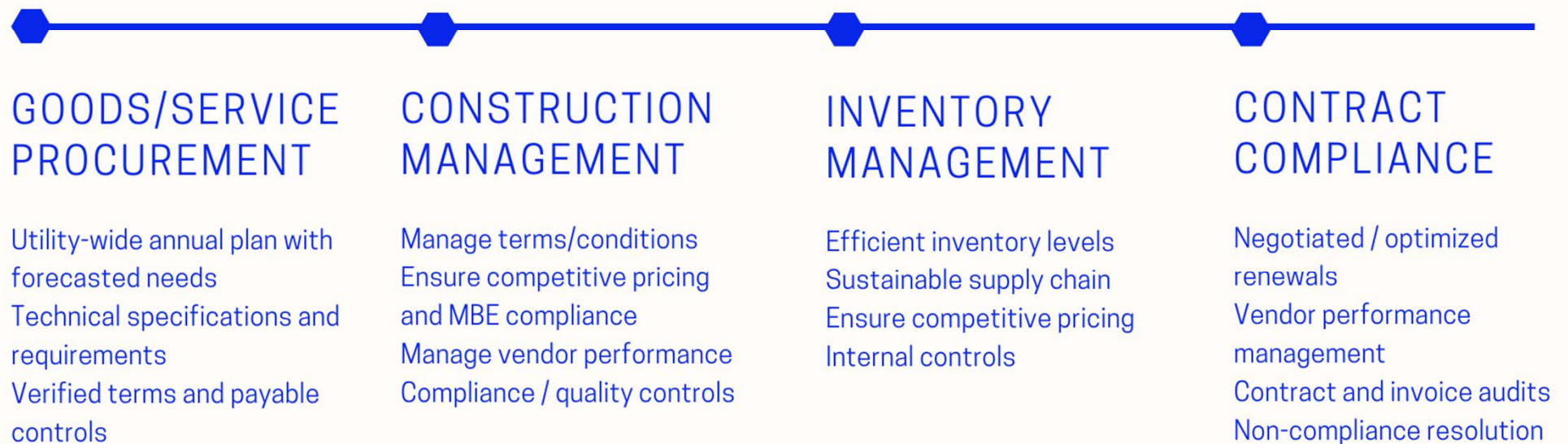


Christine Webb, CSP
Environmental
Health/Safety
Manager



H2O Procurement Oversight

PROGRAM COMPONENTS



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 reprioritization of existing resources





Questions?

CHRIS HARDER, WATER DIRECTOR
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