



CITY COUNCIL MEMORANDUM

FROM: The Office of the City Manager **DATE:** October 2, 2017
SUBJECT: Approve the Wholesale Wastewater Services Agreement with the City of Fort Worth and authorize the City Manager to Execute the Agreement

PRESENTER: Mike Curtis, Public Works

SUMMARY:

Council is being requested to approve the wholesale Agreement for Wastewater Service between the City of Fort Worth and North Richland Hills. This is the same agreement that all of Fort Worth's wholesale wastewater customers are being asked to approve.

GENERAL DESCRIPTION:

Council is aware that North Richland Hills purchases wastewater treatment from the City of Fort Worth and the Trinity River Authority. Both organizations have wholesale customer agreements that outline the responsibilities of both the wholesale customer and the organization providing the wastewater treatment. The City of Fort Worth's wholesale agreement with its customer cities expires this year (2017). A new agreement is being provided to all of Fort Worth's customer cities for execution.

The current agreement was executed on May 8, 1987, as you can imagine there are several changes in the new agreement. Many of the changes involve reorganization and updating definitions and processes that have changed during the past 30 years. However, there are some changes in the new agreement that will have a financial impact to the customer cities. Below are the key changes that staff has identified:

1. The Street Rental Fee has increased from 3% as approved in 1987 to a proposed 5% in the new agreement. The proposed 5% fee is the same amount approved in 2011 for the Wholesale Water Agreement and the same amount Fort Worth charges their retail customers. Fort Worth has been very firm about keeping the fee consistent. The new agreement also gives Fort Worth the ability to increase the Street Rental Fee during the term of the agreement.
2. A Payment in Lieu of Taxes (PILOT) fee has been included in the new agreement. There was not a PILOT in the 1987 agreement.



3. The new agreement also requires customer cities to accept wastewater from adjacent areas. Fort Worth will bear the cost of metering the additional flow and deduct it for the purposes of billing the customer city, but the new agreement gives them that option.
4. A provision in the new agreement requires, with certain exceptions, that land for all metering and sampling facilities owned by the customer cities to be transferred to the city of Fort Worth. This is the only change that Fort Worth agreed to accept as long as the customer cities provided easements so that Fort Worth would have access to the metering stations.
5. The new agreement requires the customer cities to bear the cost for certain things such as dispute resolutions and litigation, and Fort Worth's costs will be considered a System Cost versus their own cost.

Many of the customer cities have already executed the new wholesale agreement. The remaining cities to execute the agreement are Keller, Hurst, Watauga, Richland Hills, Haltom City, Southlake and North Richland Hills. The City Managers and some key staff from these cities met with the Fort Worth City Manager to express concerns of the continued rate increases from Fort Worth in both water and wastewater; however, the agreement will move forward without changes to the rate increase.

The new agreement does not incorporate many of the changes proposed by City staff; however, executing this agreement is the best option for our city. The only other option would be to construct a wastewater treatment facility for our city. This option would be more costly than paying the increased fees to Fort Worth for the wastewater treatment service.

RECOMMENDATION:

To Approve the Wholesale Wastewater Services Agreement with the City of Fort Worth and authorize the City Manager to Execute the Agreement