



CITY COUNCIL COMMUNICATION

May 26, 2009

SUBJECT: Reclaimed Water System Agreement
SUBMITTED BY: Loretta Getchell, Deputy City Manager
REFERENCE NO:

ACTION REQUESTED:

Consider authorizing the City Manager to negotiate and execute an Agreement with the City of Fort Worth for the purchase of reclaimed water including the related Memorandum of Understanding.

ALTERNATIVES:

- Approve as Requested
- Deny Request

SUMMARY OF SUBJECT:

The City of Fort Worth has worked with the City of Euless, the City of Arlington and DFW Airport to develop a plan to sell a portion of its reclaimed water to the three entities as initial customers of a Reclaimed Water System. The City of Fort Worth will be responsible for transmission mains to the Customer's point of deliver. As a customer, Euless will be responsible for transmission mains and equipment beyond the point of delivery. Euless will provide to Fort Worth an estimate of reclaimed water usage by month and will be required to take at least 50% of the estimated annual usage. The rate will be based on the lesser of the System-wide cost of service or certain fixed rates established per the contract. The initial fixed rate is \$1.45 with an increase to \$1.50 in FY2012 that will be in place through FY2014. Additionally, Fort Worth has agreed to a maximum rate equal to the volume rate portion of Fort Worth's wholesale water contract rate. The term of this agreement is for twenty (20) years from the effective date. The City of Euless will have the right to resell reclaimed water within our jurisdiction.

The Reclaimed Water Contract is predicated on the expectation that Fort Worth will need to issue debt to fund the transmission line to the initial Customer entities. If such funding is provided by the American Recovery and Reinvestment Act of 2009, the City of Fort Worth has agreed to a Memorandum of Understanding that establishes that the fixed rates will not apply if actual cost of service is less than the fixed rates. The MOU also provides further protection regarding rate increases due to system expansion.

Staff recommends that Council authorize the City Manager to proceed with negotiation and execution of this contract and MOU. We believe this is a ground breaking agreement between the City of Fort Worth and the initial member entities that will be key to the long term conservation of potable water. The use of reclaimed water for certain non-potable purposes is a practical and efficient method of relieving the demand on potable water supplies.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Reclaimed Water Service Agreement
- Memorandum of Understanding for Federal Stimulus Funds

APPROVED BY:

_____ **LG** _____

City Manager's Office

_____ **SC** _____

City Secretary's Office