

Exhibit 2. Management Study: Statement of Work / Specifications

I. Project Overview

A. The Charter of the City prescribes that “at intervals not exceeding ten (10) years the council shall at the expense of the utilities involved cause a general management survey to be made of all utilities under the jurisdiction of the board by a competent management consulting or industrial engineering firm, the report and recommendations of which shall be made public”. The City is seeking proposals from qualified professional or engineering firms to conduct this charter prescribed management study.

B. Denton continually desires to achieve greater productivity, efficiency and effectiveness in providing services. Denton recognizes that to meet these expectations that bench marking, business process design and outsourcing are some of the methods used to review progress in a competitive utility environment. Therefore, in addition to the general management study as prescribed by the charter, Denton desires that a bench marking of operational costs be performed on selected significant cost components of the various utility operating divisions. This study, should evaluate the cost and quality of Denton’s existing utility services and provide recommendations including general and specific operational actions and policy changes, which can be used as a guide for changes so that Denton can assure its citizens are receiving quality, cost effective utility services which compare favorably with other similar utilities in the region.

II. General Project Description

A. Study Objective/Purpose - The purpose of this study is to perform the general management study as prescribed by the City charter, to perform and overall benchmarking comparative analysis of the major cost components of the various utility operating divisions and provide recommendations of changes, for internal improvements including options for outsourcing, that will enhance the efficiency and effectiveness of Utility services in the City of Denton.

B. Scope of Project - The study shall include an independent evaluation of the general management of the electric, water, wastewater (including storm water drainage) utilities and selected support services.

C. It shall also include a comparative analysis of major cost components for the various utility operating divisions within each utility. The comparative analysis part of the study should concentrate on examining the areas with the greatest cost reduction potential. The study should examine such issues as use of technology, competitive outsourcing, operational methodologies, purchase of services and products, labor, power, chemicals, vehicles, equipment, etc.

III. Project Detail

A. General Management – In the general management part of the study, all aspects of the city’s utility should be reviewed in the context of how each aspect relates to the cost or function of providing utility services. Included, but not limited in this review, shall be such issues as governance, organizational structure, financial practices, development policies, support services,

franchise, franchise and cost of service transfers, communications, public relations, planning and budgeting processes, rate development and administration, etc.

1. Governance review shall consider the Council, Public Utility Board, management structure as outlined in the charter and analyze actual practice for compliance and effectiveness.
2. Organizational structure review shall consider both the business vertical and horizontal service structure effectiveness versus other possible organizational structures such as operational function. The review should also include, but not be limited to, reviews of various operational units and their relationship in the overall utility organization structure. It should also examine span of control and the size of various work units, especially field service crews.
3. Financial practices review shall examine the financial condition, strength, appropriate ratios, debts and assets, general practices, etc. of the financial issues of each utility.
4. Development policies review shall examine the city and utility overall utility development policies that affect the various utilities financially, planning wise and operationally, etc.
5. Support services review shall examine the various support services provided by the city's general government departments in the provision of utility services.
6. The support service review shall include, but may not be limited to, utility billing, customer service, engineering, accounting, purchasing, warehousing, legal, information services, human resources, risk management, finance, treasury, utility engineering and inspections, etc.
7. Franchise and payment in lieu of taxes review shall examine the practices in Denton as compared to other similar cities and the comparative impact on utility rates and services.
8. Communications review shall examine the general communications, formal and informal. Necessary for the internal functioning of the Utility, other city departments and governance structures in the process of intelligence gathering, decision making, directing, controlling, monitoring and informing, the staff involved in providing utility services.
9. Public relations review shall examine the formal and informal public relations programs, mediums, etc. for effectively informing and coordinating with customers. Public relations and external communications reviews may be overlapping and the consultant shall organize as determined appropriate to address these important functions.
10. Planning review shall examine, but shall not be limited to, the processes of strategic planning, capital improvement planning, financial planning, strategic rate planning, etc. This review should examine the processes for appropriate public, governance and staff input for analysis process, decision making, plan approval and implementation....
11. Budgeting review shall examine the process of budget development, approval, implementation and monitoring. This shall include the capital and operating budget processes.
12. Rate development and administration review shall examine the process of developing, implementing and administering, rates for electric, water, and wastewater utility services...

13. The consultant shall also review all other management issues that may have a significant effect on the management efficiency or effectiveness of the utility.

B. Comparative Analysis – The comparative analysis part of the management study shall examine the selected significant cost component segments of each operating division of the Utility Department. The management study report should include a general section for each of the main utility services of electric, water and wastewater. Where appropriate, each of the subunits of the main utility services should also include a general section, example – water production, wastewater plant, etc. The comparative analysis of the main utility services and their sub-units shall include, but may not be limited to:

1. Electric Utility – Electrical transmission and distribution service
2. Water Utility – Raw water supply, regional partnerships, treatment, storage and pressure pumping, distribution, engineering, metering and wholesale services
3. Wastewater Utility – Collection, pumping stations, treatment, biosolids management, regional partnerships, wholesale services and stormwater drainage.
4. Support Services – utility billing customer service, accounting, purchasing, warehousing, legal, information services, human resource services, risk management, finance and treasury, utility engineering and inspections, fleet maintenance

C. Outsourcing – If during the course of the general management or comparative analysis review, the consultant finds that any function the utility or city is now performing by its own personnel is not reasonably comparable or competitive and that there are significant reasons to conclude would not be comparable or competitive within a reasonable timeframe the consultant shall present the issues involved with those functions in the interim report. If outsourcing is an appropriate recommended action, to address the concerns of such function(s), the consultant may be requested to provide an RFP and a detailed plan for implementation for outsourcing. Such an effort if requested must have prior approval of the city and will result in an amendment to the consultant's base contract.

IV. Project Deliverables

It is anticipated that the project will be completed in phases with interim draft reports on key issues with possible action items being prepared for review by the City. The final report would be a single comprehensive document including all interim reports and action items. The cost of service and comparative relationship (bench marking) to other utilities of comparable size is required. The analysis shall include the major cost components such as labor, power, chemicals, amortization of capital facilities, purchased services and products, and other factors. The City of Denton's cost shall be measured against other comparable utilities and the competitive market, if applicable. Study for Water/Wastewater start date to be June/July 2018.