



**City of Denton
MINUTES
PUBLIC UTILITIES BOARD**

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

Monday, July 23, 2018

6:00 pm

Work Session Room

After determining that a quorum of the Public Utilities Board of the City of Denton, Texas is present, the Chair of the Public Utilities Board will thereafter convene into an open meeting on Monday, July 23, 2018 at 6:00 p.m. in the Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas

Board Members: Chair Randy Robinson, Vice Chair Susan Parker, Allen Bishop, Lilia Bynum, Brendan Carroll and Charles Jackson

Ex Officio Members: Todd Hileman, City Manager and Mario Canizares, Assistant City Manager

WORK SESSION

A. **PUB18-140** - Receive a report and hold a discussion regarding the Solid Waste Fiscal Year 2018-19 Operating and Capital Budget.

Nicholas Vincent started the presentation with the *Solid Waste Assumptions*.

The Cost of Service Study was presented to this Board on July 9th by NewGen Strategies and Solutions, the study identified several service categories that are over/under recovering. Staff will continue to work with NewGen to develop a rate correction strategy.

Over the last several months staff have been working with Blue Ridge Service to conduct an in-depth operational review of the Solid Waste department, this report was presented to this Board during the June 25th meeting and was presented to Council on June 26th. Staff received direction from this Board to discontinue the BMR and Rubble Processing Operations. On June 26th staff received direction from Council to temporarily discontinue the BMR and Rubble Processing until staff can visit with the Committee on the Environment.

The proposed budget maintains a debt coverage ratio of 1.25 in the proposed FY 2019 budget and each of the future years.

Reserves are above maximum range of 18 percent of budgeted expenses. Staff will be using these reserves to implement the rate correct strategy that will be developed by NewGen.

Solid Waste Cost Containment Strategies

Operating Expenses - Over the last several months, staff has been working to realignment the business unit to accurately track financial health. Staff is proposing a zero based budget for travel, training and outside contract services.

The proposed FY 2019 budget does not take into account for the recommendations from the in depth operational review.

Equipment/Vehicles - Staff has implemented new procedures to evaluate equipment utilization and track maintenance cost to determine replacement and auction decisions.

Capital Improvement Plan - Staff completed business case analysis for possible projects to make sure total cost and benefit of the project is accounted for. The proposed FY 2019 budget reduces reliance on debt as primary funding sources for equipment and vehicles.

Future Risks and Mitigation

Staff will continue to work with NewGen to complete the Market study for Landfill rates (this report is expected to be completed by the end of July). Staff will be partnering with NewGen to develop a rate correction strategy to address rates that are over/under recovering.

Staff will continue to work with schools and the community to increase recycling education and to reduce contamination in residential and commercial recycling.

Changes to Regulatory Requirements

The proposed budget maintains operating reserves above the funds maximum target of 18 percent for each of the five years, staff is also proposing to fully fund this year's contribution into the closure/post closure fund.

Five Year Forecast

This is the five year proforma for the Solid Waste Department, no rate increase are proposed for residential or commercial customers in the proposed budget.

Staff will return to this Board by February 1, 2019 with a plan to utilize excess reserves to address rates that are over recovering.

Debt coverage ratio stays above the 1.25 ratio.

Budget highlights

Removing the Mining and CNG revenue accounts for \$1,900,000 in revenue.

Other Solid Waste Revenue is down from FY 2018 because we removed CNG Station Gas Sales and Landfill Mining Revenue. Residential Recycling revenue is down due to commodity prices.

There is \$1,700,000 reduction in operations for the FY 2018-19 proposed budget because of mining being removed. Also \$700,000 reduction in debt service payment in FY 2018-19 proposed budget.

There was some questions regarding personnel. Ethan Cox added they are transitioning away from contracting and hiring and developing staff.

Material forecast

Material forecast was shown on a table with the residential and commercial including roll off and landfill.

Next steps for the budget and rates

Staff recommends approval of the proposed FY 2018-19 Solid Waste Operating and Capital Budget. Staff will return to the Public Utilities Board (PUB) with a mid-year budget adjustment by February 1, 2019. Council is scheduled to adopt the FY 2018-19 Solid Waste Operating and Capital Budget on September 18, 2018.

No residential rate increase. Increase the Wholesale Rate from \$23.00/ton to \$24.50/ton.

Staff will bring the FY 2018-19 Solid Waste Rate Ordinance to the PUB during August 2018 for formal approval.

Ethan Cox gave the departmental presentation starting with the goals and accomplishments

Accomplishments

Implemented mid-year rate reduction of 12% for residential customers.

Restructured the capital program. No new debt until FY 20-21.

Cancelled Landfill Mining to avoid net losses exceeding \$1 million/yr.

Constructed a CNG fueling station to save over \$400,000/yr.

Eliminated liquid waste operation to save over \$200,000/yr.

Removed a proposed substation to save 9+ years of waste capacity.

Goals for FY 18-19

Implement recommendations from rate study, audit, & operational review.

Improve landfill buffer through tree planting & irrigation.

Complete landfill expansion permit 1590B.

Complete Drainage Repairs/Improvements at Moseley Landfill.

Budget emphasis

Provide Exceptional Value to our citizens & ratepayers

Financial Performance (Rates, Stability)

Operational Excellence (Safety, Effectiveness, Efficiency)

Customer Focus (Breadth, Quality, Availability)

Sustainability (Environmentally, Financially, Socially)

Cost Drivers & Considerations

Customer growth & increased service demands

Regulatory requirements & changes

Market pressures – Regional competition, construction, recycling commodities, etc.

\$2.3 million in unrecognized revenue from landfill mining and CNG sales was removed from the proforma.

Process Improvements

Process Improvements for FY 17-18

Checks & balances for budget and CIP

Centralized project management, contract management, and purchasing

Improved processes & internal controls for ‘scale house’

Future Process Improvements

Implement resource management processes (staffing, equipment, etc.)

Improve inventory systems for carts/containers and commodity sales

Implement a formal training and safety program

Cost Containment

FY 17-18 expenditures are projected to be \$4.4 million (11.2%) under budget

Allowed for a residential rate reduction of 12%

Flexibility to implement rate correction strategy

Avoided approximate net loss of \$4+ million

Position summary

Staffing information was shown and possible adjustments was introduced.

Five year capital plan

Funding of 651 S. Mayhill Buildout and 1001 Mayhill Renovations is being funded with existing bonds.

FY 2019 is being funded with existing bonds.

REGULAR MEETING

1. CONSENT AGENDA

- A. **PUB18-142** - Consider recommending adoption of an Ordinance of the City of Denton authorizing the City Manager, or designee, to execute a confidentiality agreement between the City and Invenergy LLC., a Delaware Limited Liability Company, for the purpose of discussing the purchase of electric power and capacity generated from solar energy as part of achieving the goal of the City's renewable resource plan to meet the future needs of its electric customers with 100 percent renewable energy; providing for a severability clause; and providing for an effective date.

There was a motion to approve by Board Member Parker with a second by Board Member Bynum. Vote 6-0 approved.

2. ITEMS FOR INDIVIDUAL CONSIDERATION

- A. **PUB18-143** - Consider approval of the Public Utilities Board Meeting minutes of July 9, 2018.

Approved as circulated.

- B. **PUB18-136** - Consider recommending an ordinance establishing the schedule of rates for Water service; providing for a repealer; providing for a severability clause; and providing for an effective date.

This item was presented after item **F. PUB18-141**.

Tony Puente gave this presentation. The only change is the raw water charge to the City of Dallas increase.

There was a motion to approve by Board Member Jackson with a second by Board Member Parker. Vote 6-0 approved.

- C. **PUB18-137** - Consider recommending approval of the Water Fiscal Year 2018-19 Operating and Capital Budget.

Tony Puente recapped this agenda item. There have been prior presentations on this agenda item. No rate increases for residential or commercial water for the next budget year.

There was a motion to approve by Board Member Parker with a second by Board Member Bishop. Vote 6-0 approved.

- D. **PUB18-138** – Consider recommending approval of the Wastewater and Drainage Fiscal Year 2018-19 Operating and Capital Budget

Tony Puente recapped this agenda item. There have been prior presentations on this agenda item. This item represents a five percent decrease in rates for wastewater for the next budget year.

There was a motion to approve by Board Member Bishop with a second by Board Member Jackson. Vote 6-0 approved.

- E. **PUB18-139** - Consider recommending approval of the Customer Service Fiscal Year 2018-19 Operating Budget.

Tony Puente recapped this agenda item. There have been prior presentations on this agenda item. This item will create a new internal fund for Customer Service this fiscal year.

There were a few clarifications by the Board.

There was a motion to approve by Board Member Bynum with a second by Board Member Jackson. Vote 6-0 approved.

- F. **PUB18-141** - Consider recommending approval of the Solid Waste Fiscal Year 2018-19 Operating and Capital Budget

Nick Vincent summarized this agenda item. There have been prior presentations on this agenda item. This is a placeholder budget will be revisited in February 2019. Currently there will be a five percent decrease in rates for Solid Waste in the next budget year.

There was a motion to approve by Board Member Jackson with a second by Board Member Carroll. Vote 6-0 approved.

- G. **PUB18-145** - Consider recommending an ordinance establishing the schedule of rates for Wastewater service; providing for a repealer; providing for a severability clause; and providing for an effective date.

Tony Puente recapped this agenda item.

There are no changes in the wastewater rates. On the new comer rates, 5,400 gallons will be the usage down from 6,000 gallons. This is based on a 10 year study.

There was a motion to approve by Board Member Parker with a second by Board Member Bynum. Vote 6-0 approved.

- H. **PUB18-146** - Consider recommending an ordinance establishing the schedule of rates for miscellaneous service; providing for a repealer; providing for a severability clause; and providing for an effective date.

Tony Puente talked about this agenda item. There have been prior presentations on this agenda item. Staff is recommending within the miscellaneous rate ordinance to reduce by 50 percent the residential service fee from \$46.00 to \$23.00. Also the residential reconnection charge for same day service decrease from \$61.00 to \$30.00. This is due to the AMI, smart meters.

There was a motion to approve by Board Member Bynum with a second by Board Member Jackson. Vote 6-0 approved.

I. PUB18-144 - ACM Update:

1. Denton Energy Center Update
2. Future Agenda Items
3. Matrix

Smith Day gave the DEC Update. ERCOT hit an all-time peak as well as did DME.

CONCLUDING ITEMS

Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the Public Utilities Board or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting AND Under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda

No new items

Adjournment: 6:49pm

Approved on August 13, 2018