



City of Denton
MINUTES
PUBLIC UTILITIES BOARD

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

Monday, November 13, 2017

9:00am

City Council 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, November 13, 2017 at 9:00a.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas

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

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

WORK SESSION

A. PUB17-181 – Receive a report, hold a discussion, and give staff direction regarding the Denton Energy Center Air Permit Review being conducted by Black and Veatch Corporation.

Bryan Langley made the introduction stating there were questions regarding the Air Permit for the Denton Energy Center. Black and Veatch was hired to look into these questions and bring their findings to PUB and Council.

Diane Fischer - Associate Vice President and Project Director for this project - started the presentation by giving some history on their company. They are an engineering firm that has been in business about 100 years. Most of their work is in the power industry, also work in water and wastewater, oil and gas projects and telecommunication projects. They have about 11,000 employees with about 7,000 active projects on six continents.

Fischer let the Board know what the group would be talking about. Overview of assignment and conclusions, permitting process, DEC and Red Gate Facility, Emission Rates Comparison, and DEC Emissions Validation.

She then introduced the team that would be speaking from Black and Veatch.

Michael Fisher – Project Manager - Overview of assignment and conclusions

Fisher stated that Black and Veatch was contracted to give an independent review. The project description is the Denton Energy Center - 12 reciprocating internal combustion engines (RICE) used for peaking proposes. Wärtsillä is a RICE manufacturer, and Burns & McDonnell is the engineer and constructor.

Community Involvement – Surrounding community has concerns with permit application and permit process.

The assignment was to perform an independent analysis of the permit process and application. DME requested that they compare the DEC to the Red Gate Facility.

Conclusions are that the DEC permit application was filed correctly. The permit is valid and filed in accordance with EPA and TCEQ requirements. It was permitted as a peaking unit in an ozone non-attainment area.

Black and Veatch have no concerns with the DEC project meeting the emissions limits in its permit. The DEC has an enhanced emissions control package. Emissions testing performed by a third party agency using procedures approved by the EPA and TCEQ, with witness by TCEQ and Black & Veatch. Industry standard is for the emission performance to be backed by contractual guarantee from the engine manufacturer.

Mike Rinkol – Environmental Engineer - Permitting Process Specialist

Rinkol talked in detail about the permitting process in Texas. The EPA publicizes the clean air act. In the State of Texas, EPA has given that authority to Texas Commission on Environmental Quality (TCEQ). TCEQ has the authority to give the permits under the Clean Air Act.

Rinkol explained the permitting hierarchy from TCEQ. There are minor source/modification and major source modifications.

A non-attainment is an area that has not achieved compliance with the National Ambient Air Quality Standards. The DEC was under the minor source modification area of the permit process.

Paul Lee - Air Quality Control –

Lee talked about the facility comparison of Red Gate and the DEC. The projects will be used differently, DEC as peaking and Red Gate as a base load plant (runs all the time).

Emission rates for the DEC and Red Gate were shown on a table.

Lee talked about the control technologies. Wärtsillä offers enhanced emissions packages for improved emission control. Emission guarantees are ‘make-good’. They are responsible to meet the emission limits.

The DEC emissions will be validated with physical testing, the test results will be submitted to TCEQ.

Board Member Armintor asked about the permit rate figures. Lee answered they are from the permit application. The DEC will not get an operating permit if the rates are not met. Wärtsillä has to meet the guarantees.

Board Member Carroll asked in the application for the permit, Wärtsillä submitted their performance emissions or what is allowed. Rinkol answered that when an application is developed they go to the manufacturer (Wärtsillä) and they give the values and will not go above the levels, the DEC cannot emit above the numbers given to TCEQ.

There were several other questions from the Board Members.

Board Member Armintor would like a discussion if the emissions exceed at testing what the options would be. Hileman stated independent experts would have to sign off before we would take what Wärtsillä gives, the methods have been prescribed in the contracts. They are contractually obligated to meet the requirements.

Board Member Carroll asked if the air permit can be changed. Paul Lee answered no the permit cannot be changed.

Lee added emission is a sensitive issue, in his experience the OEM has always met the emissions.

Fischer stated that in her experience, most plants pass on the first try it is common to pass. If it does not pass, you cannot come up with an action plan when you don't know the problem. You have to know the cause first. As the City of Denton's Owners Engineer, it is their job to look at the cause and plan accordingly.

B. PUB17-232 – Receive a report, hold a discussion, and give staff direction regarding the Credit and Collection Policy of the City Utility System.

Tiffany Thomson gave this presentation starting with the background. In November 2010 an Ordinance was approved, prior to implementation the uncollectable debt exceeded \$1.4 million for fiscal year 08/09 and a similar number for years 09/10. Contributing factors included a lack of effective customer credit screening, inadequate deposit policies and ineffective collection efforts.

For fiscal year 15/16 uncollectible utility debts were \$536,481 and represented a 13 percent reduction over the preceding fiscal year.

Thomson then talked about the focus areas that include:

-Meter & Billing cycles

The meters are 'advanced metering infrastructure' (AMI) electric meters are remotely read, water meters are hand read in the field.

There are 21 billing cycles for flexibility in payments.

-Survey comparisons with other cities took place for this report.

-Compliance & credit scores was explained. Online utility exchange provides the City with Red Flag compliance, ID verification, exchange data and credit assessment. The deposits are decided by using a vantage score. There are three ways to waive the security deposits.

-Fiscal Year 2016-2017 fee revenue was shared compared to other cities.

-Deposit usage

Twenty one percent of the customer base has security deposits. The City of Denton is a postpaid environment. For fiscal year 16/17, 54 percent of the deposit was used for the final balance and 46 percent still had an amount owed after the deposit was used.

-P.L.U.S. One Program was explained stating the contract with Interfaith Ministries will expire December 2017 but has a six month extension.

Six of the eight cities that were surveyed has a program much like our PLUS one program. Currently funds cannot go for utility deposits. That is an option that staff would like this Board to look at as well as Council. Updating and defining specific guidelines within the contract are additional ways to help more families and understand what barriers customers are facing.

Deposit options for new and existing customers were discussed. Those options include:

Option 1: Charge deposit equaling one month average utility bill for service address at time of connection. Additional deposit assessed quarterly, or at time of disconnection for non-payment equal to two months average utility bill.

Option 2: Charge deposit equaling one month average utility bill for service address at time of connection. \$50 increment increases at quarterly review or time of disconnection for non-payment (up to two months average utility bill).

Option 3: Charge deposit equaling one month average utility bill for service address at time of connection. No increases.

Option 4: No changes to deposit process.

-Homelessness deposit waiver was introduced, explained and discussed.

Discussion/Questions staff is looking for direction in the P.L.U.S. one program and deposits.

Board Member Parker added the Texoma Council of Governments Energy Services Program will also help, do we work with them. Thomson answered we do not work with them directly but there is a list that citizens have access too.

Board Member Carroll stated there are \$80,000 that PLUS one uses, are any citizens told no. Thomson answered yes, 50 percent are declined because they need assistance more than one time in a year. The other reasons are applicant didn't show or the paperwork wasn't filled out.

Board Member Parker asked if we extend help up to three times per year would more money be needed. Thomson answered not sure at this point. She recommends changing the criteria and see. Interfaith suggested adding \$25,000 with the criteria change and see how it goes.

Board Member Parker stated she likes the deposits as they are and suggest helping more times per year when needed.

Board Member Bishop asked what is the source of the money. Thomson answered some are customer contributions that give and City funds. Bishop stated there is a public private partnership that distributes the City money, would it make since to have multiple contracts? Bryan Langley answered they did an RFP a few years ago to go through this and Interfaith Ministries received the contract. Staff could look into this if that is the direction. We would have to find a company that is willing to do this. Bishop agrees with the deposit standards are good as they are.

Board Member Bynum was the COE for United Way for about five years and added all staff had to answer phones for citizen help. Many were regarding help for their electric bills and they had already used their one-time per year that PLUS one offers. There were many companies that have limited funding for this that do not cover all the needs. Homelessness is a huge problem even when both parents work. She believes up to three times a year would be better.

Board Member Armintor agrees with Bynum regarding the homelessness deposit waiver and more help per year. She would like to have staff look at the possibility of a low income deposit waiver. Could our customer service take care of this service instead of using Interfaith Ministry. Thomson stated that the City really doesn't want to be the group that decides who does and who does not get assistance, there is a lot of personal information. Board Member Parker and Chair Robinson agreed that a third party would be better to serve that purpose.

Board Member Armintor would like low income customers to not pay a deposit. There was much discussion regarding this item. Armintor would like to see the income level of customers paying deposits.

Chair Robinson asked how much should be allocated and if it can be used toward deposits is the question.

Board Member Armintor would like to know how much is going to each family in the P.L.U.S. one program.

- Regarding the Homelessness deposit waiver the consensus was yes.
- Increase the allocation for the P.L.U.S. one program to \$125,000 and that amount could be amended at a later date.
- The majority agreed on option 4, No changes to deposit process.
- Regarding increase help up to three times a year instead of one time per year, consensus was yes.

C. PUB17-238 - Receive a report, hold a discussion, and give staff direction regarding a review of the Solid Waste Department's procedures and internal controls by Weaver & Tidwell, LLP.

This item was moved to the second item, there were consultants to speak.

Ethan Cox gave the introduction for this item stating this item is due to concerns of procedures at Solid Waste. The City of Denton contracted with Weaver & Tidwell to review and they are here today to report their findings.

John Wauson, Risk Advisory Group, Weaver and Tidwell – stating they look at processes, and internal control procedures.

Wauson talked about the focus of this project and explaining the executive summary.

The evaluation focused on six transactional process areas:

- Landfill commodity sales and cash collections
- Project and contract initiation, authorization, and monitoring
- Purchase requisition and approval
- Budget preparation and recording in JD Edwards
- Fixed asset inventory, tracking and utilization
- Contract labor and overtime management

Weaver and Tidwell developed benchmarks to go by for this evaluation.

The results of the evaluation included the identification of existing internal controls, as well as recommended enhancements and additions to the control structure. Recommendations were rated as high, medium or low based on our suggested priority with which management should address and remediate the identified issues.

There are ten high risk observations that were identified during the procedures for which we have provided detailed recommendations to management for remediation. The recommendations associated with these high risk observations include:

- Performing a cost of service analysis
- Enhanced system access controls
- Formally documenting procedures for evaluating, approving and managing a project.
- Developing a business case process
- Establish a project management office
- Formally define conditions for contracts
- Establish specific levels of review
- Developing a strategic budgeting process
- Developing a strategic staffing plan

-Enhanced procedures to monitor and approve OT and contract labor.

Wauson offered supplemental information if the Board would like it, Chair Robinson asked the Board if there were any questions.

Board Member Parker stated Solid Waste is working on all items. Wauson answered yes, Ethan Cox will elaborate.

Board Member Armintor asked if he worked with the City Auditor. Wauson said he did not work with him but did focus on things that were not audited at by him so as not to duplicate work.

Board Member Bishop stated it appears that there are not as much procedures or formality as should be. We are looking for standard processes and documentation. Wauson agreed.

Ethan Cox then came back and stated that he is happy with his staff and how they are welcoming to the new procedures. He then went over the management response to the Weaver evaluation. There are 21 Points for Consideration (PFC's) that he went over and gave the risk assessment, management action plan and status for each.

Chair Robinson stated he is glad to see a formal process for 'business case analysis for new projects'.

Board Member Parker asked if this is done city wide. Hileman answered it is, recently there was established a new Chief Procurement Officer function and a Compliance Officer function to help the department directors with these practices.

This item will go to Council next week. This will also be brought back to this Board in the future for reporting purposes.

D. PUB17-246 - Receive a report, hold a discussion, and give staff direction regarding items placed on the Public Utilities Board agenda.

Mario Canizares talked about this item and the next item together.

Topic #1 placement of certain expenditures on the PUB agenda as IC (Individual Consideration).

Key points of what is placed on a PUB agenda include:

- Work Session Items
- Operating and CIP budgets
- Closed session regarding legal, real estate, and competitive electric rate matters.
- Non-profit sponsorship requests greater than \$2,500
- Any procurement item greater than \$100,000 (items between \$50k-\$100k may be brought to PUB)
- Special projects, policy considerations, rate issues, one-time, non-routine expenditures

The use of consent agenda items was explained to the Board. These items are routine in nature. This provides for efficient use of time for Board Members to discuss policy matters and other important issues.

In conclusion staff is seeking direction on:

- Are there any changes needed on how the 'consent agenda' is used?
- Is there additional follow-up needed by the Board?

Board Member Carroll asked for a rules and procedures book. Todd Hileman stated staff can build a rules and procedure book.

Board Member Armintor is in favor of doing away with consent agenda items in PUB.

Board Member Parker is in favor of keeping consent agenda items for routine items.

All backup information is on consent agenda items.

Majority would like to continue consent agenda as is.

Topic #2 - PUB Meetings in the evening

-no change, continue meetings as they are

-full change, all meetings in the evening

-hybrid, one meeting in the morning and one in the evening

Other options

There was discussion regarding the changes and the meetings.

The time was discussed, 6:00pm seemed to be the majority.

Canizares will look into the room options.

1st meeting in the morning work session room (2nd Monday of the month)

2nd meeting in the evening work session room, potentially Council Chambers (4th Monday of the month)

E. PUB17-247 - Receive a report, hold a discussion, and give staff direction regarding the Public Utilities Board meeting schedules.

This item was discussed with the previous item.

REGULAR MEETING

1. ITEMS FOR INDIVIDUAL CONSIDERATION

A. PUB17-233 - Consider approval of the Public Utilities Board Meeting minutes of October 23, 2017.

Approved as circulated

B. PUB17-237 - Receive a report, hold a discussion, and provide staff with direction concerning the approval of a public works contract for the Cooper Creek Interceptor I and II project consisting of the replacement of approximately 7,000 feet of existing 21” and 24” clay sanitary sewer with new 84” Fiberglass Reinforced Pipe (FRP) and 30” Polymerized Vinyl Chloride (PVC) sanitary sewer along Cooper Creek between Prominence Parkway and Old North Road; providing for the expenditure of funds therefor; and providing an effective date (RFP 6576-awarded to Condie Construction Company, Inc., in the not-to-exceed amount of \$3,137,496).

Todd Estes, City Engineer, gave the presentation for this item showing a map of the project and giving background information. Stating that phase III has already been constructed. This particular project was designed where phase III went first then I and II. This will close out what is needed for this interceptor.

The existing interceptor is undersized, has insufficient capacity and is 50 years old. A larger interceptor is needed to safely convey current and future flows.

Estes showed a list of bidders, the apparent low bidder did not meet qualifications.

The qualified low bidder ended up being Condie Construction Co. with an estimated construction schedule to start January 2018 and end September 2018.

Staff recommendation is to recommend approval of the contract and move to Council for their consideration.

Board Member Jackson asked about the 84 inch pipe. Jim Wilder stated the reason for 84 inch pipe is because that pipe will be used for storage during heavy rain events. This will give about 500,000 gallons of inline storage. This will keep the City from having to build additional facilities for these events.

There was a motion by Board Member Jackson for approval with a second by Board Member Parker. Vote 7-0 approved.

- C. PUB17-239 - Receive a report, hold a discussion, and provide staff with direction concerning the approval of a Professional Services Agreement for engineering design services relating to the design, bid phase and construction services for the Lake Lewisville Water Treatment Plant Phase II Rehabilitation project which includes the design of a new main electrical control building, drainage improvements, zebra mussels control measures for both Lake Ray Roberts and Lake Lewisville raw water pump stations, and additional upgrades to improve operations of the water treatment plant; providing for the expenditure of funds therefor; and providing an effective date (RFQ 6305 awarded to Freese and Nichols, Inc. in the not-to-exceed amount of \$1,529,180).**

Tim Fisher gave this presentation stating that this project began in 2006. The facility assessment and process selection to upgrade LLWTP objectives were:

- Comply with applicable regulatory standard
- Consistent system-wide water quality goals
- Upgrade plant components to improve maintainability and operability
- Extend the water plant's service life

The 2007 LLWTP upgrade took care of many of the items needed, it was lengthy to design, and build with about \$32 million of improvements.

Fisher showed a list of the Phase I upgrades where construction started in 2011 and was completed in 2014. There was also a list of Phase II upgrades. The remaining improvement items from the facility assessment report group 4 will be addressed in Phase II rehabilitation of the LLWTP. The motor control center will be included as will the SCADA server changes.

Along with this project there was a zebra mussel infestation in both lakes. In 2015, Arcadis consulting engineers were selected to perform a study on the zebra mussel management approaches.

Budget included the design phase for the LLWTP Phase II at \$1,000,000 and \$700,000 for zebra mussel control measures. The construction phase for the LLWTP Phase II was \$10,000,000 and \$5,000,000 for zebra mussel control measures.

There was a RFQ Process that included nine engineering firms. There were four eligible through the statement of qualifications and only three that ended in the formal RFQ process, one declined. The firm selected was Freese & Nichols with Arcadis as sub-consultant.

Scope of work included the final design, bid phase and construction services.

Initial fee was \$1,991,000 total project engineering with construction estimate at \$13,300,000. There were negotiations that landed within budget.

The objective is to promote superior utility services and City facilities by rehabilitating and improving public infrastructure.

Questions: Board Member Parker asked what is the normal percentage of engineering cost of construction. Fisher answered about 10 to 11 percent until you get into the construction phase which will bump it up a bit.

Chair Robinson asked length of time of the contract. Fisher answered approximately three years.

There was a motion by Board Member Parker for approval with a second by Board Member Carroll. Vote 7-0 approved.

D. PUB17-236 - ACM Update:

1. Mutual Aid info for Puerto Rico and USVI
2. How to kill American Solar
3. Future Agenda Items
4. Matrix

Matrix – PUB rules and procedures added

Parker – Tesla solar information

Carroll – more data for watched PUB meetings

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

Armintor – DME substations costs information with new management

Armintor – Water pressure at Robson Ranch – low water pressure?

Rate payer leak in home – leak caused by high water pressure, Canizares to look into this item

Board Member Charlie Jackson left before closed agenda

CLOSED MEETING

- A. PUB17-244 - Deliberations regarding Real Property - Texas Government Code Section 551.072; Consultation with Attorneys - Texas Government Code Section 551.071.**

Discuss, deliberate, and receive information from staff and provide staff with direction pertaining to the lease and use of 1001 S. Mayhill Rd., Buildings 101 and 102, and 1301 S. Mayhill Rd., Denton, Denton County, Texas. Consultation with the City's attorneys regarding legal issues associated with lease of lease and use of said property described above where a public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton and the Denton City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas, or would jeopardize the City's legal position in any administrative proceeding or potential litigation.

Adjournment: 1:03 pm