

**MINUTES
PUBLIC UTILITIES BOARD**

Monday, February 27, 2017

9:00a.m.

Service Center Training 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, February 27, 2017 at 9:00a.m. in the Service Center Training Room at the City of Service Center, 901 A Texas Street, Denton, Texas.

Present: Chair Randy Robinson, Vice Chair Susan Parker, Barbara Russell, Lilia Bynum, Charles Jackson, Brendan Carroll, and Allen Bishop

Ex Officio

Members: Howard Martin, ACM Utilities

Absent: Todd Hileman, City Manager

OPEN MEETING

CONSENT AGENDA

- A. PUB17-046-** Consider recommending approval of a contract with Credit Systems International, Inc. for the collection of unpaid utility bills owed by customers of Denton Municipal Utilities, in the annual estimated amount of \$45,000 for a three (3) year estimated total of \$135,000. Actual costs will be determined by monetary recoveries in accordance with approved percentages submitted by Credit Systems International, Inc. (RFP 6133-Section A)

Board Member Bishop pulled this item for questions. The proposal is an estimated \$45,000 based upon delinquencies of \$560,000 annually. How does this compare historically in terms of delinquencies and on the projected recovery which is 17.9 percent, is that incorporating the \$45,000 or is that additional.

Tiffani Thompson answered the questions. The estimated cost is at \$45,000 based upon what is normally sent to a collection and it is incorporated.

Robinson net recovery rate, is that guaranteed. Thompson answered it is not guaranteed, it is estimated to be 30 percent. The vendor has demonstrated they can get the 30 percent over the last 12 years.

Bishop then asked if the 17.9 percent paid no matter what the recovery rate is.

Thompson answered they get the 17.9 percent of that amount recovered.

Robinson added we need to make sure we get the 30 percent, especially since that was the basis of them receiving the contract.

Thompson stated that with all eight bidders none of them would guarantee the recovery percentage. The vendor selected has proved their track record.

Board Member Bishop motioned to approve item A. There was a second by Board Member Parker. Vote 7-0 approved. After consent agenda items B and C were voted on Board Member Bynum arrived.

- B. PUB17-050-** Consider recommending approval of a Professional Services Agreement for Architect or Engineer between the City of Denton and Freese and Nichols Inc. (FNI) in the lump sum amount of \$213,300.00 for Engineering Services associated with Water Distribution System Master Planning. (PSA 6388)
- C. PUB17-051-** Consider recommendation of approval of Jagoe Public Company, Denton, TX, for the construction of a Middle Road Entrance for the Solid Waste and Recycling Department in the amount of \$1,487,071. (RFP 6218)
- D. PUB17-054 -** Consider recommending adoption of an ordinance of the City of Denton authorizing the City Manager or his designee to execute a contract through the Buy Board Cooperative Purchasing Network for the acquisition of one (1) fuel truck for the City of Denton Fleet Services Department; and providing an effective date (File 6371-awarded to Rush Truck Center, Crane in the amount of \$251,025.21).

Chair Robinson pulled this item for questions. Robinson asked if solid waste currently owns the fuel truck and fleet operates at a reduced cost. Fleet will buy the truck and it will market the cost per hour to solid waste. Terry Kadar answered the question stating that is true with a slight increase to pay for maintenance cost on the truck.

Robinson then asked what percentage does solid waste use this truck. Kadar answered above 90% of the business goes to solid waste.

Board Member Carroll asked if it is replacing a truck. Kadar answered it is replacing a 2007 model. Carroll then asked if the truck will be traded in. Kadar answered it would typically be auctioned off.

Board Member Russell motioned to approve item D. There was a second by Board Member Jackson. Vote 7-0 approved. After consent agenda items B and C were voted on Board Member Bynum arrived.

Board Member Russell motioned to approve items B - C. There was a second by Board Member Carroll. Vote 6-0 approved.

ITEMS FOR INDIVIDUAL CONSIDERATION

- A. PUB17-057-** Consider recommending approval of the Public Utilities Board Meeting minutes of February 13, 2017.

Page 4 Line 44 – without the contract DME could not keep up with the growth/Parker
Approved with change

- B. PUB17-051-** Receive a report on the 2017 Water Environment Association of Texas Ronald B. Sieger Biosolids Management Award to the City of Denton Beneficial Reuse department.

PS Arora gave a short overview about the compost operation. Arora then introduced Gayla Wright and Darrell Baker regarding the award that will be presented in April at the Texas Water 2017 located in Austin, Texas.

C. PUB17-049 –Consider recommending adoption of an ordinance awarding a contract to install Supervisory Control and Data Acquisition (SCADA) hardware and software system for Denton Municipal Electric (DME) Denton Energy Center (DEC); providing for the expenditure of funds therefor; and providing an effective date (File 4074 SCADA System installation for Denton Municipal Electric awarded to Open Systems International (OSI)).

Melissa Kraft gave this presentation beginning with the definition of SCADA. SCADA is used to monitor and control a plant or equipment in industries such as energy, water and waste control, oil and gas refining, and transportation, has been used since 1960. It is a computer system that gathers data in real-time from remote locations in order to control equipment and conditions.

It is required for the operation of the Denton Energy Center (DEC). The requested amount is already included in the total DEC budget. It gathers and sends information and plant status to ERCOT. It is necessary for the Energy Management Organization (EMO) to participate in the ERCOT market. It will also help the EMO make fiscal decisions by using integrated forecasting software and in-depth reporting. This is an add-on module to what is currently being used.

Kraft then went over the vendor information which is Open Systems International. DME has used this vendor since 2008. There is a significant discount because it is the current vendor that is used for transportation, distribution, and generation.

Next steps include consideration from Council on March 7. Upon Council approval, award contract and begin build-out of Denton Energy Center SCADA system. This project will be completed and operational by May 2018.

Staff is recommending approval of a contract to Open System International.

Parker asked what kind of integration issues would DME have if they went with another vendor. Kraft answered it would require quite a bit of funding. SCADA systems are proprietary in nature. This vendor has been used for transportation and distribution as a result the current vendor gave \$169,000 credit to the project since some of the licensing is in place. It also gives the opportunity to consolidate some of the equipment and hardware. If a completely different SCADA vendor was used completely separate hardware, equipment, integrations, and circuits would have to be used.

Parker then asked about cyber security around it. Kraft answered the cyber security is built in as part of the project. There will also be a test environment so patches can be tested to minimize risks. SCADA requires no later than 30 day from when a patch is released, it has to be installed.

Robinson asked if there are any open issues with both systems. Kraft answered they have been excellent to work with, very responsive and a leading manufacturer.

Board Member Bynum motioned to approve item D. There was a second by Board Member Russell. Vote 7-0 approved.

D. PUB17-053 - Receive a report; hold a discussion, and give staff direction regarding the FY 2017-18 Budget Process.

Chuck Springer gave the presentation for this item starting with the objective. The objective is to review the revised City budget process for the FY 2017-18, specifically for the Water, Wastewater, Electric and Solid Waste Funds. Begin the process with presentation of volume or usage forecasts for FY 2017-18.

Springer then went over the budgetary process for FY2017-2018. The budget process starts with efforts to reduce inefficiencies, costs and duplication of services. The focus will be on cost containment strategies for all funds. The baseline budgets for all funds will be prepared and presented that assume a “no increase” in rates, fees or taxes. Staff recommended budgets will be based on: Cost containment efforts, goals for upcoming fiscal year and beyond, and long-term financial plan.

Springer will present all summary budget overviews to both City Council and PUB with departmental staff presenting detailed information on rates, projections and capital plan. All presentations to PUB will be followed by the same (or summary version) to City Council line item details and staffing levels will be given to PUB and City Council in presentation materials.

Springer then went over the budget schedule for this fiscal year.

March 7 – City Council receives this presentation on Utility Funds

May 8 – PUB receives presentation of Water/Wastewater/Drainage Funds

May 16 – CC receives presentation of Water/Wastewater/Drainage Funds

May 22 – PUB receives presentation of Electric and Solid Waste Funds

June 6 – CC receives presentation of Electric and Solid Waste Funds and preliminary view of all City funds

June 12 – PUB holds discussion of all Utility Fund budgets

June 26 – PUB considers approval of recommended Utility Fund budgets

July 10 – PUB reviews and considers any Utility Fund rate changes

July 18 – CC receives presentation of PUB approved Utility Fund budgets and any recommended rate changes

August 3 – CC presented with City Manager’s recommended budget

September 19 – CC Adoption of FY 2017-18 budget

Robinson asked about CIP presentation stating that it has been the basis of the rate structure on a lot of the utility funds. This shows was in anticipated, what is being accomplished and what is left to do. With the CIP, saying there will be no increase, not sure how realistic that is. We need to keep in mind the CIP drives the rates more than anything.

E. **PUB17-043** - Receive a report and hold a discussion regarding the Water and Wastewater Forecasts for FY 2017-18 Annual Program of Services and the FY 2018-22 Capital Improvement Plans.

Kenneth Banks started the presentation with the Water Forecast. Tyler Dawson and Cassandra Ogden work hard with Tim Fisher and PS Arora to make these volume forecast complete. The forecast is very complex and has a tendency to be driven by increases in population but also influenced by weather patterns.

Banks then talked about the water customers by class stating in 2018 there is forecasted an increase by 2.1 percent in residential and 1.1 percent in commercial. Denton seems to be in a stable growth pattern at this time.

Historical and projected water production includes numbers based on a normal year which is 37 inches of rain. A wet year would be 47 inches with 27 inches being a dry year.

Water utilities population forecast is key component in the overall assessment of what the customer class changes will look like. There are a variety of population forecast that are used in the model that include NCTCOG, WRT and Region C. Russell suggested looking at the Real Estate Center at Texas A&M for population numbers as well.

Historical and projected water production was presented along with the historical and projected peak day finished water production.

Raw water rights and requirements with indirect reuse are in good shape we do not anticipate consumption rates to exceed the water rights in the planning horizon.

Reserves were added to the presentation because typically staff would have presented the financial strategies by this point and reserves would have already been discussed.

Reserves for water include eight percent for working capital, 25-42 percent for operating reserves with a total reserve at 33-50 percent. The operating days reserves are 120-180 days.

Tim Fisher added that the water conservation rate structure expands the volatility beyond volume.

Banks then went over the wastewater volume forecast that has similar numbers to water. Wastewater customers by class are forecast for 2018 to be the same as 2017 2.2 percent and 1.3 percent for commercial. Wastewater discharge for residential will increase to 4.76 percent, commercial will increase to 5.9 percent and wholesale increase slightly to .71 percent.

Wastewater population is generally the same as water.

Historical and projected flows versus treatment capacity and weather scenarios were presented with planned forecast based on wet years. That is mainly due to making sure the plant has the inflow capacity in the event there is a wet year. There are capital projects in place to help alleviate those issues.

Peak flows will include the West peak flow storage basin coming online around 2019. There is current construction in place for this facility which is off Country Club Road. P.S. Arora added the design is 90 percent complete. The Old Alton Lift Station will also have an upgrade that will increase capacity.

Pecan Creek Plant flows are currently under the 75 percent capacity which requires the start of design to upgrade the plant. Staff is keeping a close eye in this capacity, an upgrade to a plant takes a long time.

Reserves for wastewater include working capital at eight percent, operating reserves at 20-31 percent with a total of 28-39 percent. The operating days are 100-140 days.

- F. **PUB17-052** - Receive a report and hold a discussion regarding the proposed FY 2018 Solid Waste & Recycling Materials Forecast, which is utilized in preparing the Fiscal Year 2018 Solid Waste & Recycling Annual Budget and FY 2018 - 2022 Capital Improvement Program.

Vance Kemler made the presentation for Solid Waste.

The background & assumptions include:

Residential growth based on building permits and historical growth patterns.

Commercial growth based on development review project projections and historical growth information.

Landfill growth is based on residential and commercial growth within the City and forecasted private volumes.

Five year historical revenue forecasts versus actual revenues are 0.52% higher than budgeted.

Five year historical expense forecasts versus actual expenses are 0.84% lower than budgeted.

Residential as well as commercial collection services forecast was presented with a small increase overall. The average for residential customers in 2018 is 32,516. Staff is getting very close to the City Council goal of 40 percent waste diversion and recycled at 37.9 percent.

Staff is working with commercial and multifamily to increase the recycling levels to make that goal. The City of Denton can be sole source for collections of refuse but cannot be sole source for recycling. That is an open market due to Federal Case Laws.

Kemler then showed the material forecast summary that included actuals for 2016 and forecast for 2017-2019. Actuals for 2016 include refuse collected at 386,040 tons and recycling/diverted tons at 113,744.

Additional Revenue sources include: Pratt Recycling \$33,480, Public Education \$58,000, Tenant Agreements \$142,000, Denton Power LLC \$157,500 and Soil and Rock Sales \$350,000.

Board Member Russell asked if Solid Waste recycles concrete and asphalt ground up for resale. Kemler answered they do it is used on site or sold as rock for road base and have been for about five years. **Board Member Parker stated this is in the recycling numbers,** Kemler agreed.

Reserves for solid waste include working capital at eight percent, operating reserves at 6-10 percent with a total of 14-18 percent. The operating days are 52-66 days.

- G. **PUB17-017** - Receive a report, hold a discussion, and give staff direction regarding the FY 2018 electric customer and megawatt-hour forecast of Denton Municipal Electric, which is utilized in preparing the FY 2018 Annual Budget and Capital Improvement Program.

William A. Bunselmeyer made the presentation for DME forecast.

Annual electric customers by class varies throughout the year. Annual Megawatt hour sales are forecast on the long term effect. It does move around due to weather. Bunselmeyer showed the variables on a graph. The growth and sales are steady without dramatic changes.

Bunselmeyer showed the DME peak loads and trends that began gathering data in 1960.

Reserves for DME include working capital at eight percent, operating reserves at 8-12 percent with a total of 16-20 percent. The operating days are 60-75 days.

Parker stated reserves are light on DME for operating days.

H. PUB17-058 – ACM Update

1. Video Flyover – Denton Energy Center
2. Matrix

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.

Carroll – Update methane projection and flaring at the solid waste facility

An update was given regarding the DME staff member that was electrocuted.

Jon Fortune talked about the reorganizational changes in the city and also announced this is the last meeting for Howard Martin, retirement after 41 years.

Adjournment 10:32 a.m.

Approved 3/13/17