

MINUTES
PUBLIC UTILITIES BOARD

Monday, May 8, 2017

9:00a.m.

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, May 8, 2017 at 9:00a.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas.

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

Ex Officio

Members: Todd Hileman, CM and Jon Fortune, ACM

WORK SESSION

A. PUB17-104 - Receive a report, hold a discussion and give staff direction on the Wastewater Fiscal Year 2017-18 Operating and Capital Budget.

Chuck Springer gave the Wastewater Budget and CIP presentation.

Wastewater utilities goals and accomplishments include:

- Completed design of Hickory Creek and West Peak Flow Detention Facility
- Awarded the Pecan Creek Interceptor Phase 4 project for construction
- Met TCEQ phosphorous limit of 0.5 mg/l due to plant improvements
- In-house construction and preventative maintenance costs lower than contracted costs
- Reduced sanitary sewer overflow volumes during a wet year
- Compost Operation received the 2017 Ron Sieger Award from Water Environment Association of Texas
- Begin construction of Hickory Creek and West Peak Flow Detention Facility Project
- Meet EPA Administrative Order requirements
- In-house construction and preventative maintenance costs continue to be lower than contracted costs
- Complete update of Wastewater Master Plan Model

The new performance measures are:

- Compost Sales Revenue plus Cost Avoidance (sludge and yard waste disposal) compared to Cost of operation
- Sanitary Sewer Overflows less than 3 per 100 miles of Sewer
- Cost Comparisons between in-house versus contracted service for sewer line cleaning, Closed-Circuit Television Video (CCTV), and construction
- Sewer main chokes less than 1 per 1,000 customers

Cost containment strategies:

- Eliminated FTEs (Collections - savings of \$100,246)
- Department reorganization (Administration - savings of \$40,853)
- Budgeted salary savings of \$120,000 (vacancies and turnovers)
- Reduced \$254,739 from O&M budget (FY17 to FY18)
- Machinery and equipment, fuel, chemicals and outside contract services
- Improved debt service efficiency by balancing CIP projects and cash flow schedules (incur debt closer to project start).

- Reduced revenue funded capital variability by leveling over 5 years
- Exceptional operation and maintenance program resulted in rescinded EPA consent decree, saving over \$100 million in studies, design, and construction
- Total reductions are approximately equal to a 2.4% rate increase

Process improvements

- Completed Process Improvement / Lean projects:
 - Continued to refine condition assessments and life-cycle assumptions for Wastewater Collections asset management program
 - Lean program: improved information consistency among departments by streamlining construction plan information flow

Future Process Improvements:

- “Criticality” Ranking for Plant and lift station equipment
- Equipment reliability analyses
- Create work flow charts of all critical Plant activities
- Improve work order data reliability for CityWorks
- Continually improve asset management program

Future risks and mitigation

- Contractor costs for CIP projects
- Discharge limits for Sulfate and Chlorides
- O&M costs
- Additional regulatory requirements

Assumptions

- All rates based on cost of service
- Minimum debt coverage ratio is 1.25 (higher is better)
- Annual revenue funded capital based on asset management program.
- Collection system replacement funding target is 100% revenue
- Treatment plant infrastructure funding target is 25% revenue, 75% debt
- Reserves maintained within 100-140 day range
- Use multi-year financial planning to minimize rate increases

Springer showed the revenue summary sheet and talked about the revenues.

Five year forecast was presented with a zero rate increase over that period of time.

Springer talked about the two options which include:

Option 1: Zero rate increases FY 2018 to FY 2022

Option 2: Zero rate increase in FY 2018 and FY 2019, two percent in the remaining three years

The proposed five year forecast was shown on a table.

Five year forecast for Drainage was presented which is a part of the wastewater budget. There is no rate increase proposed, the change is only in growth.

Five year Capital Improvement Plan 2018-2022 was presented and a map was shown of the CIP Projects.

Chair Robinson asked a question regarding the reserve days stating that last year a study and comparison was completed, was the 100-140 day in line with the study. Kenneth Banks answered the reserve level has been looked at and a large number of survey data has been gone through. Wastewater has been adjusted up to 100-140 days which is in the mid-point for what the survey showed. This takes in years that there are back to back losses for this department. **Robinson then asked where we were before the study, Banks answered 90-120 days.**

Board Member Parker asked about the \$1.2 M loss for 2019, Springer answered that is what the table shows with a zero rate increase for that year. Staff will look at this and refine and make changes as necessary in the out years.

Robinson asked if there are any adjustments that were made on the five year CIP. Any project delayed or taken out due to no increases? P.S. Arora answered the delays are due to getting easements. Most timelines are the same. There are no delays due to 'no rate increase'.

Springer finished by showed the rate comparisons for wastewater adding in the November timeframe that will be brought back when the other cities made their adjustments.

This wastewater budget will be brought back in June for questions and a recommendation to Council.

B. PUB17-109 - Receive a report, hold a discussion and give staff direction on the Solid Waste Fiscal Year 2017-18 Operating and Capital Budget.

Chuck Springer gave the presentation.

Solid Waste accomplishments include:

- Expanded alternative fuels facility (estimated completion fall 2017)
- Began current landfill cell construction (estimated completion 2017)
- Grants: Public CNG Fueling Station - \$600,000; Home Chemical Center - \$195,000; Mining Equipment - \$200,000
- Fully compliant with Texas Commission on Environmental Quality regulations
- Expanded multifamily recycling services

Goals

- Building Materials Recovery (BMR) program 7% increase from FY16-17
- Mining operations to process 216,000 cubic yards (3.0M cubic yards)
- Improve efficiencies and information management via fleet software
- Reduce preventable accidents by 10% from previous year
- Continue to refine business plan for Regional Household Chemical Center

Current Performance measures

- Residential refuse and recycling tonnage
- Commercial refuse and recycling tonnage
- Pounds disposed per capita

Proposed Performance measures

- Increase Commercial Recycling accounts
- Track cubic yards processed in mining operations
- Achieve optimal waste compaction in Landfill operation

Cost containment strategies

- Reduced FY16-17 CIP by \$9.4 M
- Transitioned construction crew (7 FTEs) to mining operations
- Reduced O&M expenses FY16-17 to FY17-18 by \$620,294
- Eliminated 2 FTEs (savings of \$202,625)
- Reduced communications service and equipment expense by \$175,000 over five years

Board Member Russell asked what is involved in the public outreach program. Kemler answered the public outreach is a part of the public education in the community and helps better coordinate the activities through the organization. Denton sustainable school program is in public schools which will continue.

Current process improvements include:

- Reducing landfill turn-around time
- Improving materials forecasting, budgeting and CIP processes

Future process improvements include:

- Improving account and information management processes
- collaborating with fleet services to reduce vehicle maintenance costs

Future risks and mitigation

- Mining Operations
- Moseley Road Landfill
- Final approval of Municipal Solid Waste Permit Amendment
- Landfill wholesale customers (external from city)

Assumptions

- Revenue growth based on historical trends and customer data
- Rates based on cost of service
- Minimum debt coverage ratio of 1.25
- Vehicle and equipment funding goals
- No rate increases proposed for FY17-18 through FY20-21
- Potential increased expenses for new programs (Regional HCC, mining, and alternative fueling)

Solid waste and recycling department revenues were presented along with the expenditures.

Five year capital plan was introduced and discussed about. The Mosely Road landfill was talked about that closed in 1984 regarding the post closure funding. Banks added that there are repairs that are being taken care of on that landfill.

Springer went on with the five year forecast presented with a zero rate increase with a one percent increase in the out years of 2021-2022. This also shows the reserve balance to be at 52-66 days.

There was some discussion regarding the debt coverage ratio.

Last Springer showed the rate comparison with other cities in Texas.

Chair Robinson asked about the whole sale rate and what that percentage is. Springer answered it is a high number. **Robinson stated without rate increases for several years, is**

there more of an opportunity to increase wholesale rates. Scott Lebsack answered the revenue wholesale rate is significant. Jon Fortune added that staff has looked at these rates and it has been flat for a number of years. The assessment with the marketplace shows that having it flat makes the facility attractive. In the future it may be increased but currently it is in line with the marketplace.

Again this will be revisited in June.

REGULAR MEETING

ITEMS FOR INDIVIDUAL CONSIDERATION

- A. PUB17-110-** Consider recommending approval of the Public Utilities Board Meeting minutes of April 24, 2017.

Approved as circulated

- B. PUB17-108 -** Consider recommending adoption of an ordinance authorizing the City Manager to execute a sewer main cost participation agreement between the City of Denton, Texas and Crawford Hospital Partners, LLC for the City's participation in the oversizing of sewer mains and in accordance with the terms and conditions of this ordinance; authorizing the expenditure of funds therefore; and providing an effective date. (In the not-to-exceed amount of \$159,680.00)

P.S. Arora gave an overview of the project showing a map of the area.

Board Member Russell motioned to approve item B (17-108), with a second by Board Member Parker. Vote 7-0 approved.

- C. PUB17-111 -** ACM Update

1. Matrix

Matrix no changes

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.

Chair Robinson stated that this is Jon Fortune's last meeting he was thanked for his help with the utilities.

Adjournment 10:02 a.m.

Approved 5/22/17