



City of Denton
MINUTES
PUBLIC UTILITIES BOARD

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

Monday, March 26, 2018

6:00pm

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, March 26, 2018 at 6:00p.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, Brendan Carroll, Lilia Bynum, Charles Jackson, and Allen Bishop

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

Absent: Deb Armintor

WORK SESSION

A. PUB18-046 - Receive a report, hold a discussion and give staff direction regarding the use of unbudgeted capital project funds for storm water drainage projects.

Tony Puente gave the presentation. Over the last several months, there have been many staff meetings to go over the CIP projects including GO funded projects. As a result of those meetings staff was able to identify shortfalls as well as some savings.

In January staff met with the 2014 Oversight Committee to go over specific projects that was included in the 2014 Bond Program. Today will be specific to drainage projects.

Objectives:

-Discuss 2014 GO bond program – drainage projects

Magnolia/Hinkle Original Cost \$2,557,000

Pecan Creek Original Cost \$2,485,000

Eagle Drive Original Cost \$2,097,000

South Bell Original Cost \$806,000

Hickory Street Original Cost \$600,000

Total \$8,545,000

-Discuss shortfall in GO funded drainage projects

Magnolia/Hinkle Original Cost \$2,557,000; revised \$4,460,836; shortfall (\$1,903,836)

South Bell Original Cost \$806,000; revised \$744,406

Oak Street Original Cost \$0; revised \$220,993

Hickory Street Original Cost \$600,000; revised \$911,350

Downtown Total \$1,406,000; revised \$1,876,769; shortfall \$470,749

Grand Total \$3,963,000; revised \$6,337,585; shortfall (\$2,374,585)

-Review history of Drainage Division and associate Drainage Fee

Ordinance # 2001-428 – Recognized City's Drainage function. Adopted "Municipal Drainage Utility System Act" into City Code of Ordinances.

Ordinance # 2002-019 – Established Drainage Fee within Schedule of Wastewater Rates. Intended to fund Drainage function's cost for O&M, GO debt service, Wastewater (drainage projects) debt service and Storm Water portion of Watershed Projection.

Approximately \$5.5 million transferred for Drainage Channel Rehabilitation account over the last 10 years. Staff is proposing to utilize \$2,208,585 from this account to bridge the shortfall in the 2014 GO-funded drainage projects. There are no impacts anticipated to the planned projects for FY2019 and FY 2020.

Staff requests approval to utilize \$2,208,585 in Drainage Channel Rehabilitation funds to bridge the shortfall in 2014 GO-funded drainage projects.

Board Member Carroll asked what accounts for the shortfall in the Magnolia/Hinkle Drainage Project. Chad Allen, Deputy City Engineer, answered the high construction costs of more than 10 percent a year that was not anticipated when the project was originally put together had a great deal to do with the shortfall. Also all aspects of the project such as design was not accounted for. Vice Chair Parker asked if there is a lot of concrete, those costs have really escalated. Allen answered it isn't street concrete, there are large box culverts and the storm drain costs have increased.

Carroll asked why are the projects not completed on time. Todd Hileman answered staff has gone back to the 2005 bond package cleaned out all those projects as well as the 2012 and 2014 by balancing the bond funds. Staff will be making sure there are plans available before meeting with the bond committees in the future. This may include using engineering firms to get the projects completed in a timely manner.

Chair Robinson stated the drainage fees on the utility bill have been funding the projects, do we have funds out five years. Puente answered over the next couple of months staff will be looking at that as far as outside engineering firms and in house as needed.

The Board Members agreed to move forward.

B. PUB18-050 - Receive a report, hold a discussion and give staff direction regarding a proposed rate reduction for residential Solid Waste customers.

Tony Puente gave this presentation. He acknowledged staff that worked very hard for this rate reduction to be completed.

Overview – is to reduce residential rates by 12 percent. The impact of rate decrease and the updated projections. Finally the next steps will be discussed.

Staff efforts to date include a business unit realignment. This will allow the evaluation of each operation's financial health.

Revised capital planning and budget processes to include a multistep review of each division's budget justification.

Business case and financial analyses include proposed projects undergoing rigorous multi-step reviews and increased feasibility and cost benefit reviews.

For the Capital Plan and debt service, over the next five years the CIP will be reduced by \$12.2 million. The existing debt will be repurposed to address current needs. No debt issuance in 2017-2018 or 2018-2019.

Reduced annual debt service expense, approximate six year savings is \$13.4 million.

Reserves & Working Capital will show an immediate rate decrease. This is possibly due to elevated reserves. The current and projected reserves for 2017-2018 are \$9.8 million. The growth in reserves are due to decreased debt service.

Puente showed the Solid Waste financial forecast on a spread sheet.

Financial considerations of the 12 percent decrease will maintain fund balance within target range of 14-18 percent. It will safeguard funds from wholesale revenue exposure this represents approximately \$2 million annually. The commercial rate revenue is the largest revenue stream for solid waste. The cost of service study implications are unknown at this time.

Next steps include an Operation Review, Cost of Service and Market Study and proposed departmental budget.

Board Members had the opportunity to ask questions.

Susan Parker applauded staff for going through and making this mid-year change, Robinson agreed. Parker then added that once the cost of service is complete the commercial rates will be reviewed as well, Puente agreed.

Carroll asked if the cost of service study is necessary for the commercial decrease in rates, Puente stated the preliminary study shows the commercial rates will be decreased as well.

The Board agrees to move this forward by consensus.

C. PUB18-057 - Receive a report, hold a discussion and give staff direction regarding current City of Denton facilities and how to proceed with planning for future space needs regarding the Denton Service Center, Traffic Operations Building, and storage facility located at 651 Mayhill Road.

Mario Canizares gave this presentation. This information was given to Council back in mid-February regarding space needs.

Canizares started with showing the Service Center Campus on a map. There are 46 acres, located off of Mingo Road. This is an industrial area with all field operations located with the exception of DME. Also housed on this property are Purchasing/Materials Management, Fleet Services and dirt/fill materials area.

The two areas of concern are the Service Center and the Traffic Operations Building.

History of the Service Center is:

Built 1980

Renovations: 1990, 1992, 2000 and 2006

Population of Denton: 1980 – 48,063; 2016 – 133,808

Square Miles: 1980 – 32.8; 2017 – 98.8

Onsite staffing 1980 - 220; 2017 - 253

Operations at the Service Center – Streets, Drainage, Parks, Utilities Training, Radio Communications, Water and Wastewater, Engineering/Streets, Procurement and Distribution Center.

Traffic Operations Building – Traffic Signals, and Street/signs.

Service Center; 70,515 sq. ft., home base for 253 full time employees, cramped space and no room for growth. It is poorly configured and not user friendly for the public or staff.

Previous assumptions included an analysis of space needs that concluded city staff would continue to grow, renovation of existing service center and build a new service center to offset growth.

Current assumptions are that city staff growth continues and the existing spaces need to be better utilized.

Canizares then showed a site layout of the Service Center current conditions and where each different department is located.

Being considered is moving the purchasing/materials management departments to 651 Mayhill. This is located at Solid Waste. There is about 81,000 sq. ft. building that is mostly vacant. That would be moving about 30,000 sq. ft. from the Service Center freeing up that space for the existing departments. Canizares showed on a spreadsheet of estimated project costs and the funding sources for 651 Mayhill as well as the Service Center.

There was then a site layout of the Service Center and the proposed conditions.

Canizares then gave a recap of the Service Center building renovations. The issues that would be solved were talked about as well as staff's recommendation. The Request for Qualifications for architectural services to begin planning/designing both spaces (651 Mayhill and the Service Center) has already been sent out and has closed. No money to date has been spent on any of these renovations.

Board Member Bynum asked if the building is structurally sound enough to renovate since it was built in the 1980's. Canizares answered they are sound.

Chair Robinson asked about the logistics of materials management being located on Mayhill instead of downtown. Canizares answered it will be an adjustment but it is doable.

Jackson asked about the traffic in and out of material management. Canizares answered each department has to go to materials management for materials.

Traffic Operations Building was then presented.

History of the Traffic Operations Building is:

Built 1960's

4,000 sq. ft. building

Former animal services facility

Utilized by Traffic since mid-1980's

Population of Denton: 1980 – 48,063; 2016 – 133,808

Square Miles: 1980 – 32.8; 2017 – 98.8

Onsite staffing 9 full time employees

There are no vehicle bays, cramped space no room for growth and is not designed for new technology.

Current assumptions used were the 2014 bond program. \$1.5 million was approved and a building was to be built on the Service Center campus. The current project status is on hold.

Alternate option considered is to move Traffic Operations to 651 Mayhill. This would be in the front part of the building that would also be occupied by Materials Management.

The \$1.5 million bond would be put toward retrofitting the interior of the building. The Bond Oversight Committee recommended approval 5-0 on 1/30/18.

There was a few questions and discussion.

The Board Members agreed to move forward.

REGULAR MEETING

1. CONSENT AGENDA

- A. **PUB18-043** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract for household hazardous disposal services with Green Planet Inc.; providing for the expenditure of funds therefore; and providing an effective date (RFP 6618-awarded to Green Planet Inc., in the not-to-exceed amount of \$216,350).
- B. **PUB18-052** - Consider recommending adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager, or his designee, to execute a contract through the Buy Board Cooperative Purchasing Network Contract # 515-16 for the acquisition of one (1) replacement 2018 Case model 590SN Extended Reach Backhoe for \$92,897.24 for the Denton Municipal Electric Distribution Department; providing for the expenditure of funds therefor; and providing an effective date (File 6763 - awarded to Associated Supply Company, Inc., in the amount of \$92,897.24).
- C. **PUB18-053** - Consider recommending adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager, or his designee, to execute a contract through the Buy Board Cooperative Purchasing Network Contract# 515-16 for the acquisition of one (1) replacement Kubota model SVL95-2SHFC compact track loader for \$63,497.59 for the Water Distribution Department; providing for the expenditure of funds therefor; and providing an effective date (File 6764 - awarded to Zimmerer Kubota & Equipment, Inc., in the amount of \$63,497.59)..
- D. **PUB18-054** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract for Maintenance and Repairs of TXDOT Street Lights with Standard Utility Construction, Inc.; providing for the expenditure of funds therefore; and providing an effective date (RFP 6640 awarded to Standard Utility Construction, Inc. in the not-to-exceed amount of \$300,000).
- E. **PUB18-059** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract for the purchase of substation Remote Terminal Unit (RTU) software and Human Machine Interface (HMI) software, with Subnet Solutions, Inc., which is the sole provider of this software. In accordance with Texas Local Government Code 252.022, provides that procurement of commodities and services that are available from one source are exempt from competitive bidding; and if over \$50,000 shall be awarded by the governing body; and providing an effective date (File 6500 awarded to Subnet Solutions, Inc. in the not-to-exceed amount of \$307,980).

There was a motion by Board Member Parker with a second by Board Member Jackson to approve the consent agenda items A - E. Vote 6-0 approved.

2. ITEMS FOR INDIVIDUAL CONSIDERATION

- A. **PUB18-045** - Consider approval of the Public Utilities Board Meeting minutes of February 26, 2018.

Approved.

- B. PUB18-047** - Consider recommending approval of the Watershed Protection division's sponsorship agreement with Keep Denton Beautiful, Inc., in the amount of \$8,000.

Deborah Viera gave the presentation. Watershed Protection allocates funds annually for these sponsorships. It is to promote pollution presentation, stormwater and water quality awareness. It is required to meet the City's MS3 Permit. They leverage Keep Denton Beautiful's (KDB) software, network of contacts, volunteer base and established events. The last two years, staff has allocated \$9,000 and \$9,500 for this sponsorship.

KDB Sponsorship Events include:

Redbud Festival - \$3,500

Great American Cleanup - \$3,500

Environmental Education Grants Program - \$1,000

Roll over funds from 2017 not expensed for Mural Art initiative – (\$1,500)

Total Expenditure for FY 2018 is \$6,500

Staff recommends

Maintain Watershed Sponsorship of KDB

Approve requested expenditure of \$6,500

Adhere to resolution 18-095

Board Member Carroll asked what is the MS4 Permit. Viera answered it is a permit from TCEQ for the municipal separate storm water sewer system that the City has to maintain every five years.

Chair Robinson stated it is a great way to leverage funds with Keep Denton Beautiful, they do a great job leveraging public money, private donations and volunteer hours.

There was a motion by Board Member Bynum with a second by Board Member Parker to approve item PUB18-047. Vote 6-0 approved.

- C. PUB18-051** – Consider recommending adoption of an ordinance of the City of Denton, a Texas Home-Rule Municipal Corporation, amending Ordinance No. 2017-273 to reduce solid waste residential collection service rates, and remove certain administrative rate setting provisions; and providing an effective date.

Tony Puente stated this is the item for immediate reduction of residential rate effective March 28. This is the first step, staff will come back in the next three to four months regarding all the rates in Solid Waste.

There was a motion by Board Member Bishop with a second by Board Member Carroll to approve PUB18-051. Vote 6-0 approved.

- D. PUB18-055** – Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract for a utility assistance program supporting low-income households; providing for the expenditure of funds therefore; and providing an effective date (RFP 6669- awarded to Interfaith Ministries of Denton Inc. in the not-to-exceed amount of \$375,000).

Tiffany Thompson gave this presentation.

Background includes the Prevent Loss of Utility Service (P.L.U.S.) One Program that is designed to assist in the payment of utility bills for customers who may be low income and/or experiencing a temporary financial crisis. A local non-profit agency administers the P.L.U.S. One Program. RFP 6669 was developed and placed for bid to 295 organizations with one submission received by the February 1st deadline. Interfaith Ministries of Denton, Inc. has administered the P.L.U.S. One funds since 1998 and was the sole submission for RFP 6669. The contract amount will increase from \$100,000 to \$125,000 annually per the Public Utilities Board/City Council recommendations. Total administration costs increased 26 percent.

The new client criteria will include the ability to assist with a security deposit, to assist a customer up to three times in a 12 month period and there is no required time living at the residence. The reporting data criteria was also updated.

Recommendation by staff is to award the \$125,000 per year to Interfaith Ministries of Denton, Inc. Staff will report results of new criteria back to this Board and Council within one year.

There was a motion by Board Member Bynum with a second by Board Member Parker to approve PUB18-055. Vote 6-0 approved.

CLOSED MEETING

- A. PUB18-058** - Deliberations Regarding Certain Public Power Utilities: Competitive Matters – Under Texas Government Code Section 551.086.

Receive information from staff, and discuss, deliberate and provide direction to staff regarding the future plans for, and current and future operations of, the Gibbons Creek Steam Electric Station owned by the Texas Municipal Power Agency. (The City of Denton is a member of TMPA).

3. ITEMS FOR INDIVIDUAL CONSIDERATION

- E. PUB18-056** – Consider recommending adoption of an ordinance authorizing the City Manager, or his designee, to sign a Notice of Extension of the TMPA Power Sales Contract for Seasonal Operation from September 1, 2018 to September 30, 2018 pursuant to Section 5.1.3 of the TMPA Amended Joint Operating Agreement.

George Morrow gave the presentation requesting a 30 day extension for the operating agreement.

Background

Denton has a 21.3 percent entitlement to the generation output of the 470 MW Gibbons Creek (GC) power plant. The GC Power Sales Contract expires on September 1, 2018 unless extended by one or more remaining generation participants. Staff from the remaining GC generation participants have indicated interest in a possible extension of the Power Sales Contract through 9/30/18.

Section 5.1.3 of the amended Joint Operating Agreement provides that the GC generation participants may elect to extend the Power Sales Contract beyond September 1, 2018 for ‘seasonal or other term-limited operation’.

A notice of extension letter was prepared for the GC participants to formally acknowledge their desire to extend the Power Sales Contract to September 30, 2018. During any extension period, Greenville’s 10

percent entitlement in GC is allocated proportionally to the remaining three participants. Thus Denton's share of the GC power produced would increase to 23.7 percent from its current level of 21.3 percent.

Morrow stated after the analysis was completed the value of generation from GC plant exceeds the projected cost of operating the plant. Under the extension notice, there is no obligation to operate the power plant after September 30, 2018. Currently the plan is for GC to begin a seasonal shutdown on October 1, 2018. Any additional plans would be discussed at a later date.

The proposed ordinance authorizes execution of the Extension Letter which will extend, as to Denton, entitlement to generation from Gibbons Creek from September 1 to September 30, 2018.

Recommendation by staff is to recommend adoption of the proposed Ordinance to the City Council.

There was a motion by Board Member Jackson with a second by Board Member Parker to approve PUB18-056. Vote 5-1 approved.

F. PUB18-026 - ACM Update:

1. First Quarter Financial Report
2. Impact Fee Capital Improvement Advisory Committee Update
3. Gibbons Creek Plant Closure Update
4. DME Transmission and Substation Expansion Program
5. Future Agenda Items
6. 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

No new items

Adjournment: 7:49pm

Approved: April 9, 2018