



**City of Denton
MINUTES
PUBLIC UTILITIES BOARD**

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

Monday, October 8, 2018

9:00 am

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, October 8, 2018 at 9:00 a.m. in the Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas

Board Members: Chair Susan Parker, Vice Chair Brendan Carroll, Allen Bishop, and Karen DeVinney

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

Absent: Lilia Bynum, Billy Cheek and Charles Jackson

WORK SESSION

A. PUB18-198 - Receive a report, hold discussion, and provide direction on the 5-year update of the Water and Wastewater Impact Fees.

This item was introduced by P.S. Arora and explained why there is a need for the Impact Fees.

John Atkins with Kimley Horn gave the presentation starting with the Water Impact Fees.

The definition of an Impact Fee is a one-time charge assessed to new development for a portion of costs related to a specific capital improvement program. Impact fees are a mechanism for funding the infrastructure necessary to accommodate new development, funding of new facilities or expansions and recouping eligible capital improvement costs. Impact fees are limited to water, wastewater, roadways and drainage facilities.

Principles and purpose include the following.

- Growth in the form of new development should help pay its own way
- New development pays for a share of a city's cost to provide water/wastewater capacity improvements that will serve the proposed development
- Allows cities to recoup a portion of cost of providing improvements
- Ensures that fees spent in area where development is located
- Provides a systematic, structured approach to assessment of fees
- Facilitates "Growth paying for Growth"

Atkins went on to talk about the Legislative Basis for Impact Fees. Chapter 395, Texas Local Government Codes was referenced.

Assumptions are as follows:

- Landuses determine the type of growth.
- Growth requires additional capacity in the form of capital programs.
- The Water and Wastewater system models accurately determine additional capacity needs, types of projects to meet the needs, and approximate timing.
- Capital cost estimates are accurate.

-Population estimates for the base year (2018) and ten-year window (2028) are accurate. These estimates are based on Water and Wastewater master plans, the Water and Wastewater service area boundaries, the 2015 Roadway Impact Fee Study, and input from City Planning and Utility staff.

Impact Fee Five year Update

- Denton has had impact fees since 1998
- State law requires revisions every five years
- Denton's Service Area is divided into three impact fee zones for water, and one zone for wastewater

Atkins went into and explained how Impact Fees are calculated. Showing the information on a table.

Items that are included and payable with impact fees are as follows.

- Construction cost of capital improvements on the CIP
- Survey and Engineering fees
- Land acquisition costs, including court awards
- Debt Service of impact fee CIP
- Study/Update Costs

Items that are **not** included and payable with impact fees are as follows.

- Projects not included in the CIP
- Repair, operation and maintenance of existing or new facilities
- Upgrades to serve existing development
- Administrative costs of operating the program

Atkins then showed a table with the 10 Year Land Use Projections Water Customer Forecast. He also showed the water CCN boundaries and the three water zones on maps. The water impact fee CIP cost and 10 year recoverable cost for projects was also discussed. Examples were shown of a few existing projects.

Atkins showed a map of the Water 10 year CIP proposed projects.

The calculated maximum impact fees and 2013 and 2018 study comparison was shown on a table and explained. The water impact fee staff recommendation was also shown.

Atkins proceeded and talked about the Wastewater Impact Fees. The CCN boundaries was shown on a map along with the one service area.

The 10 year land use projections for wastewater customer forecast was shown along with the cost of the projects. The wastewater impact fee CIP cost and 10 year recoverable cost for projects was also discussed. Examples were shown of a few existing projects. The 10 year CIP Wastewater was also shown on a map.

The calculated maximum impact fee and 2013 and 2018 study comparisons were shown on a table and explained. Staff recommendation was also shown and talked about.

Board Member DeVinney asked why staff isn't recommending using the maximum fees.

Tim Fisher answered that is a policy decision. Staff gets feedback from this Board, the CIAC and Council it is the recommendation to go with status quo. This also gets in to the rate comparison with other communities.

DeVinney then added that there was a very thorough and complicated study and an amount was given, are we just ignoring that. Fisher responded that five years ago the City didn't move to the full amount.

Todd Hileman added that the impact fees are really an equity buy in that all the current customers have already participated in. There was also a concern about that being too high for future development. This is really a political discussion, staff will move forward with the recommended fee based on that necessary buy in. If this fee is knocked down, that means existing customers are subsidizing new growth.

Board Member Bishop asked if the city is not requiring the maximum is that extending the time to recover from the costs. Hileman answered if you are not recovering the entire recommended rate up front it basically gets rolled into the rates, the dollars have to come from somewhere. At the end of the day the cost are the cost and debt has already been incurred.

Board Member Carroll stated zones were created for water, why not for wastewater.

Arora answered in water there is a lot of connectivity. Wastewater has defined areas. Water there are areas that do not have enough infrastructure, which is a lot of expense. The city needs to recover those areas. The wastewater doesn't have that problem. It keeps it simple to use one zone.

Carroll then asked how new development is defined. Arora answered the landuse assumptions are used based on zoning. If a single home is razed and multifamily replaces it, a larger meter would be needed. They would be given credit for the size and the difference would have to be paid.

Parker had a question on the zones. The zone 1A is downtown which is already developed so that area would be taking something down to replace it that is why the recovery cost is lower. Fisher answered that is correct.

Carroll asked when the fees are assessed. Fisher answered it is at the time of building permitting.

Arora added that staff is looking for agreement from this Board before they go to the CIAC then to Council for approval.

DeVinney added to make it clear why the maximum amount is not being used.

Parker also added to show what other communities charge would be helpful.

Kenneth Banks stated that one thing that is important to point out is with regards to staff recommended it is staff recommended minimum. Currently our fees are lower than the full recovery fee that was in the 2013 study as a result a portion of the rate base is actually picking that costs up. Staff made a recommended minimum by using that inflation based adjustment so that the rate base could not more burdened than it currently is. It is a political discussion as to whether you want to go to the maximum or not.

Board agreed to move this item forward.

CLOSED MEETING

A. PUB18-155 - 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 regarding plans for the 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).

REGULAR MEETING

1. CONSENT AGENDA

- A. **PUB18-190** - Consider recommending the adoption of an ordinance of the City of Denton, Texas authorizing the City Manager, or his designee, to execute and administer a right-of-way registration and application with the city of Corinth, Texas, to obtain permits, and execute ancillary documents related thereto, and providing for an effective date.
- B. **PUB18-191** - 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 Professional Services Agreement with Kimley-Horn and Associates, Inc., for the Standard Construction Specifications Preparation as set forth in the agreement; providing for the expenditure of funds therefor; and providing an effective date (RFQ 6590-039 - Professional Services Agreement for the Standard Construction Specifications Preparation awarded to Kimley-Horn and Associates, Inc. in the not-to-exceed amount of \$1,008,800).
- C. **PUB18-193** - 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 Professional Services Agreement with Freese and Nichols, Inc., for On-Call Engineering Related Professional Services, as set forth in the agreement; providing for the expenditure of funds therefor; and providing an effective date (RFQ 6590-042 - Professional Services Agreement for on-call Engineering Related Professional Services awarded to Freese and Nichols, Inc., in the not-to-exceed amount of \$1,200,000).
- D. **PUB18-194** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the approval of a third amendment to a Professional Services Agreement between the City of Denton and Freese and Nichols, Inc., amending the contract approved by City Council on July 17, 2012, in the not-to-exceed amount of \$435,701, amended by Amendments 1 and 2, approved by the Purchasing Manager and the City Manager, said third amendment to provide additional Design Services for the North-South Water Main Phases II and III project; providing for the expenditure of funds therefor; and providing an effective date (File 4978 – providing for an additional third amendment expenditure amount not-to-exceed \$140,113.60, with the total contract amount not-to-exceed \$656,268.60).
- E. **PUB18-195** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the approval of Change Order No. 4 to the contract between the City of Denton and Condie Construction Company, Inc., for the Cooper Creek Interceptor I and II project; providing for the expenditure of funds therefor; and providing an effective date (IFB 6576 - Change Order No. 4 in the not-to-exceed amount of \$35,723.41, for a total contract award aggregating to \$3,249,548.85).
- F. **PUB18-197** - 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 supply and installation of trees for the City of Denton Parks, Medians, Right of Ways, Public Buildings, and other City Departments, as needed; providing for the expenditure of funds therefor; and providing an effective date (IFB 6811 - awarded to Fannin Tree Farm Sales, LLC, for one (1) year, with the option for three (3) additional one (1) year extensions, in the not-to-exceed amount of \$800,000 for the Parks Department and \$406,000 for the Solid Waste Landfill Buffer Zone Tree project in a total not-to-exceed amount of \$1,206,000 for all years).

G. PUB18-202 - 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 Professional Services Agreement with Teague Nall and Perkins, Inc., for Engineering Related Professional Services for the West Hickory Street Drainage, Paving and Sidewalks Project, as set forth in the agreement; providing for the expenditure of funds therefor; and providing an effective date (RFQ 6590-043 - Professional Services Agreement for Engineering Related Professional Services awarded to Teague Nall and Perkins, Inc. in the not-to-exceed amount of \$167,500).

Board Member DeVinney motioned to approve all consent items second by Board Member Bishop. Vote 4-0 approved.

2. ITEMS FOR INDIVIDUAL CONSIDERATION

A. PUB18-186 - Consider approval of the Public Utilities Board Meeting minutes of September 24, 2018.

Approved as circulated.

B. PUB18-196 - ACM Update:
1. Future Agenda Items
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

Susan Parker – Vote for a Secretary

Brendan Carroll - Assessment on how the Denton Energy System performs.

Adjournment: 9:49am

Approved on 10/22/18