



**City of Denton
MINUTES
PUBLIC UTILITIES BOARD**

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

Monday, April 22, 2019

6:00 pm

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, April 22, 2019 at 6:00 p.m. in the Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas

Board Members: Vice Chair Brendan Carroll, Allen Bishop, Lilia Bynum and Karen DeVinney

Absent: Chair Susan Parker Charles Jackson and Billy Cheek

Ex Officio Member: Kenneth Banks, General Manager of Utilities

WORK SESSION

A. PUB19-054 - Receive a report and hold a discussion regarding the 2018 Water Loss Audit Report.

Tyler Dawson, Field Service Tech Manager, gave the presentation

Water loss at a high level is the amount of water that goes into the plant, how much went out with the difference being the apparent and real losses.

Dawson then showed the Audit Tree which was a flow chart.

Real Loss was defined: Water lost through distribution system leakage and excessive pressure. Examples include main breaks and leaks, undiscovered leakage, background leakage and other unidentified losses.

Effects of real loss is an indicator of system health. These losses are priced at the marginal cost of water acquisition and treatment.

The total real loss in FY 2018 was 505MG/7.27 percent.

Dawson then showed an example of the loss using a gallon of water and two glasses with food color.

Apparent loss is water that was not read accurately by a meter. This includes water meter inaccuracy, unauthorized consumption and data errors.

Effects of Apparent Loss is an indicator of fiscal health. Inaccurate meters and theft reduce revenue. Those losses are priced at the retail volume cost of water.

The total apparent loss in FY 2018 was 222MG/3.19 percent.

Unbilled authorized usage includes the following.

- Fire Protection is provided as an unbilled service: Fire sprinkler systems and fire engine use.
- System operation often requires flushing: Cleaning new pipes after installation, removing old water from low flow pipes and flow rate testing and water quality sampling.

Dawson then showed the Audit Tree which the numbers of gallons for each category on the flow chart.

The cost of water loss was explained in the two categories of real loss and apparent loss. Real loss shows the cost of treating water while the apparent loss shows the amount that could have been revenue. This justifies the meter replacement program that is in the Water Meter Shop. The analysis shows that the meters need to be replaced at about every 13 years.

Staff benchmarked some of the data with nearby cities in Region C. There will be real loss, apparent loss shown as well as infrastructure leakage index.

When looking at benchmarking no system is exactly the same as the City of Denton's. Some have grown faster, some have older or newer infrastructure and not all audits are performed equally. Staff works very hard to make sure the numbers are as accurate as possible.

There was a graph shown with real and apparent loss per connection across Region C. The City of Denton is just past mid-point. Total loss per capita across Region C was also shown on a graph with Denton right about median.

Infrastructure Leakage Index (ILI) looks at total real loss over a theoretical minimum leakage. An indicator of a utility's effectiveness in managing leaks. The theoretical minimum is 1. Denton's FY2018 was 1.83.

Within Region C our ILI is on the low end of the scale, also shown on a graph.

Implementation Steps will include:

- Continue meter replacement program
- Continue leak detection program with improved technology
- Improved main break water loss estimates
- Improved water use estimates from operational applications
- Improved source metering at water production plants

Board Member Bynum asked Dawson to expand on the meter replacement program. How many numbers are replaced each year. Dawson answered they are on a 13 year cycle. Tim Fisher added that there is a projection that the meter shop uses, there are no meters in the field older than 13 years old.

Board Member DeVinney asked how many residential meters there are. Dawson answered about 35,000.

Bynum then asked if the citizens know when they are replaced. Dawson answered only if they are home, normally they wouldn't know.

Carroll for the purpose of the audit when you are determining real loss attributed to faulty poorly calibrated water meters. How is it that you come about a volume of the meter is faulty. Dawson answered there is bench testing done on meters, where they are pulled from the field and tested. We know the age of those meters and the accuracy is tested. Any meters over two inches are tested annually.

B. PUB19-078 - Receive a report, hold a discussion and give staff recommendations regarding the Solid Waste Fiscal Year 2019-20 Operating and Capital Budget.

Ethan Cox, Director of Solid Waste, started the presentation. Cox introduced staff that helped with the budget.

Accomplishments include:

- Improved employee engagement through a management reorganization, improved safety, & employee involvement
- Won the 2018 TxSWANA Jimmy Huff award for most dramatic improvement in workplace safety
- Increased the landfill's disposal capacity by 8+ years through improved waste compaction
- Improved landfill buffer through tree planting & irrigation
- Converted Building Materials Recovery and Rubble Processing operations into a Public Disposal and

Goals include:

- Procure new system(s) to address audit findings, refine collection routing, & improve asset management
- Continue efforts to recycle right and reduce recycling contamination
- Implement rate adjustments to more closely align with cost of service
- Continue efforts to improve fleet performance and uptime
- Secure future disposal capacity through a permit for landfill expansion
- Repair, improve, and determine long term use of the Moseley Rd. landfill
- Refine programs & processes to enhance service delivery, reduce costs, and improve safety

Budget emphasis includes 'The Big Picture' which includes the purpose. This includes the strategy, values, culture, staff and leaders. Providing exceptional value to our community is top of the list. Cost drivers and considerations is also important.

Cost Containment Strategies include operating expenses, equipment/vehicles and the Capital Improvement Plan.

Process Improvements for FY18-19 was discussed as well as future process improvements.

Supplemental Package Summary was shown on a table that includes \$1,812,554 total for several items.

Board Member Carroll asked about the contamination rate for the North Lakes recycling drop off. Cox answered it is about 40 percent. The reason it isn't higher is the area is cleaned up three times a week.

Nicholas Vincent then took over the financial portion of the presentation.

Financial Assumptions that were included for revenue are:

- Separate the Operating, Rental, and Vehicle Replacement Reserves
- Maintain existing residential rates
- Utilize fund balance to implement the rate correction strategy over five years
- Revisit rate correction strategy as part of the budgeting process each year
- Separate out the gate disposal rate for City of Denton citizens and businesses
- No wholesale rate increase and levelized wholesale customer growth

Expenditures include:

- Issuing \$5M in bonds for cell development in FY 2022
- Issuing \$1M in FY 2020 for Admin. Building renovations
- Decreased vehicle contributions in FY 2023 and FY 2024

Staff is recommending to change the way the current operating reserve is calculated in the solid waste fund. Currently there are three components added together to make up the fund total: operating, rental and vehicle replacement. Moving forward there will be two different funds that will include operating and vehicle replacement. This is consistent with water and wastewater funds.

The 5 Year Forecast was shown on a detailed table and explained by Vincent.

Revenue Highlights was also shown on a table with the different revenue resources and the dollars associated with each.

Expense Highlights was then shown on a table with the different expenditures associated.

5 Year Capital Plan was shown that includes bonds.

Position Summary that will include one new position through the supplemental package.

Carroll asked what caused the planned increase in the operational reserves. Vincent answered the major contributor is the debt service.

C. PUB19-077 - Receive a report, hold a discussion and give staff recommendations regarding the Solid Waste Rate Correction Strategy.

Nicholas Vincent gave the presentation starting with a little history. In the summer of 2018 solid waste partnered with NewGen Strategies to complete an in depth cost of service study. The correction strategy is to correct items from the study.

Accomplishments to date:

- Decreased residential rates 12% in FY 2018
- Cancelled Landfill Mining to avoid net losses exceeding \$1 million annually
- Constructed a CNG fueling station to save over \$400,000 annually
- Eliminated liquid waste operation to save over \$200,000 annually
- Cancelled Building Materials Recovery Operation to avoid net losses of \$680,000 annually
- Restructured capital plan to not issue debt in FY 2018 and FY 2019

Debt Service is decreasing from \$8.9 million to \$6.2 million over the next five years.

Rate Correction Overview includes the three main service categories in solid waste.

Residential Goal

- Maintain existing residential rates
- Decreased residential rates by 12% in FY 2018

Commercial Goal

- Incentive larger containers and reduce collection frequency
- Incentive recycling through reduced rates
- Eliminate underutilized container offerings
- Reduce side load rates to align with front load rates
- Utilize fund balance to reduce over recovering rates over five years
- Cost recovery in five years

Landfill Goals

- Utilize fund balance to reduce over recovering rates over five years
- Cost recovery in five years

Rate Correction Summary was shown for each category of residential, commercial and landfill.

Residential Rates approach is to maintain existing rates and continue to improve operational efficiencies to minimize future rate increases.

Commercial Services include the different containers that can be chosen from the different service fees and disposal fees and well as the monthly rental fees.

Commercial Refuse Rates was shown on a table with the current and recommended rates. There were additional commercial rates that was detailed and explained.

Landfill Rates approach is to separate out the gate disposal rate for City of Denton citizens and businesses and to reduce reliance of wholesale customer waste.

Carroll asked whose budget pays for illegal dumping in the city of Denton. Antonio Puente stated currently that is paid from the general fund, Parks Department and Community Improvement. Carroll when on to explain when some of the containers are dumped they lose trash and someone has to pick that up. Cox added the ordinance that is in place for servicing the containers is dated. If the lid can't close by ordinance staff should not be servicing the container, there are many that are over flowing. It is not only a litter but a safety issue. Staff would like to come back with how to better craft the ordinance to cover some of these issues, and how to enforce it.

Bynum asked if we have thought about cameras for North Lakes. Cox answered that is in the supplemental package, cameras as well as better lighting and to prosecute illegal dumping.

Carroll suggested putting up a sign for people to report the illegal dumping and how to do so, it might curb the bad actors.

Bynum stated those dumpsters are always full can you put in bigger containers. Cox answered they have looked at the roll off types for the new site.

Carroll stated reducing rates for commercial is a great idea but would hate to see them be too low and have to bump them back up.

REGULAR MEETING

1. CONSENT AGENDA

- A. **PUB19-065** - Consider recommending adoption of an Ordinance of the City of Denton authorizing the City Manager, or designee, to execute a confidentiality and non-disclosure agreement between the City and Saturn Power Corporation; providing for a severability clause; and providing for an effective date.
- B. **PUB19-069** - Consider recommending adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a fourth 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 1-3 approved by Purchasing Staff, the City Manager and City Council, said fourth amendment to provide engineering services relating to North-South Water Main Phases II and III; providing for the expenditure of funds therefor; and providing an effective date (File 4978 – providing for an additional fourth amendment expenditure amount not-to-exceed \$396,303.00 with the total contract amount not-to-exceed \$1,052,571.60).
- C. **PUB19-070** - 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 Number 521-16 for the acquisition

of one (1) Altec model TA60 Articulating Telescopic Aerial Truck for Denton Municipal Electric; providing for the expenditure of funds therefor; and providing an effective date (File 7024 - awarded to Freightliner of Austin, in the not-to-exceed amount of \$243,539).

- D. PUB19-071** - 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 Sourcwell Cooperative Purchasing Network Contract Number 021815, for the acquisition of one (1) Tractor/Scraper combination for \$868,010.90 for the Solid Waste Department; authorizing the expenditure of funds therefor; and declaring an effective date (File 7034 - awarded to Associated Supply Company, Inc., in the not-to-exceed amount of \$868,010.90).
- E. PUB19-072** - 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 Number 515-16 for the acquisition of two (2) Broce Model RJT350 Sweepers for the Water Distribution Department; providing for the expenditure of funds therefor; and providing an effective date (File 7035 - awarded to R.B. Everett & Company, in the not-to-exceed amount of \$119,970).
- F. PUB19-073** - 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 Number 515-16 for the acquisition of one (1) new Volvo model L180H and one (1) new Volvo model L70H replacement Wheel Loaders for the Beneficial Reuse Department; providing for the expenditure of funds therefor; and providing an effective date (File 7048 - awarded to Romco Equipment Company, LLC, in the not-to-exceed amount of \$546,413).
- G. PUB19-075** - Consider recommending adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with N.G. Painting L.P., for the Construction of NW Storage Tank Rehabilitation located at the intersection of Loop 288 and Hwy. 35N; providing for the expenditure of funds therefor; and providing an effective date (IFB 6990 - awarded to N.G. Painting L.P., in the not-to-exceed amount of \$249,050).
- H. PUB19-076** - 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 Number 521-16 for the acquisition of three (3) heavy duty refuse trucks for the Solid Waste Department; providing for the expenditure of funds therefor; and providing an effective date (File 7049 - awarded to Rush Truck Center of Texas, L.P., in the not to exceed amount of \$844,362).

Item A was pulled and will be pushed to the next meeting.

Board Member Bynum motioned to approve items B-H consent items with a second by Board Member Devinney. Vote 4-0 approved

2. ITEMS FOR INDIVIDUAL CONSIDERATION

- A. PUB19-063** - Consider approval of the Public Utilities Board Meeting minutes of April 8, 2019.

Approved as circulated

- B. PUB19-074** - ACM Update:

1. August 2018 Drinking Water Violation
2. Future Agenda Items
3. 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

Adjournment: 7:08pm

Approved: May 6, 2019

DocuSigned by:
Susan Parker
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Chair, Susan Parker

5/28/2019

Date