



**City of Denton**  
**MINUTES**  
**PUBLIC UTILITIES BOARD**

City Hall  
 215 E. McKinney Street  
 Denton, Texas  
[www.cityofdenton.com](http://www.cityofdenton.com)

**Monday, May 6, 2019**

**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, May 6, 2019 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, Charles Jackson, Billy Cheek, Lilia Bynum and Karen DeVinney**

**Absent: Allen Bishop**

**Ex Officio Member: Kenneth Banks, General Manager of Utilities**

**WORK SESSION**

**A. PUB19-084 – Receive a report, hold a discussion and give staff direction regarding the Customer Service Fiscal Year 2019-20 Operating Budget.**

Tiffany Thompson, Director of Customer Service, gave the presentation. Stating that customer service mission is to help serve and educate our customers. Last year staff calculated and produced 641,000 bills, fielded over 195,000 phone calls, assisted 64,000 customers, and collected and reconciled over \$287 million of revenue.

**Customer Service Goals and Accomplishments**

**FY2018-19 – Accomplishments**

- Successfully Completed Public Launch of Pay As You Go Prepaid Utility Services
- Launched Customer Service Surveys for Lobby Interactions with 94.9% Overall Customer Satisfaction Rating
- Conducted Study of Credit and Collection Metrics and Performance With Navigant Consulting
- Successfully Completed Internal Audit of the Customer Service Department
- Implement Self-service Disconnect and Transfer Capabilities for Utility Customers
- Implementation of Paperless Billing Process for Audits
- AMI Meter Reconnect Time Reduced from 67 Minutes to 34 Minutes

**FY2019-20 - Goals**

- Renovation Completion of the Customer Service Lobby Enhancing Safety and Security
- Increase Adoption for Pay As You Go Prepaid Utility Services Program
- Addition of 18 Local (27,000 Nationwide) Pay Near Me Payment Locations for Pay As You Go Customers
- Navigant Consulting Study of Call Center Metrics and Performance Against Industry Best Performers
- Increase Funding for PLUS One/Program Enhancement
- Specialized Representatives for Hardship Counseling
- Automated Payment Arrangement Option Online
- =Evaluation and Enhancement of Performance Metrics

Budget Emphasis is to maximize value while containing and limiting costs. This is done by focusing on performance measures. There was a table with this information in detail.

Cost containment strategies include reducing volume and improving efficiency by increasing customer satisfaction. Those strategies were shown on a table with detailed information.

**Customer Service Process improvements include:**

- Developed Standard Operating Procedures and Processes to keep documents current and track changes
- Streamlined Lien Payment Process with Community Improvement Services to increase payment security
- Enhanced Cross Training to create a contingency plan through staff development
- Added Spanish options to utility payment self-service portal
- Launched Self-Service Transfer and Disconnect capabilities for utility accounts
- Improvements to Training Program, which reduced training time and increased agent ability
- Collection Agency Referral of Aged Debt reduced from 120 Days to 90 Days
- Implementation of Paperless Billing Process for Audits

Cost of Service Allocations was shown on a table of the different department that contribute.

Cost Contributors include a mid-year addition of Director of Customer Service Position. Planned changes include an addition of 1.5 customer service representatives, a quality control specialist and \$50,000 funding increase to the PLUS one program. There is also a budget addition of \$200,000 for possible merchant service impact.

**Budget Highlights – Expenses**

This will include personal services additions and other customer service expenses.

**Supplemental Package Summary**

This will include the 2.5 new positions.

Board Member Carroll asked about the ‘pay near me’ and if the contract came to this Board. Tiffany answered it is in addition to the prepaid metering contract and is no cost to the City. When it becomes live, there will be an information staff report sent out with information.

Carroll then asked the ‘Pay as you go Program, those people can access their account. When can the rest of customers access their account. Thompson answered they are looking at that now, when it is ready staff will come back with a report.

**B. PUB19-089 - Receive a report, hold a discussion and give staff direction regarding the Water Fiscal Year 2019-20 Operating and Capital Budget.**

Frank Pugsley, Director of Water Utilities, started the presentation introducing key staff and stating that Nicholas Vincent would complete the presentation regarding the finance portion.

**Accomplishments**

- Implemented detailed construction project scheduling system, now on its 3rd evolution, which has been adopted by Streets and PMO.
- Updated water distribution system Master Plan
- Updated five-year impact fee program
- Completed critical repairs to Lake Lewisville 30-inch diameter raw water pipeline

## **Goals**

- Begin construction on LLWTP Phase II Upgrades & Zebra Mussel Control
- Begin design of RRWTP Performance and Regulatory Upgrades
- Bid and begin construction of the Allred-John Payne Road Water Transmission Pipeline
- Complete design and bid North/South Water Transmission Pipeline Phase 2B (I35 to Scripture)
- Secure Water Reuse Permit from the TCEQ
- Complete water distribution Asset Management Plan

Budget emphasis is to provide exceptional value for our customers. This will include fully implementing Cityworks throughout the field groups to standardize work order management and communication. Staff will identify and replace less efficient heavy equipment with appropriate equipment for the job. Capital Improvement Plan utilizes asset management data to target infrastructure replacement where it makes the most sense

## **Cost Containment Strategies include:**

- Budgeted Salary Savings of \$500,000
- Implementing an advanced asset management program to improve capital program management and replacement scheduling
- Used revenue from summer water sales to defer bond sales, which helped limit future debt service payments.
- Staff and a consultant are analyzing the timing and size of the Capital Improvement Plans for the Water plant expansion
- Used zero base budget with supplemental packages
- Conducted analyses of heavy equipment to improve efficiency

## **Process Improvements for FY18-19**

- Established a detailed construction schedule with 3-month, 1-year and 2-year look-ahead to better coordinate city construction
- Implemented cross training opportunities for staff operating similar equipment manufactured by different vendors
- Water distribution and wastewater collection crews are experimenting with dual-purpose crews. This has the potential to accelerate certain projects by limiting mobilization and lag time.

## **Future Process Improvements**

- Began development of advanced asset management program to guide the decision-making process for utility replacements and lower system risks

## **Supplemental Package Summary**

This includes new key positions that are needed as well as a crew truck.

Historical and Projected Peak Day Finished Water Production was shown on a graph and explained extensively. The design and construction timeframe of the water plant expansion was discussed.

**Nicholas Vincent then gave the financial portion of the presentation.**

## **Financial Assumptions**

### Revenue

- Utilize impact fee revenue to fund both debt service and up-front project cost
- Rate increases forecasted in FY 2022 and FY 2023 in anticipation of treatment plant expansion
- Projected 2 percent population growth
- GPCD is forecasted to decrease to 152 in FY 2024

-Maintain existing water rates

Expense

- Water treatment plant expansion moved from FY 2024 to FY 2025
- Utilize impact fee reserve to cash fund \$9 million of eligible impact fee projects in FY 2025

Water Impact Fee Revenue

The way the water impact fees are used in the water department will be changed. The current method, the impact fee revenue is used to fund debt service of eligible projects. The proposed method is to utilize impact fee revenue to fund both debt service and up-front project costs.

Five Year Forecast was shown on a detailed table. There were areas of the table that was discussed in detail. There aren't any scheduled rate increases until 2022.

Expense Highlights was shown and talked about for all departments within the water utilities.

Five Year Capital Plan includes \$29.246 million in projects, \$15.9 million will be bond funded with \$9.2 million revenue funded and \$3.8 million funded by impact fees.

Position Summary includes the five new positions that Pugsley explained earlier in the presentation.

Chair Parker asked about smaller water rate increases this year instead of waiting. Vincent stated they have not got that scenario today but will look at if the PUB would like. Vincent then talked about why the two percent was chosen in 2022. This is looked at every year to verify.

Board Member DeVinney asked what is being done about the zebra mussels. Pugsley responded we are adding chemicals at the intake structures. This chemical discourages them from attaching to that structure.

### **C. PUB19-090 - Receive a report, hold a discussion and give staff direction regarding the Wastewater and Drainage Fiscal Year 2019-20 Operating and Capital Budget.**

Kenneth Banks gave the presentation regarding the wastewater portion of the presentation.

#### **Accomplishments**

- Submitted the final annual report of the EPA Administrative Order.
- Updated five-year impact fee program
- Completed construction of the Cooper Creek Phase 1 and 2 Interceptor sewer project
- Bid the Hickory Creek and West Peak Flow Detention Facility Projects for construction
- Hickory Creek Pump Station replacement project bid and under construction
- Completed design of sludge handling project at PCWRP and bid the solids handling equipment for procurement
- Updated Wastewater collection system Master Plan

#### **Goals**

- Complete construction of sludge handling project at Pecan Creek Plant
- Complete construction of Hickory Creek and West Peak Flow Detention Facility Projects
- Bid and begin construction of the Hickory Creek Phase 1 and Phase 2 Interceptor projects
- Submit performance data to Texas Commission for Environmental Quality for capacity addition project at Pecan Creek Plant
- Complete construction of the Robson Wastewater Diversion Project

Budget Emphasis is to provide exceptional value for our customers. Operating expenses include fully implementing Cityworks throughout the field groups to standardize work order management and communication. Staff will identify and replace less efficient heavy equipment with appropriate equipment for the job. The Capital Improvement Plan will use asset management data to target infrastructure replacement where it makes the most sense. Staff will enact infrastructure solutions that lowers asset life-cycle costs and reduce environmental impacts. Department will use technology and proven work processes to help our employees be proactive and service oriented. We will perform proactive operations and maintenance activities processes to improve customer service and reduce main line service calls, sewer chokes and SSO's.

Cost Containment Strategies include:

- Budgeted Salary Savings of \$400,000
- Reorganized the Beneficial Reuse department to streamline workflow and reduced annual salary costs by \$53,000
- Reduced revenue funded capital in FY20 by \$3 million to level out the 5 year contributions
- Used an advanced asset management program to improve capital program management and replacement scheduling
- Enacted a feasibility study to increase treatment plant capacity without increasing plant footprint
- Used zero base budget with supplemental packages
- Conducted analyses of heavy equipment to improve efficiency

Process Improvements for FY18-19

- Water distribution and wastewater collection crews are experimenting with dual purpose crews. This has the potential to accelerate certain projects by limiting mobilization and lag time.
- Staff continues to use and explore trenchless technologies for sewer line repairs and replacements
- Emergency response plans are being created for all lift and pump stations
- The collection system asset management plan continues to ensure efficient system management

Future Process Improvements

- Install solids handling and initial chemically enhanced primary treatment facilities at the Pecan Creek Water Reclamation Plant to test run the plant and provide data to submit to the Texas Commission on Environmental Quality for plant capacity expansion.

Supplemental Package Summary includes four new positions.

Plant Flows versus Treatment Capacity was shown on a graph with the timeline of when the wastewater treatment plant expansion will be needed.

**Nicholas Vincent then gave the financial portion of the presentation.**

### **Financial Assumptions**

Revenue

- Utilize impact fee revenue to fund both debt service and up-front project cost
- Projected two percent population growth
- Maintains debt coverage ratio of 1.25 or higher
- Maintain existing wastewater rates

Expense

- Wastewater treatment plant expansion moved to FY 2026

WW Impact Fee Revenue will be changed in the same manner as water. The current method, the impact fee revenue is used to fund debt service of eligible projects. The proposed method would utilize impact fee revenue to fund both debt service and up-front project costs.

Five year forecast was shown with no rate increases included.

Carroll stated the budget and plan moving forward hinges on approval of the CEPT system, but we have not actually implemented the test project yet. Bank responded we have not implemented it yet but are undergoing a feasibility study and have been for about a year to determine if this would work in the system. There are several steps that have to be followed and then the State has to grant the City the additional capacity to discharge by studying the information. Lastly, we would move to full-scale implementation. Carroll then asked about a contingency plan to build the plant instead of this system. Banks answered no not at this point; as we move forward things could change but are unlikely. There was some final discussion on this item.

Revenue and expense highlights were talked about and shown on a table.

Five year capital plan was shown with the projects that include bond funding as well as impact fee funded.

Position Summary includes the four new positions that was talked about earlier in the presentation.

**Daniel Kramer gave the budget presentation for Drainage.**

Accomplishments include

- Rockwood Lane to Mistywood, neighborhood storm drain installation
  - 1,300 Linear feet of storm drain
  - Eleven storm drain inlets
- McKinney St Widening Project
  - 1,500 Linear feet of storm drain
  - Five storm drain inlets
- Smith & Johnson, Install underground storm drain
- Hercules storm drain installation

Goals

- Oaktree storm drain improvements
- Choctaw storm drain improvements
- Complete mapping system for Drainage Master Plan
  - Remaining 25 percent
- Increase storm drain inspections
  - 25 percent per year (7,800 inlets)

Budget Emphasis is to provide a safe storm water system for the citizens of Denton by maintaining the existing system and improving flood prone areas. To increase the mapping productivity to assist with the Storm Water Mater Plan. Staff would like to upgrade the system where there are current FEMA flood zones to help remove homeowners and future development sites from flood prone areas. Staff would also like to maintain the existing system, reduce the amount of trash and sediment from entering the waterways.

Cost Containment Strategies include reducing inefficiencies, reducing costs and eliminating duplication of services.

Process Improvements for FY18-19

- Standardization of data collection for citizen request, workorders, and capital projects to improve accuracy of cost of maintenance and projects.
- Future process improvements includes the use of aerial impervious surface mapping to review the areas for drainage fee accuracy.

Supplemental package includes a new crew of four for inlets inspection.

**Nick Vincent gave the finance portion of the presentation.**

Financial assumptions

- Maintain existing drainage fees
- Drainage fee is calculated based on square feet of impervious service
- Drainage reserve maintained at \$1 million in the five-year forecast
- Revenue from the drainage fee can only be used for drainage expenses (i.e. O&M, debt service and the storm water portion of watershed protection)
- Drainage' budget includes the Watershed Department

Five year forecast was shown on a table with no rate increases included.

Revenue and expenses highlights were also shown on a table in detail.

Five year Capital Plan that is revenue funded includes channel rehabilitation, Choctaw drainage and new vehicles and equipment.

Position summary includes the four new positions that was talked about earlier in the presentation.

**REGULAR MEETING**

**1. CONSENT AGENDA**

- A. PUB19-013** - Consider recommending adoption of an Ordinance of the City Council of the City of Denton, Texas, repealing Ordinance No. 2018-237; approving and adopting the 2019 Denton Municipal Electric - Energy Risk Management Policy (“2019 ERMP”); authorizing and approving the execution by the Mayor, or his designee, of the 2019 ERMP; delegating authority as provided in the 2019 ERMP; authorizing and approving the subsequent execution of contracts and related and ancillary documents, including, without limitation, nominations, certificates, assignments, licenses, directions, instruments, confirmations, orders and statements, as are authorized by the 2019 ERMP, which are incident to or related thereto; confirming that the City of Denton, Texas, its Mayor, its City Council members, its City Manager, or his designees, and its City Secretary, or her designees, are authorized to perform such acts and obligations as are reasonably required to consummate those future transactions which are provided for and authorized by the 2019 ERMP; finding that the purchase of electricity, natural gas, and related commodities are exempt from the requirement of competitive bidding; finding that the purchase of electric energy, natural gas and related commodities made by the City under the terms of the 2019 ERMP are in the public welfare of the citizens and electric ratepayers of the City; authorizing the expenditure of funds therefor; providing an effective date.
- B. 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.

- C. PUB19-080** - 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 with Holt CAT through the Sourcewell Cooperative Purchasing Network Contract Number 032515, for the acquisition of one (1) Caterpillar model 836K Compactor for the Solid Waste Department; authorizing the expenditure of funds therefor; and declaring an effective date (File 7058 - awarded to Caterpillar Inc. dba Holt CAT, in the not-to-exceed amount of \$203,238.56).
- D. PUB19-082** - 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 527-17 for the acquisition of LED Street Lights for Denton Municipal Electric; providing for the expenditure of funds therefor; and providing an effective date (File 7067 - awarded to Dealers Electric Supply Co., in the not-to-exceed amount of \$200,000).

**Board Member Carroll pulled item B. Board Member Devinney recused herself from this item, there were no questions.**

**Board Member Carroll motioned to approve items A, C and D with a second by Board Member Jackson. Vote 6-0 approved**

**Board Member Carroll motioned to approve item B with a second by Board Member Bynum. Vote 5-0 approved.**

## **2. ITEMS FOR INDIVIDUAL CONSIDERATION**

- A. PUB19-087** - Consider approval of the Public Utilities Board Meeting minutes of April 22, 2019.

Approved as submitted.

- B. PUB19-081** - 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 Jagoe-Public Company, Inc., for the construction of the PEC 4 Drainage Improvements Phase 1 and 2 and Elm, and Locust Water and Sewer Improvements Phase 1 for the City of Denton; providing for the expenditure of funds therefor; and providing an effective date (IFB 6900-001 - awarded to Jagoe-Public Company, Inc., in the not-to-exceed amount of \$10,960,623.19).

Board Member Cheek recused himself from this item.

Jim Jenks gave the presentation.

The project overview includes approximately 1,500 feet of 18 foot by eight-foot box culverts and 3,100 feet of 18-inch to 48-inch reinforced concrete drainage pipe. Approximately 5,900 feet of eight inch to 20-inch water lines and approximately 7,800 feet of eight inch to 24-inch wastewater lines.

Construction timeframe is about 730 calendar days.

Jenks then showed the bid results of the three companies and discussed the information.

The recommendation is approval of the aforementioned ordinance.



Board Member Devinney asked how bond money works with this. In the 2014 bond program there was \$2.4 million for Pec 4, is that being folded in or has it already be spent. Lee Perry answered Phase 1 and Phase 2 both had bond money and that is a part of this.

Board Member Bynum asked if the fiber optics that was left out of this will need to be completed in the future. Perry answered we will be looking at our traffic department to make that happen.

Chair Parker stated there is about \$2 million difference in the bidders, how confident are we that there wasn't something missed by Jagoe. Jenks answered in the fall, Jagoe was the only bidder they have been looking at the project for a while. Perry added that Jagoe is currently mobilized at the Eagle Drainage project.

**Board Member Bynum motioned to approve this item with a second by Board Member Jackson. Vote 5-0 approved.**

**C. PUB19-083 – 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 Public Works Contract with Rey-Mar Construction for the construction of the Hickory Creek lift station for the City of Denton, providing for the expenditure of funds therefor; and providing an effective date. (IFB 6894 - awarded to Rey-Mar Construction, in the not-to-exceed amount of \$3,418,000).**

Kenny Banks gave the presentation.

#### Background

- The existing Hickory Creek Lift station pumps all the wastewater flows from the Hickory Creek sewer basin to the Pecan Creek Plant.
- This lift station was put in service in 1983.
- The electrical and electronic components of the station are outdated, and the initial pump station design is deficient as it creates a backup in the Hickory Creek Interceptor Sewer under normal operating conditions.
- There have been service interruptions at this lift station and also sewer overflows in 2018.
- On February 7, 2017 the City Council authorized the design contract for the Hickory Creek Lift Station to replace the existing lift station.
- Funding for construction was included in the FY19 budget.

A map was shown of the area.

#### Bid information

- The project was advertised for bids in November 2018 after completion of the final plans and specifications.
- Two bids were received
- The low bidder Ray-Mar Construction's bid and experience were evaluated and the consultant recommendation is to award the bid to Rey-Mar Construction in the amount of \$3,418,000.
- Staff recommends approval of the contract with Rey-Mar Construction.

**Board Member Carroll motioned to approve this item with a second by Board Member Devinney. Vote 6-0 approved.**

**D. PUB 19-086 – Consider recommending adoption of an ordinance of the City of Denton (“City”) authorizing the City Manager, or his designee, to execute a Purchase Agreement by and between MD**

Masud Reza (the "Owner"), and the City, regarding the sale and purchase of fee simple to an approximate 1.656 acre tract, more or less, situated in the Alexander Hill Survey, Abstract No. 623, Denton County, Texas for the purchase price of Two Million Nine Hundred Ninety-Nine Thousand Seven Hundred Fifty Dollars and No Cents (\$2,999,750.00), as prescribed in the Purchase Agreement; authorizing the expenditure of funds therefor; authorizing relocation expenditures; providing for severability and an effective date. (Eagle Electric Substation - 801-811 Eagle Drive & 827 Bernard Street).

Paul Williamson gave the presentation regarding the purchase agreement.

A map was shown of the area.

Considerations

- August 23, 2016 – Council approved resolution 2016-028.
- May 23, 2017 – Council approved ordinance 2016-028.
- June 2017 – Offer to purchase was made to the owner.
- Late July 2018 – Owner counter offered.
- Further negotiation occurred and the owner countered again.
- Staff recommends acceptance of the latest counteroffer, as a total settlement.

Board Member Cheek asked if there are any other expenses associated with this. Williamson answered there are relocation expenses for any tenants and is not in this item.

**Board Member Carroll motioned to approve this item with a second by Board Member Cheek. Vote 6-0 approved.**

- E. PUB19-088 - 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

Carroll – asked information regarding the attendance policy that was emailed out to them.

**Adjournment: 10:32 am**  
**Approved: May 20, 2019**

DocuSigned by:  
*Susan Parker*  
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**Chair, Susan Parker**

5/28/2019  
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**Date**