

**STATE OF TEXAS
COUNTY OF DENTON
CITY OF CORINTH**

On this the 19th day of July 2018 the City Council of the City of Corinth, Texas met in a Workshop Session at the Corinth City Hall at 5:30 P.M., located at 3300 Corinth Parkway, Corinth, Texas. The meeting date, time, place and purpose as required by Title 5, Subtitle A, Chapter 551, Subchapter C, Section 551.041, Government Code, with the following members to wit:

Members Present:

Bill Heidemann, Mayor
Tina Henderson, Council Member
Lowell Johnson, Council Member
Scott Garber, Council Member
Don Glockel, Council Member

Members Absent:

Sam Burke, Mayor Pro-Tem

Staff Members Present:

Bob Hart, City Manager
Cody Collier, Director of Public Works, Park Maintenance, Recreation, and Utility Operations
Debra Walthall, Chief of Police
Helen-Eve Liebman, Planning and Development Director
Kimberly Pence, City Secretary
Brenton Copeland, Technology Services Assistant Manager
Patricia Adams, Messer, Rockefeller, & Fort

Others Present:

Chris Watson, 5 Energy

WORKSHOP BUSINESS AGENDA:

1. Discuss Regular Meeting Items on Regular Session Agenda, including the consideration of closed session items as set forth in the Closed Session agenda items below.

Consent item #1 discussion:

8. Approval of purchase with Atlas Supply for an additional water meters not to exceed \$59,647 in the FY 2017-2018 budget.

Mayor Heidemann – When the Council approved the \$1,600,000 that was for the transponders? That was not for meters?

Cody Collier, Director of Public Works, Park Maintenance, Recreation, and Utility Operations – No.

Mayor Heidemann –How many meters is that?

Cody Collier, Director of Public Works, Park Maintenance, Recreation, and Utility Operations – That’s getting us 72 additional meters. That will allow us to purchase 72 additional meters for the new homes being put in.

Don Glockel, Council Member – The transponder and the meters are bought separately? Do you have transponders to go with these meters?

Cody Collier, Director of Public Works, Park Maintenance, Recreation, and Utility Operations – Yes Sir. We anticipated the growth we had the transponders. We’re buying the meters as they’re becoming necessary.

Consent item #12 discussion:

12. Consider and act on approval of a Right-of-Way and Subdivision Entrance(s) Maintenance Agreement between the City of Corinth and the Post Oak Crossing Property Owners Association (POA).

Scott Garber, Council Member – Is this pretty equivalent to the normal agreements that we do for the HOAs?

Bob Hart, City Manager – Yes, they’re consistent. Same rates.

Cody Collier, Director of Public Works, Park Maintenance, Recreation, and Utility Operations – They’re renewals from the exact same contracts, no changes from two years ago.

Mayor Heidemann – Just good for one year?

Cody Collier, Director of Public Works, Park Maintenance, Recreation, and Utility Operations – Two years.

Mayor Heidemann – I see it’s indexed into the mowing. What happens after this year when we go out for bid and we have an increase in mowing costs, is that going to impact this contract?

Cody Collier, Director of Public Works, Park Maintenance, Recreation, and Utility Operations - No it will not, the contract rate would remain the same until the next time the contracts come due then we would negotiate again for the HOA water credit equivalency to the new mowing rate costs.

Mayor Heidemann – My only question is what if we have a hot summer? And they use a lot more water.

Bob Hart, City Manager – That’s always the risk you run. But we also notified that we are going into Stage 1 Water Restrictions effective tomorrow or Monday. We’re going to start restricting watering.

Public Hearing item #19 discussion:

19. PUBLIC HEARING: TO HEAR PUBLIC OPINION REGARDING AMENDING THE CITY OF CORINTH COMPREHENSIVE ZONING ORDINANCE BEING A PART OF THE UNIFIED DEVELOPMENT CODE ORDINANCE NO. 13-05-02-08, AS AMENDED, SECTION 2.09.03 VEHICLE PARKING REGULATIONS.

Bob Hart, City Manager –. Did you want an overview of it? Do you want us to answer questions?

Scott Garber, Council Member – This is what we talked about last time right?

Helen-Eve Liebman, Planning and Development Director – Yes Sir.

Scott Garber, Council Member - And you were going to get us a suggestion on the proposed?

Helen-Eve Liebman, Planning and Development Director – Yes Sir.

Bob Hart, City Manager – It passed with Planning and Zoning, unanimously and they basically wanted to know why we had not brought this up years ago.

Business Agenda item #20 discussion:

20. Consider and act on a Resolution appointing one member to the Board of Managers of the Denco Area 9-1-1 District.

Bob Hart, City Manager – You have four nominees here and when you come out to vote you want to decide on which of the four you want to cast your vote for. Every city gets one vote. You have Jim Carter, David Terre, Brandon Barth and Linda Hapeman.

Business Agenda item #21 discussion:

21. Consider and act on an Ordinance of the City of Corinth repealing existing Chapter 39, Code of Ethics, of Title III, Administration, of the Code of Ordinances of the City and adopting a new Chapter 39, Code of Ethics, with provisions applicable to City Officials, both current and former, Vendors and Complainants; providing External Remedies for Frivolous Complaints; and providing an effective date.

Bob Hart, City Manager – This is coming as a recommendation from the Ethics Board. They have been working on this particular ordinance since they started meeting on a regular basis going back to January. We had students also helping them with some of the background research and prepared that. Following the work of the Ethics Board it was sent to the City Attorney. They have made provisions to make sure everything fits well here. It started with Mack and finished up with Patricia. I think there were some questions from the last time we discussed this about clarifications in the Travel Policy with regard to the source which is a GSA rate. The reference to the incidentals vs. the gratuity. That should have been incidentals. I went back and corrected that and clarified that in the policy. I think there was a question also on the Red Flag Reporting and we included their proposal in the packet as well.

Lowell Johnson, Council member – Is Mr. Burke going to be at the meeting this evening?

Bob Hart, City Manager – No.

Lowell Johnson, Council member - I don't think this needs to be on our agenda because the Ethics Policy is important enough that all of us need to be on the record on that. If we're not going to pull it then I make a motion that we table it.

Bob Hart, City Manager – We'll put it on the August 2nd agenda.

Business Agenda item #22 discussion:

22. Discuss future electricity prices and options and consider authorizing the City Manager to execute a future electricity contract.

Bob Hart, City Manager – We have been working for some time with 5 Energy, they've been helping us with improving our load factor and looking at some long term strategies for our electric power. Currently, we buy our electric power through the aggregated power pool. This year we're paying 3.6 cents for our power. That compares to the 7.4 cents from last year and prior. We're locked in at the 3.6 cents rate until the end of December 31, 2022.

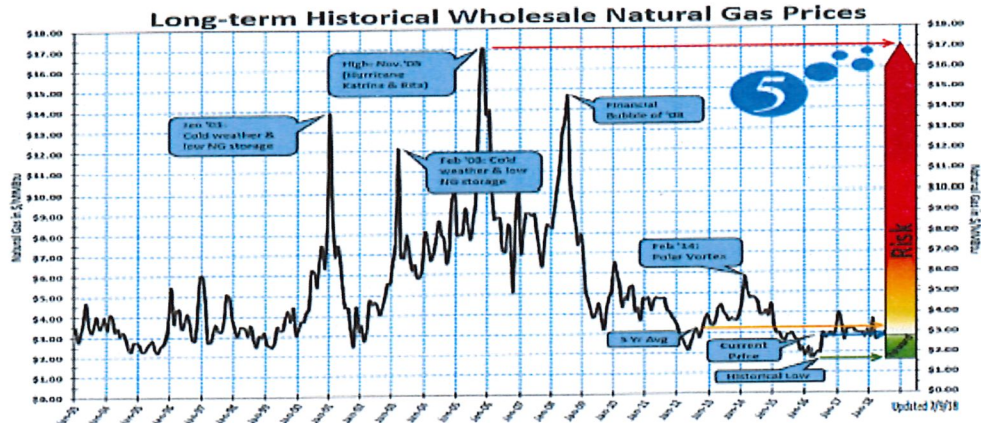
In working with 5 Energy we've been watching what the market has been doing beyond that point. Based on some of the trends we were seeing we asked 5 Energy to go out and solicit bids for us for the energy. Chris Watson is here and we've got some incredibly good rates that will take us all the way out to 2030.

Chris Watson, 5 Energy – We'll go through some information pretty quickly but just to give you a very quick kind of understanding and background. The company that I work for is just under seven years old, it was actually the Executive Team that ran 1st Choice Power. They were the deregulated arm of Utility Texas-New Mexico Power. They've run companies like Constellation and departments at TXU. We have the DNA of what a supplier has on an executive team but we decided to bring that a little less than seven years ago to the end user at the end of the day. Nothing against suppliers but they're built to contract you and bill you, that's about it. We serve a little over 100 government entities in the state.

The reason why would we be looking at something that wouldn't event start until January of 2023? The best way I explained this to government entities is you guys are in a great position right now, you're on a pretty rough rate up until this past January down to a 3.6 and now you guys are in a great position all the way out to 2022. The way I explain that to government entities is you're playing defense now, how can we protect that budget and stretch that out because anything under .04 cents historically speaking is the low of the lows. That's where we help being very proactive and helping cities and school districts and counties look at the market and when there's opportunities, jump on them because of what's happening in the market and not just waiting until six months or a year before their contract is up.

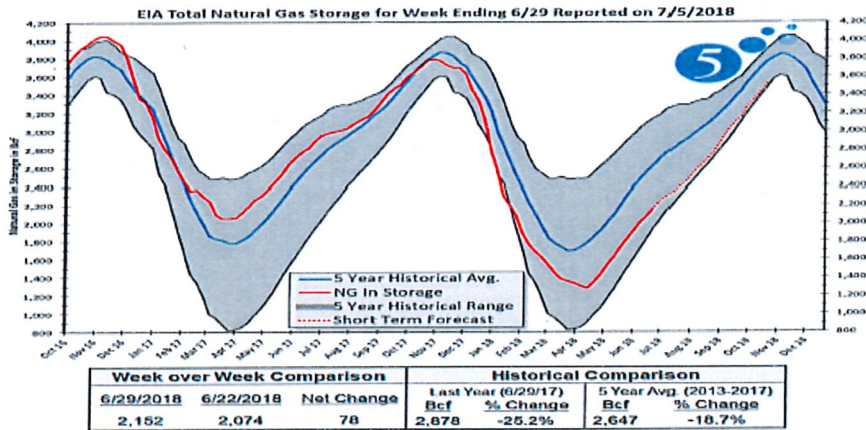
This 1st graph, this is the past 20+ years of wholesale natural gas. The reason why we even talk about natural gas is it's one of the biggest drivers for wholesale electricity prices. Think of it this way, electricity, you have two components, you have your fuel, your natural gas, your coal, your wind, whatever it is. And then your generation cost. Those two factors are what makes up wholesale electricity prices. I like looking at this to just give a big picture view of where things are. This is prompt month, natural gas meaning just the next full trading month, so a very close window of time we're looking at.

Markets Inform Product Selection



This next chart right here is natural gas storage. The reason why we show this is it is simply supply and demand. If we're very low as a nation on natural gas storage numbers prices generally go up. If we have a lot of excess storage, then prices go down. Right now we're producing more than we ever had, natural gas wise. We're also consuming more than we ever have. The past two days in a row, actually for Ercot, we've set new peak demands every single day. The next day we're setting another one. It probably isn't too surprising when my truck said 113 degrees on the drive here. This is just why we watch this. Our worry, let me explain this, the grey areas the five year range, the blue line is the five year average, and the red line is actually where we are natural gas storage wise. Our concern is that if we continue to have a really hot July and August and September then by the time we get into this winter, we could be sitting at new five year lows for natural gas storage. Then it's a toss-up of where the market would go from that point.

Fundamental Analysis - Gas Storage



This next slide right here this is just showing natural gas prices going out. We always been looking at the past two graphs, historically speaking, now this is looking to the future. From 2019 to 2027, this is a three year range in just showing where we are, the black line, of where natural gas prices are going out into the future. As you can see 2019 has come up and it's that closer look that's really run up. The farther out years are extremely low, some of the years at all-time lows and this is indicators to us that clients that were looking at further out years, we need to be looking at things.

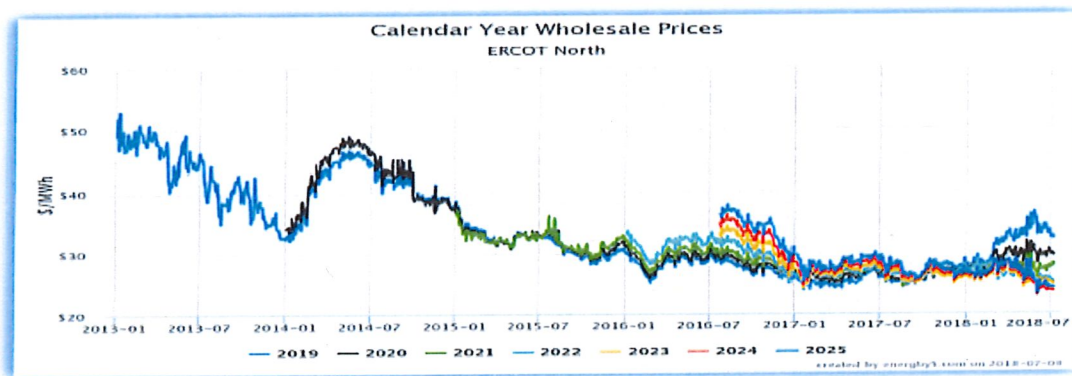
Markets – Natural Gas



The last graph I'd like to show. A lot of people don't know this but there is actually a price for electricity for calendar year 2027 or February of 2025. Each month has its own price, each calendar year has its own price. We look at a lot of the prior information to get a big picture view. Then we look at a graph like this to see what's happening in individual years. This is a historical look going all the way back to 2013 up until current day. Each different color line is a different calendar year. If you see this V that happened back in the spring of 2016, that was actually the all-time low that we've ever hit for natural gas prices. After that, it came back up, then again in the spring of 2017 we hit another low, since then it's been fairly flat except for there's a U shape right here in the fall of 2017. That's when TXU came out and said they might be closing three coal fired power plants. They didn't close them, they said they might be doing it. That just made the market spike up. It did come off some after that up until we hit this past February, when they actually closed those power plants. What happened was the closer years just ran up as you can see here. But what a lot of people missed was the farther out years plummeted. So that sent signals to us, hey, anybody that's locked out to 2021, 2022, 2023, we need to be looking at what opportunities they have to lock in these lows. If you look at these farther out years, they're lower than that all-time low that we had in spring of 2016. That's what made us start to look at things for you guys. Our procurement process we work with every supplier in the state. That doesn't mean every supplier will be good at serving the City of Corinth obviously. We would go out to approximated eight to nine suppliers for a city of your size. What we would get is prices based off of your load and they would all come in and we would do another round and another round and another round. What we do there is that we're creating competition between the suppliers to get the best deal for you. In between each round of pricing, we always give feedback to the suppliers. We don't tell them Reliant you're hear and TXT you're there. We just

say here's the stack and here's where you fall in it. So they don't know if Reliant is number three, they don't know who two and one is or four and five and six. They don't each other's prices, but again, it's just to create competition, healthy competition in order to get the best deal for the city at the end of the day.

Markets - Electricity



The last slide here. This is actually the prices that came in for you all. Our advice right now is to cities to lock in with the longest term that you're comfortable with. It's not that we have a crystal ball and could it go lower than this in the future? Absolutely. I don't want to stand here and tell you it can't. When you're looking at 3.3 and 3.4 cents, how much room is there? Could it be a 3.0 down the road? Absolutely. Who knows? It could also be a 5.5 or 6.5 cent price. We always tell people don't trade dollars for pennies. If you can lock in long term and take your budget and extend it and bring it down a little bit by going from a 3.6 to a 3.3 or a 3.4 then the conservative approach would be to do that.

RFP Results

Start Date: 1/1/2023

Annual Usage: 3,235,658 kWh

Supplier	12	24	36	48	60	72	78
MP2							
Reliant							
TXU							
GLO (Effective)							

Updated prices will be provided at the city council meeting

Previous contract price that ended in January 2018 - .07445 per kWh
 Current contract price - .0360 per kWh



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Bob Hart, City Manager – If you notice that the current TCAP contract that we have is a 3.6. Everything that comes to Reliant would take us out six years and stay under the current rate.

Mayor Heidemann – This is just the electricity component, the other side of the ledger which is your transporting of it. Is that correct?

Chris Watson, 5 Energy – Correct, so you have two different parts of your bill. You have your supply portion which comes from Gexa, Reliant, and TXU the suppliers of the world. Then you have Oncor, your delivery charges. The delivery charges are just like taxes, everybody has to pay them, you just don't have to overpay. There are things we look for in order to make sure you're not getting penalized by the utility for certain things and stuff like that. Other than that, that's a fixed price that you're not going to be able to change by market movement or anything. That's regulated by the PUC as well.

Mayor Heidemann – In other words, for them to change that rate they're going to have to go Austin to get the commission to change it.

Chris Watson, 5 Energy – exactly.

Bob Hart, City Manager – My proposal would be to go with Reliant and take it out as far as we can go. It's lower

than what we have today. TCAP is kind of in a quandary, they've done a great job to get us to the end of 2022. The issue is going to be what do you do beyond that? By doing this we're separating ourselves from TCAP. I don't see how in the world TCAP is going to keep it anywhere near this close. They are starting to play a little bit of encouraging cities to do what we're doing right now. Then you have to sit there and bet on the market and so forth. As Chris and I have been talking over the last several weeks. These things are just starting to come down to the point that it seems to me that now is the time to pull the trigger and move forward.

Mayor Heidemann - Does that calculate off to a \$10,000 per year savings?

Chris Watson, 5 Energy – The city uses about 3.2 million kilowatt hours a year, so every tenth of a cent, going from 3.5 to 3.4 cent, that's about \$3,200 a year.

Mayor Heidemann – I just used that using 3.6 cents. I took that three tenths and times it by the kilowatt and that's about \$9,700. So it's your recommendation to take it out to 2020?

Bob Hart, City Manager – I'd take Reliant and go out all six years.

Mayor Heidemann – So that's out to 72 months?

Bob Hart, City Manager - That's almost 12 years out and hold it at today's rates or a little less, it's kind of crazy.

Mayor Heidemann recessed the meeting at 5:58 p.m. * See Closed Session.

CLOSED SESSION:

The City Council will convene in such executive or closed session to consider any matters regarding any of the above agenda items as well as the following matters pursuant to Chapter 551 of the Texas Government Code.

Section 551.071. (1) Private consultation with its attorney to seek advice about pending or contemplated litigation; and/or settlement offer; and/or (2) a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State of Texas clearly conflicts with chapter 551.

a. MCM Contract for the Lake Sharon Roadway Extension.

Council met in Closed Session from 5:58 p.m. until 6:21 p.m.

Section 551.072. To deliberate the purchase, exchange, lease or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person.

Section 551.074. To deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee.

Section 551.087. To deliberate or discuss regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or to deliberate the offer of a financial or other incentive to a business prospect.

After discussion of any matters in closed session, any final action or vote taken will be in public by the City Council. City Council shall have the right at any time to seek legal advice in Closed Session from its Attorney on any agenda item, whether posted for Closed Session or not.

RECONVENE IN OPEN SESSION TO TAKE ACTION, IF NECESSARY, ON CLOSED SESSION

ITEMS.

Mayor Heidemann reconvened the Workshop Session at 6:21 p.m.

There was no action taken from Closed Session.

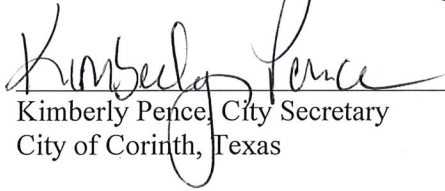
ADJOURN:

Mayor Heidemann adjourned the meeting at 6:21 P.M.

AYES: All

Meeting adjourned.

Approved by Council on the 16 day of August, 2018.


Kimberly Pence, City Secretary
City of Corinth, Texas

