

# Proposed Gas Drilling and Production Regulations

## City Council Briefing

August 27, 2007



# Purpose of Briefing

- Outline need for code amendments
- Background on natural gas production in the Barnett Shale
- Outline of natural gas drilling and production phases
- Outline major issues to be addressed
- Provide an update on status of code amendments



# Review

- City Attorney's Office
- Public Works and Transportation
  - Utilities
  - Streets
  - Floodplain
- Office of Environmental Quality
- Human Resources – Risk Management
- Development Services
- Outside Counsel



# Committee Review

- Zoning Ordinance Advisory Committee (ZOAC) considered the proposed ordinance at 6 meetings
- ZOAC had two additional meetings as part of the CPC Environmental Committee to review conditions for SUPs
- ZOAC and CPC took a bus tour to visit gas drilling and production sites on April 12, 2007
- CPC was briefed on August 9, 2007
- CPC had a public hearing on August 23, 2007 and recommended approval of the proposed ordinance



# Review of Other Cities Ordinances and Processes

- Ft Worth
- Irving
- Arlington
- North Richland Hills
- Flower Mound
- Colleyville
- Coppell
- Grapevine
- Southlake



# Need for Code Amendment

- Natural gas drilling and production is currently considered a mining use
- Existing zoning provisions targeted towards sand and gravel mining
- Location restrictions
  - Limited to Agricultural and Industrial Manufacturing Districts by Specific Use Permit
  - Prohibited in parkland
- Insufficient permitting and review



# Need for Code Amendment

- Environmental and Compatibility Issues
  - Air & water quality
  - Noise
  - Earth vibrations
  - Light and glare
  - Aesthetics



# Other Regulatory Provisions & Authority

- Texas Railroad Commission
- Applicable Federal Law
  - Air quality
  - Storm water runoff
- City Codes
  - Environmental Performance Standards





# Background - The Barnett Shale

- Largest onshore natural gas field in Texas, one of the largest in the U.S.
- First discovered in 1981, recovery methods developed in 1990s made significant production possible
- Heaviest concentration of well development is Tarrant, Johnson and Parker counties
- Current known boundaries would limit any production to the far western portion of the City of Dallas

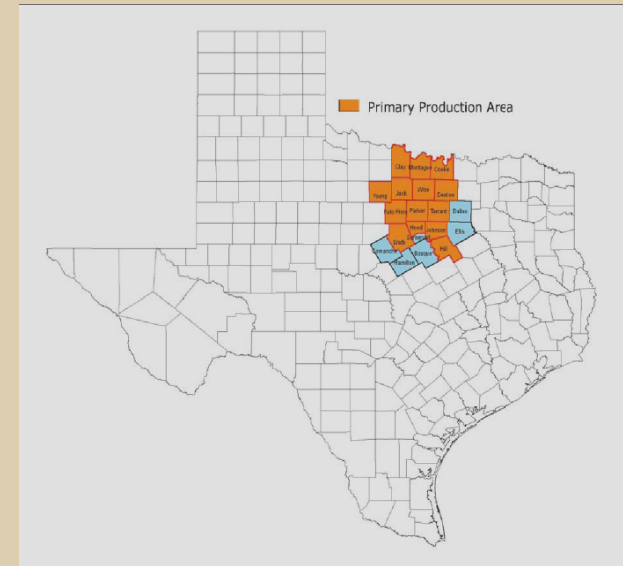
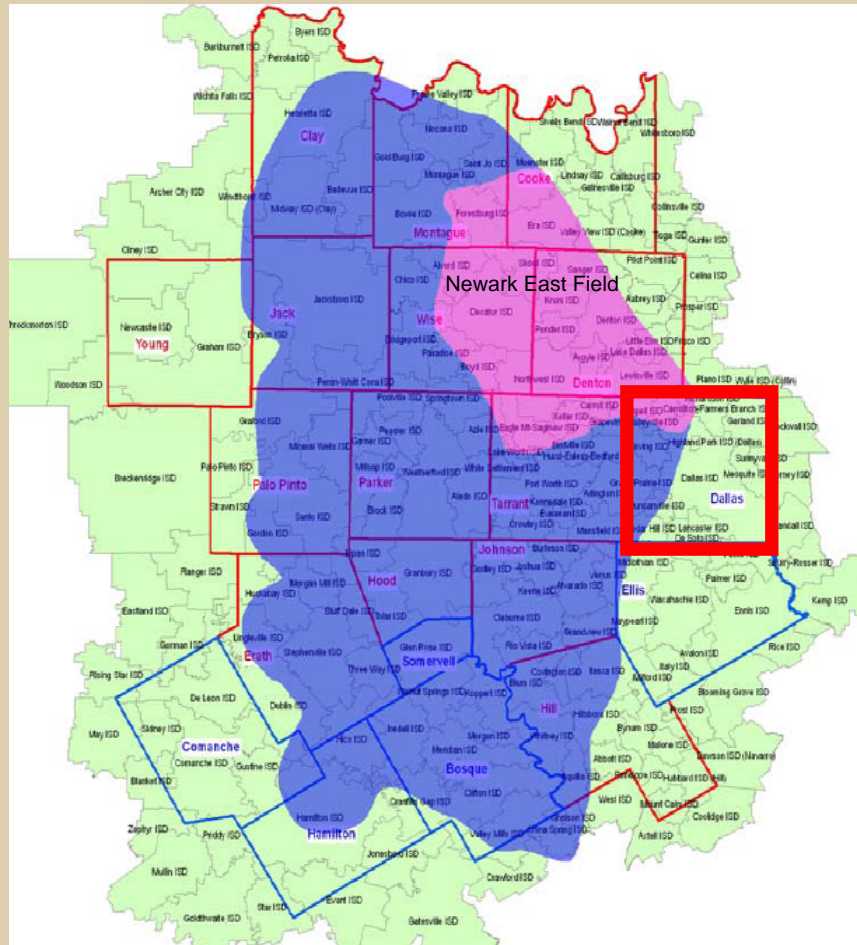


# Background - The Barnett Shale

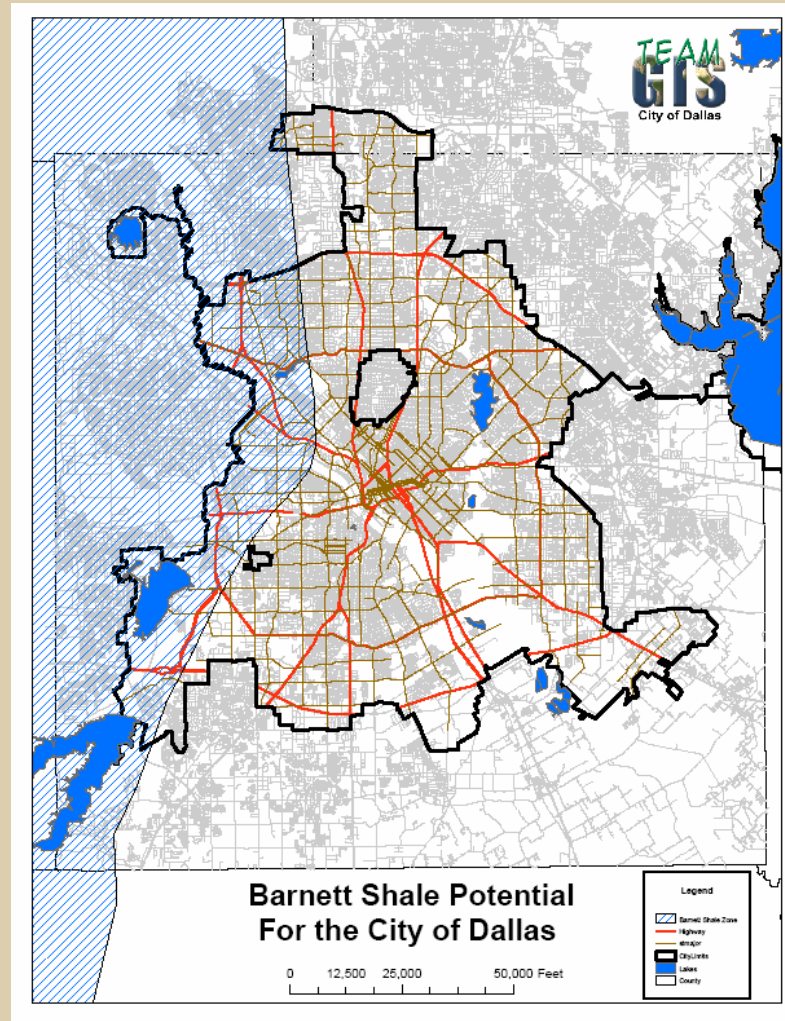
- Barnett Shale gas wells are between 7,000 and 10,000 feet deep
- Lateral drilling techniques reduce the number of wells to be drilled.
- Lateral lines extend up to 5,000 feet from the primary shaft in any or all directions.



# Background - The Barnett Shale

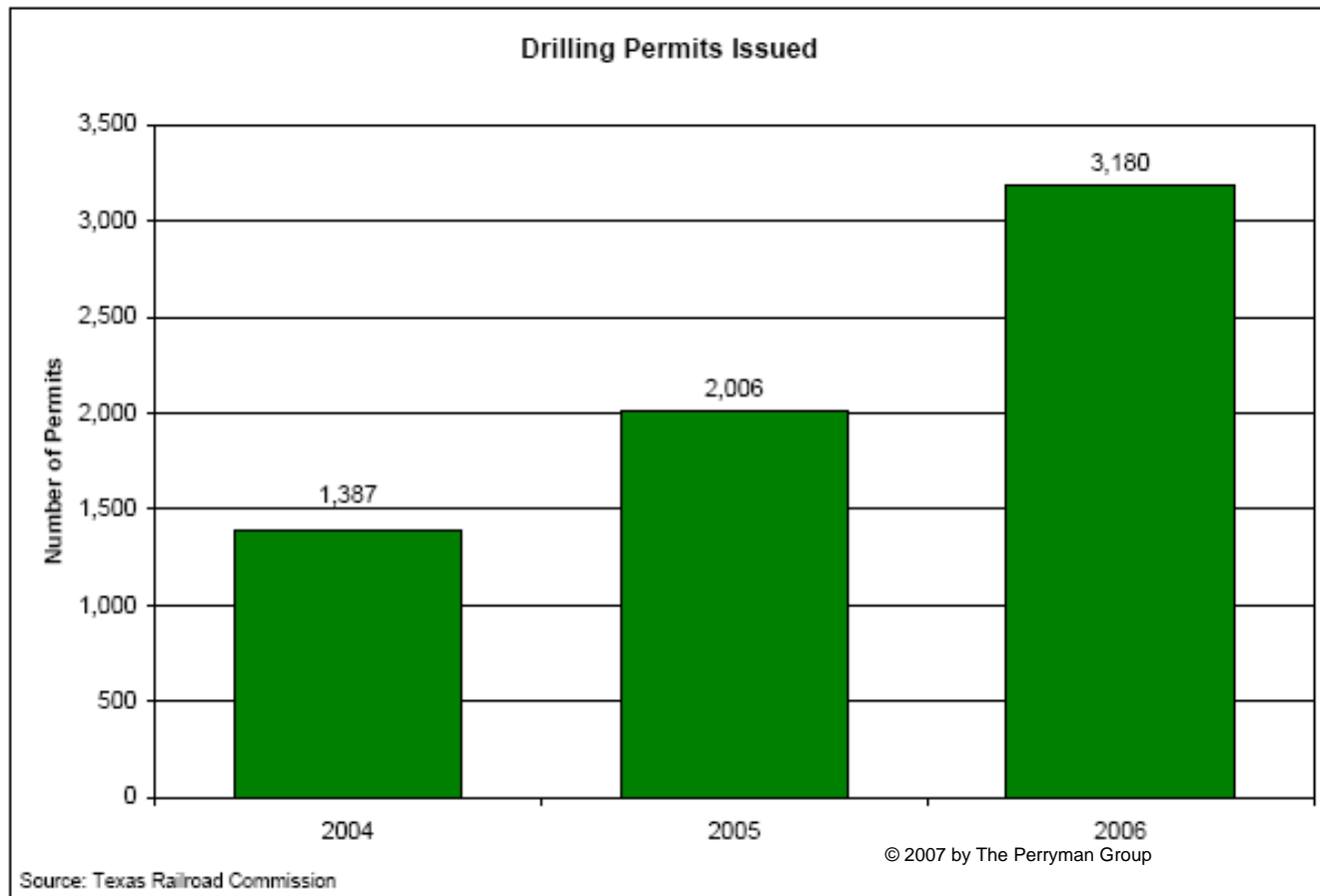


# Background - The Barnett Shale

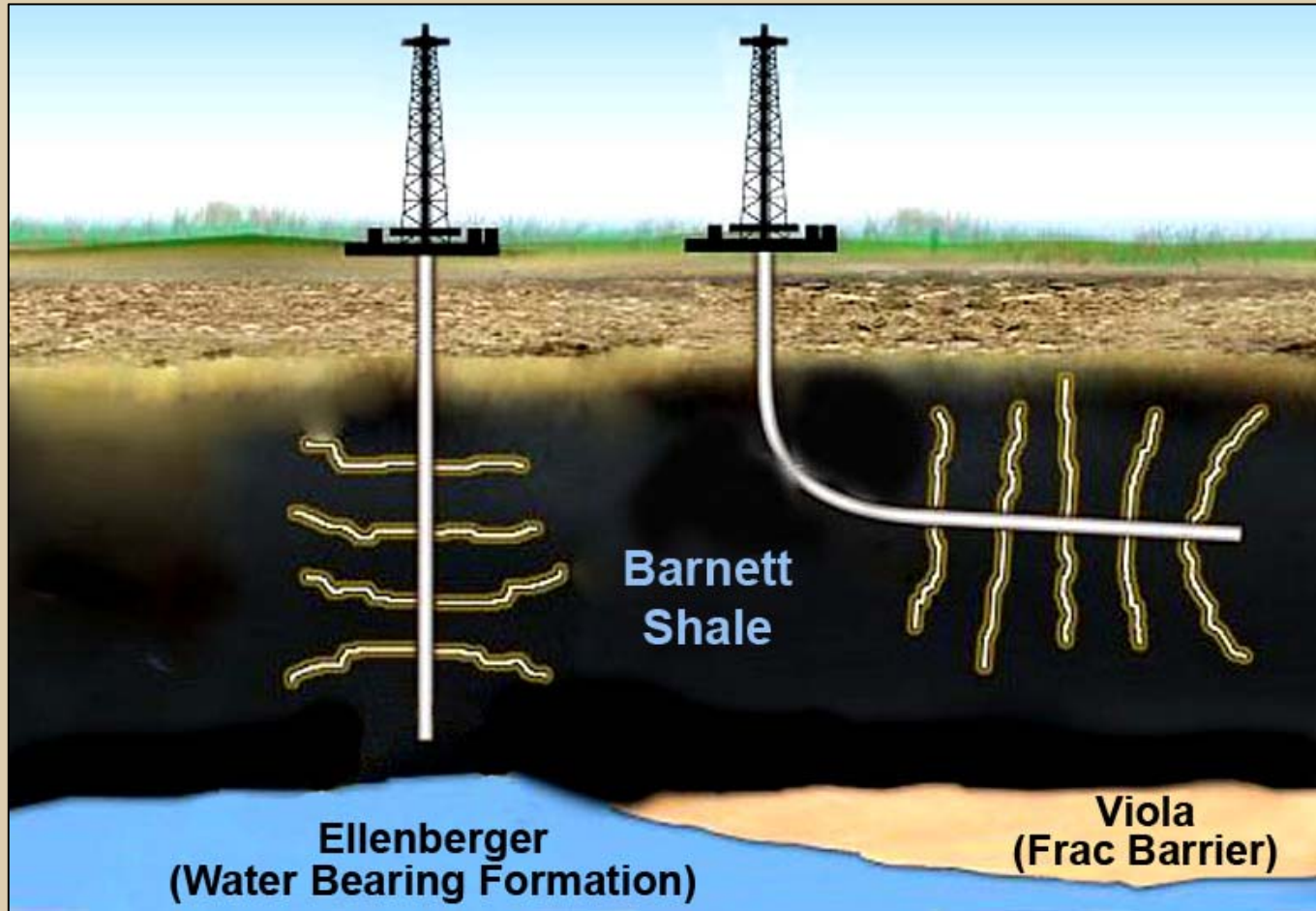


# Background - The Barnett Shale

## Drilling Activity



# Background - The Barnett Shale



Vertical v. Horizontal Drilling



# Typical Gas Well Site Phases

- Site preparation
- Drilling operations
- Wellhead establishment
- Production
- Reworking / Fracturing
- Site reclamation



# Typical Gas Well Phases

- Site preparation





# Typical Gas Well Phases

- Site preparation



**Digging the mud pit**



**Lining the mud pit**



# Typical Gas Well Phases

## ■ Drilling Operations



**Drilling rig move in**



# Typical Gas Well Phases

- Drilling Operations



# Typical Gas Well Phases

- Wellhead establishment



# Typical Gas Well Phases

- Production with perimeter screening and landscaping



# Typical Gas Well Phases

- Production with perimeter screening and landscaping



# Typical Gas Well Phases

## ■ Reworking



# Regulatory Issues

- Permissible zoning districts
- Distance to other uses and structures
- Hours of operation
- Sound regulations
- Reclamation
- Impact on city infrastructure (roads)
- Screening





# Regulatory Issues

- Permissible zoning districts
  - Current Provisions
    - ◆ By SUP only in Agricultural and IM
  - ZOAC and CPC recommendation
    - ◆ By SUP in all zoning districts
  - SUP provides
    - ◆ Public input
    - ◆ Appropriate site specific restrictions
    - ◆ Flexibility



# Regulatory Issues

- Distance to other uses and structures
  - Current Provisions
    - ◆ None – unless imposed by SUP
    - ◆ Prohibited in parkland
  - Proposed ordinance
    - ◆ Greater setbacks may be imposed by SUP
    - ◆ 300 ft from institutional uses, recreation uses and residential uses
    - ◆ 200 ft from any water well
    - ◆ 100 ft from any structure
    - ◆ 75 ft from any right-of-way
    - ◆ 25 ft from any property line, storage tank or source of ignition
    - ◆ Permitted in parkland



# Regulatory Issues

- Hours of operation
  - Current Provisions
    - ◆ No formal
  - Proposed ordinance
    - ◆ Fracturing limited to daylight hours
  - Typical
    - ◆ Drilling phase 24/7 (approximately 30-60 days)
    - ◆ Production 24/7 (minimal noise impacts)
    - ◆ Fracturing – daylight hours



# Regulatory Issues

- Sound regulations
  - Current Provisions
    - ◆ Defaults to code (varies relative to zoning)
  - Proposed ordinance
    - ◆ Drilling - May not produce a sound level greater than 78dB(a)
    - ◆ Fracturing - May not produce a sound level greater than 85dB(a)
    - ◆ Production – Defaults to code
    - ◆ Measured at 300 ft from the well



# Regulatory Issues

## ■ Reclamation

- Current Provisions

- ◆ Reclamation plan and performance bond

- Proposed ordinance

- ◆ Reclamation plan and performance bond
- ◆ No structure may be built over an abandoned well



# Regulatory Issues

- Impact on city infrastructure (roads)
  - Current Provisions
    - ◆ Addressed in SUP and operations plan
  - Proposed ordinance
    - ◆ Require map of truck routes
    - ◆ Video tape of truck routes showing road conditions
    - ◆ Require periodic inspections and repair as needed (within 10 days of notice)
    - ◆ Require road repair agreement



# Regulatory Issues

## ■ Environmental

- Allow open or closed loop systems determined by SUP
- Only fresh water mud systems
- Restriction on metal additives to drilling fluids
- Emissions
- Salt water disposal wells prohibited



# Other Regulatory Issues

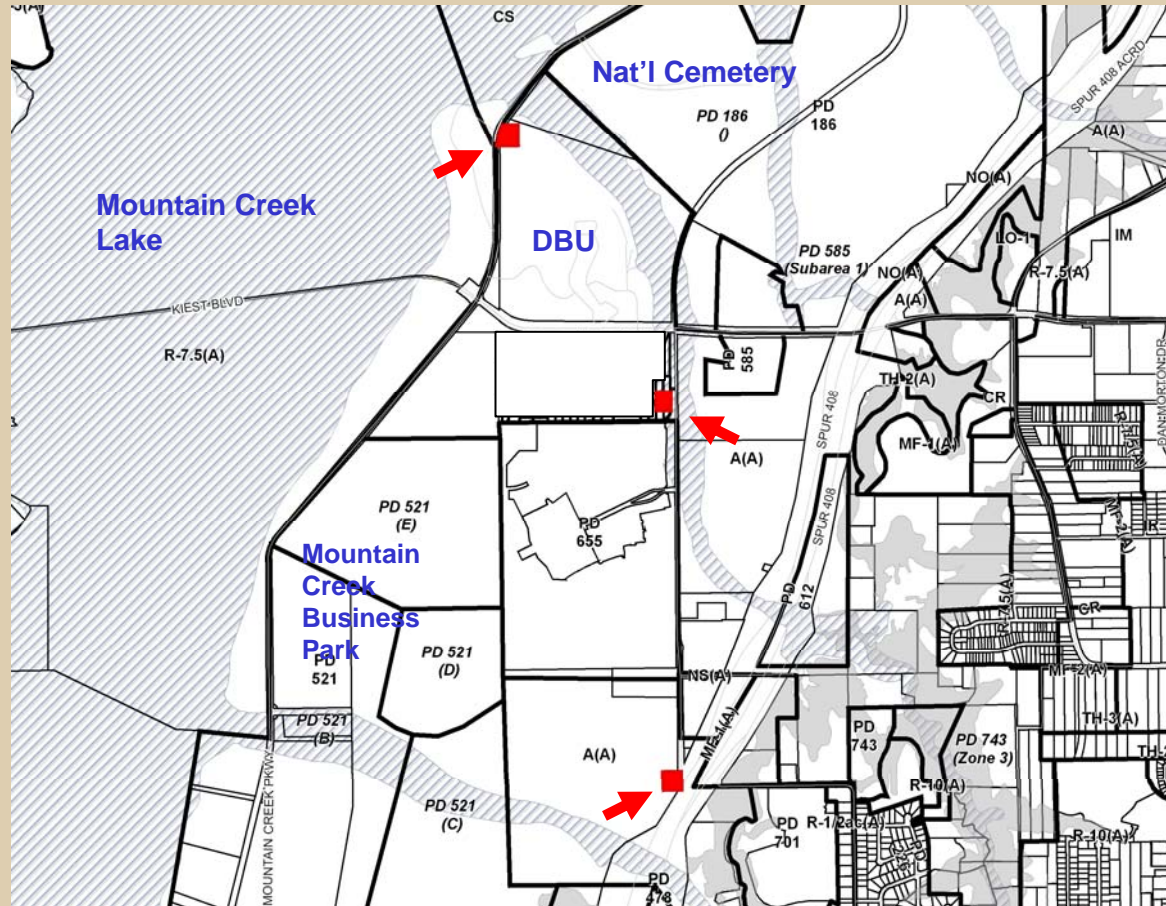
- Notice prior to fracturing
- Insurance and Indemnification
- Emergency response plan
- Screening
  - Site specific requirements through SUP





# Approved Sites

- Three approved SUPs



# Status

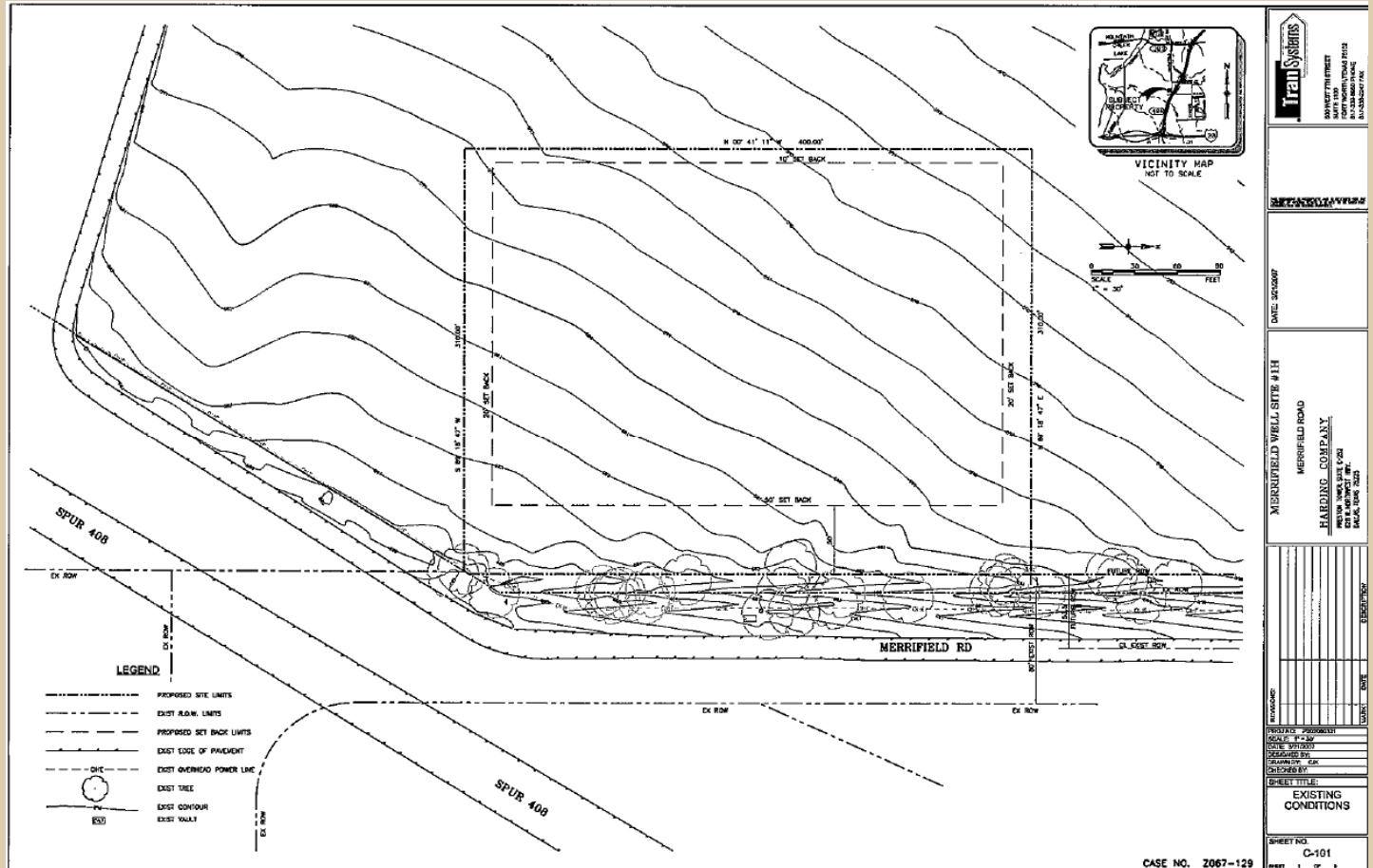
- City Plan Commission recommended approval on August 23, 2007
- Scheduled for City Council consideration on September 12, 2007



# Discussion

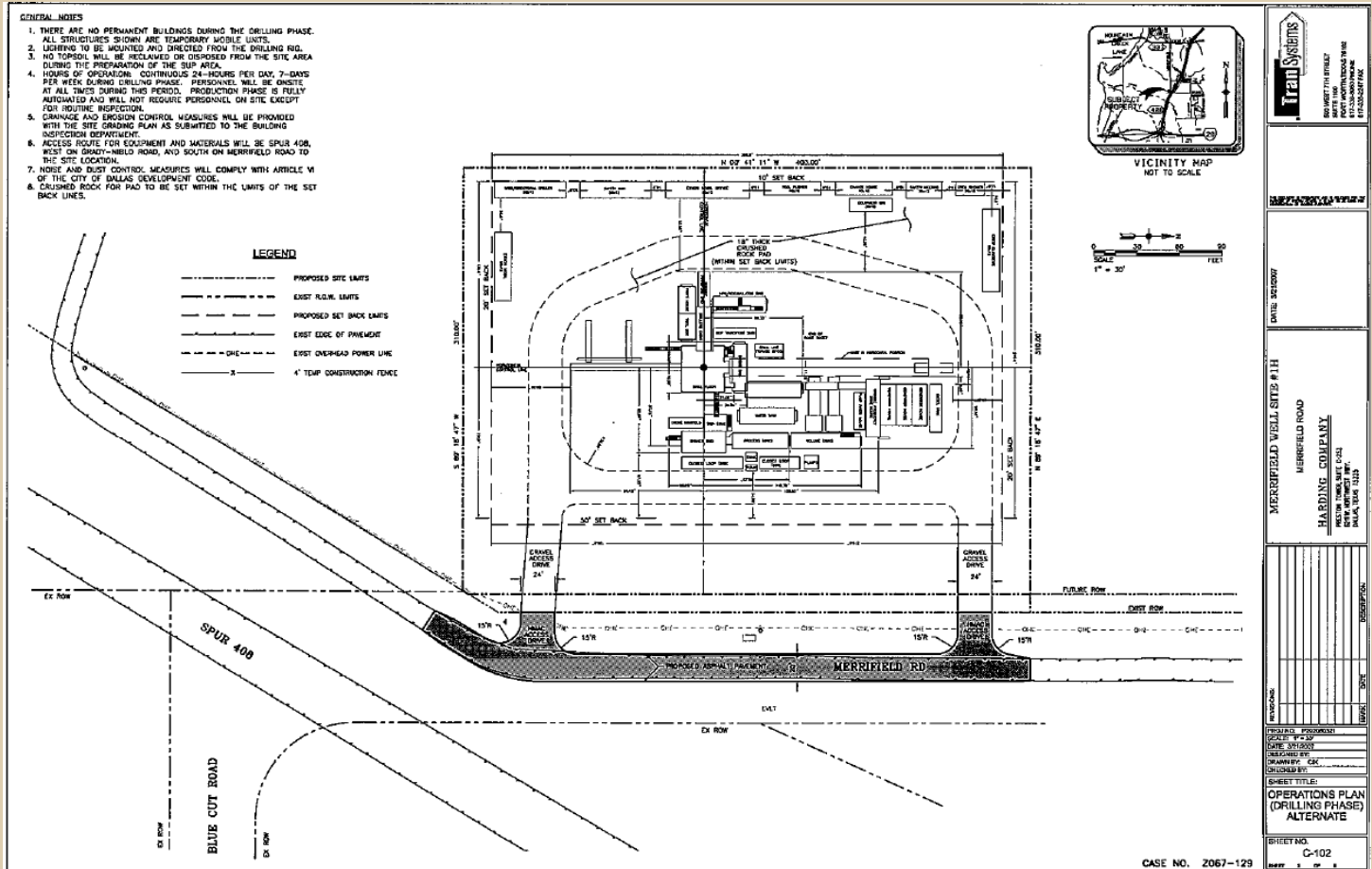


# Required Plans



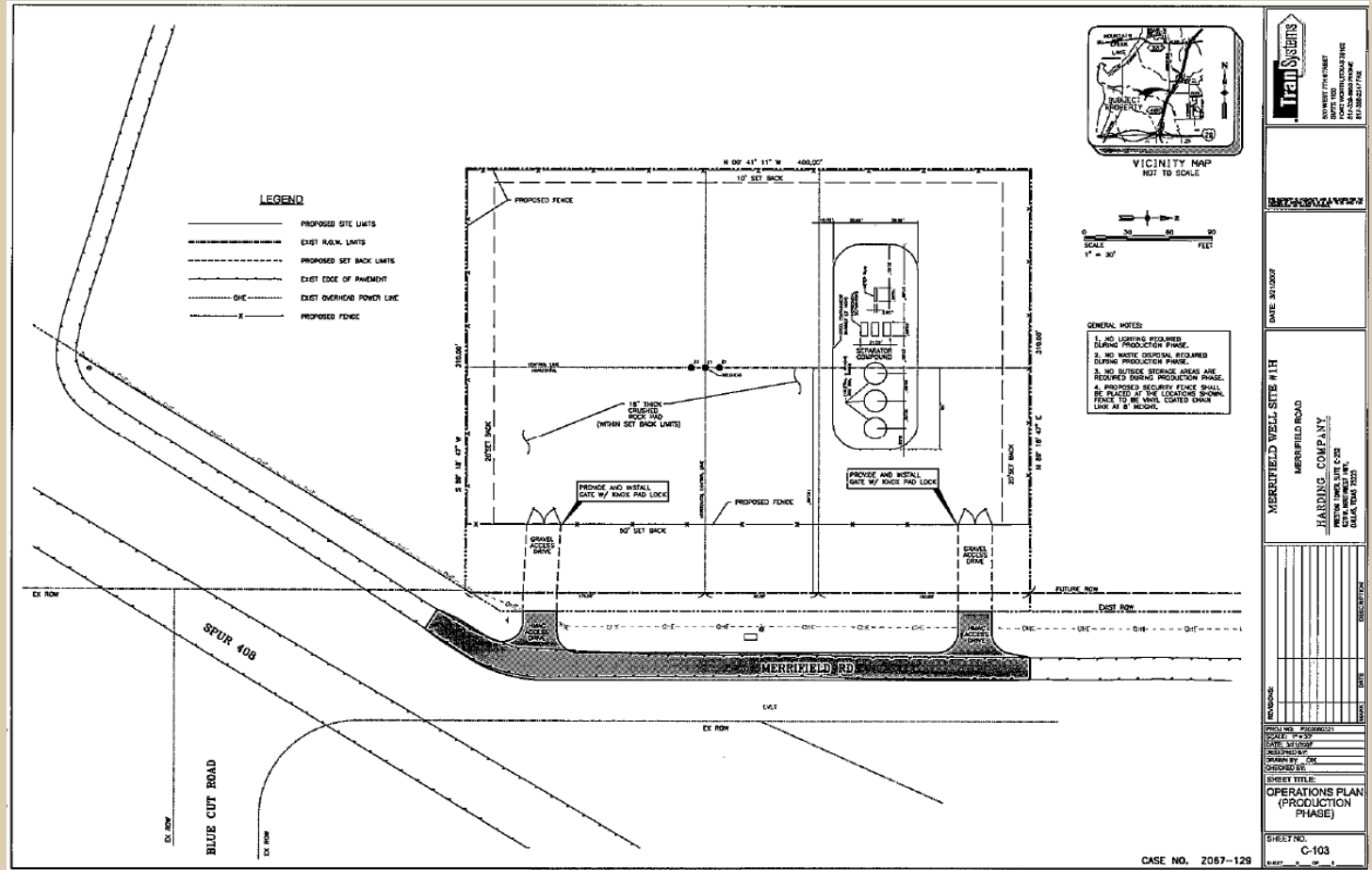
## Existing Site Plan

# Required Plans



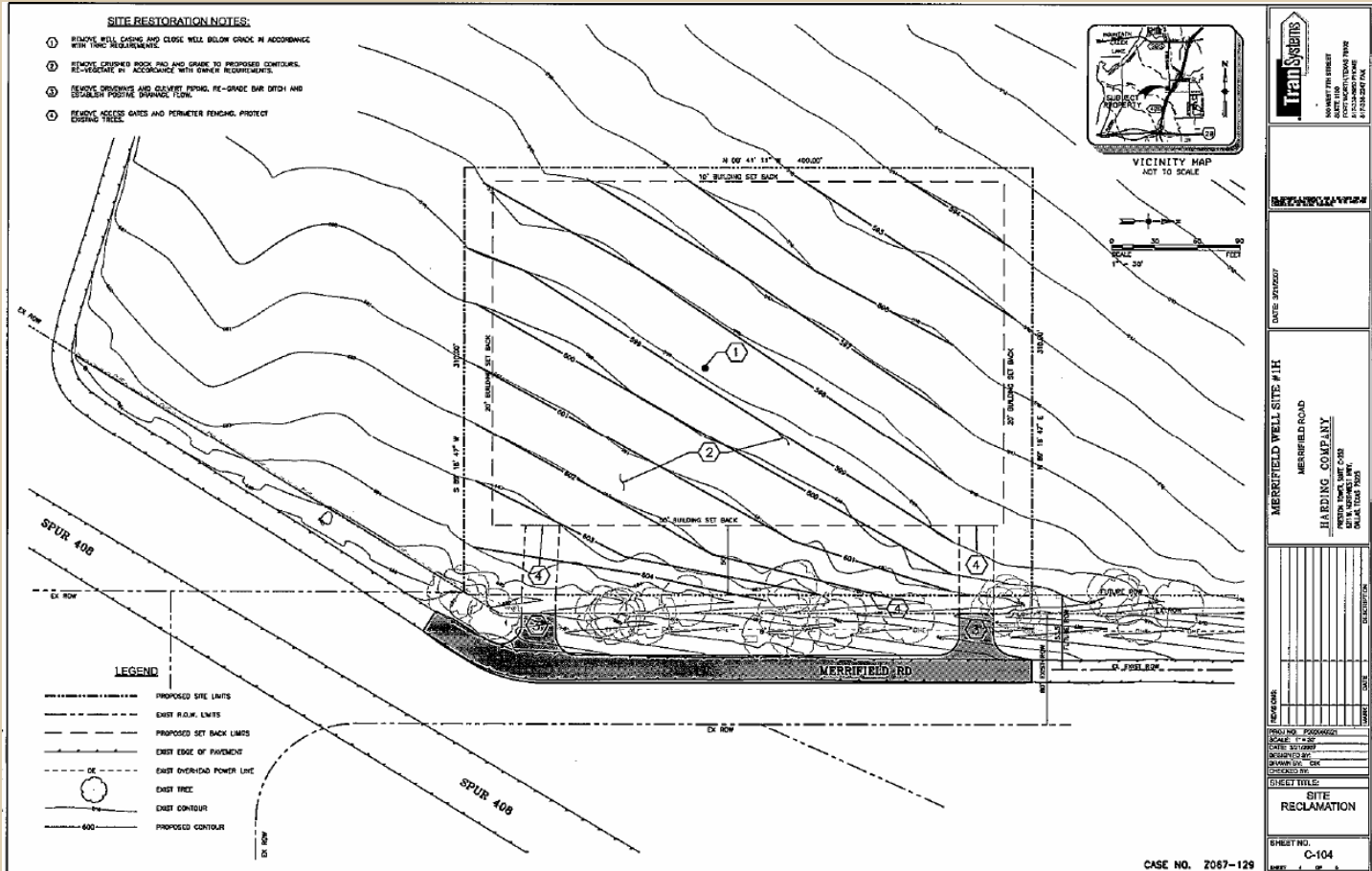
## Operations Plan: Drilling

# Required Plans



## Operations Plan: Production

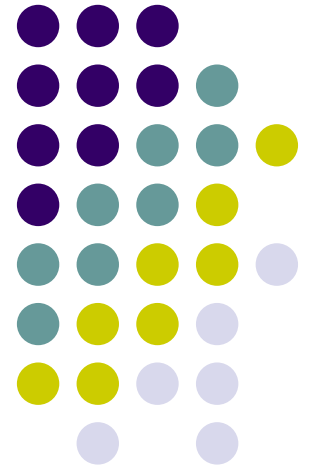
# Required Plans



## Reclamation Plan

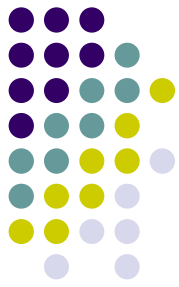
# Property Tax Rate Legal Options and Discussion

**City Council Budget Briefing**  
**Monday, August 27, 2007**



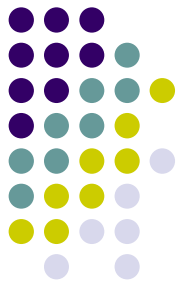


# Taxation Law



- **State Law requires public notice of tax rate calculations**
- **Allows taxpayers to roll back or limit tax increase in certain cases**

# Effective Tax Rate



- **The effective rate is the rate that generates the same amount of revenue in the new fiscal year on taxable property that was taxed in the previous fiscal year**
- **New construction not included in calculation**
- **FY 2007-08 Effective Rate = 68.72¢**

# Rollback Tax Rate



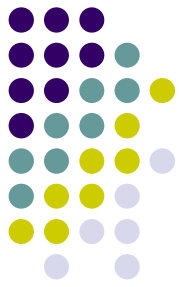
- **The rollback tax rate divides the overall property taxes into two categories:**
  - **General fund**
  - **Debt service**
- **The rollback rate includes an 8 percent increase on general fund taxes**

# Rollback Tax Rate (Continued)



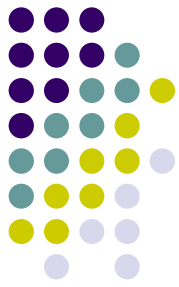
- **The rollback rate is: The effective general fund rate plus 8%, plus the tax rate required to pay debt service**
- **The calculated rollback rate is:**
  - **General Fund            55.1705¢**
  - **Debt Service            23.0239¢**
  - **78.1944¢**
- **If the Debt Service rate changes (as a result of Council amendments to the budget), the rollback rate changes**

# Notice and Hearing Rate



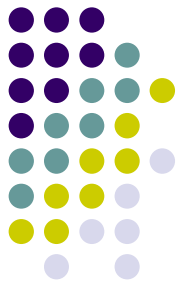
- **The notice and hearing rate is the lower of either the effective or the rollback rate**
- **FY2007-08 notice and hearing rate = 68.72¢**

# Notice and Hearing Rate Requirements



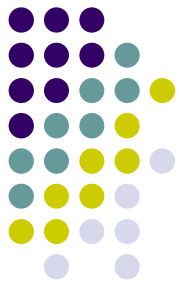
- In order for a taxing unit to adopt a rate above the Notice and Hearing rate the following requirements must be met:
  - Take a record vote for or against consideration of a specific tax rate higher than the notice and hearing tax rate;
  - Publish notice of the date and time for the 2 public hearings and the results of the record vote;
  - Hold 2 public hearings;
  - Publish notice of when the tax rate will be set;
  - Vote on the tax rate

# Tax Rates



- **Current = 72.92¢**
- **Effective = 68.72¢**
- **Notice and Hearing = 68.72¢**
- **Proposed = 75.09¢**
- **Rollback = 78.19¢**
  
- **If the tax rate were**
  - **Set at the Notice and Hearing Rate, revenues would decrease by \$52,222,963**
  
  - **Set at the Rollback Rate, revenues would increase by \$25,414,629**
  
- **1¢ = \$8,198,267**

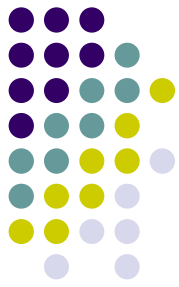
# Voter Options if the Adopted Tax Rate Exceeds the Rollback Rate



- **Petition for an election**
- **At least 10% of the registered voters shown on the City's most recent official voter list must sign the petition**
- **Petition must be submitted to the City within 90 days of the tax rate adoption**

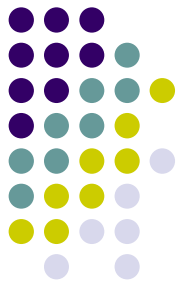


# City Responsibility After Receiving A Petition For Rollback Election



- **Determine if the petition is valid and pass a resolution regarding its validity within 20 days of receipt**
- **Set a rollback election date 30 to 90 days after the governing body rules on the validity of the petition**
- **If the rollback election fails, the adopted tax rate stands**

## City Responsibility After Receiving A Petition For Rollback Election (cont.)



- **If the rollback election passes, a city must reduce its tax rate for the current year to the rollback rate (78.19¢)**
- **If the rollback election passes, the assessor must:**
  - prepare and mail new tax bills
  - refund any taxes paid under original rate
  - postpone the delinquency date by the number of days between the date original bills were mailed and the date the corrected bills were mailed

# Schedule



- **August 27**
  - Take record vote to consider a specific tax rate that exceeds the notice and hearing rate
  - Call public hearings on the tax rate for Wednesday, September 12 and Monday September 17

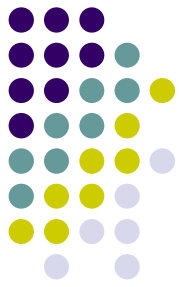
# Schedule (cont'd)



## August 27 (continued)

- If the Council wishes to consider a different rate than the recommended rate, the resolution could be amended (from the floor) to consider any tax rate
- The tax rate considered in today's resolution becomes the maximum tax rate the Council could set on Wednesday, September 26
- If no action to consider a tax rate is taken today, the maximum rate allowed for FY 2007-08 would be 68.72¢

# Schedule (cont'd)



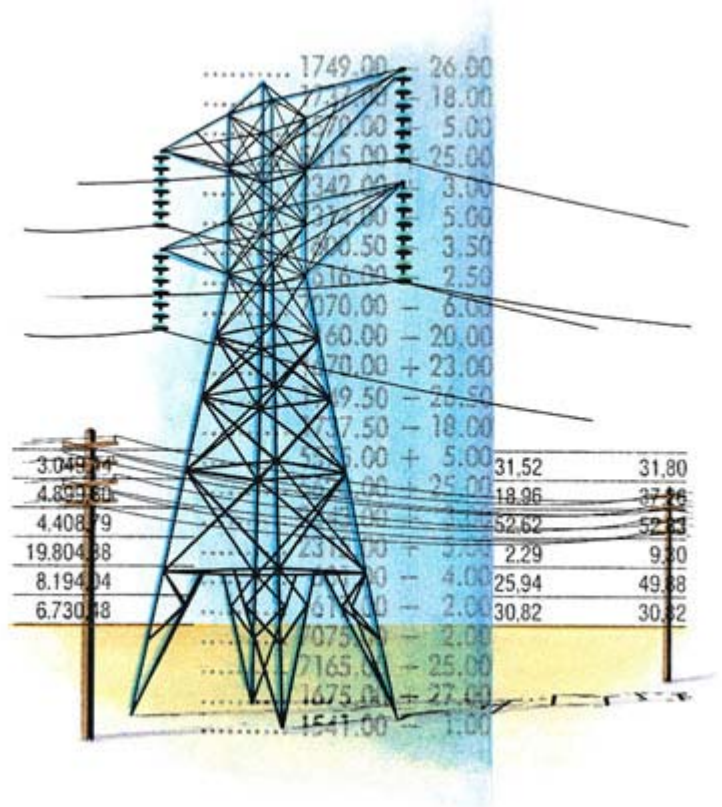
- **Wednesday, September 5**
  - Publish the notice of public hearings and results of the record vote on the tax rate
- **Wednesday, September 12 (11 a.m.)**
  - Hold 1<sup>st</sup> public hearing (City Council Chambers)
- **Monday, September 17 (9 a.m.)**
  - Hold 2<sup>nd</sup> public hearing (City Hall Room 6ES)
- **Wednesday, September 19**
  - Publish notice of when the tax rate will be set
- **Wednesday, September 26**
  - Vote on tax rate
  - Ratify increase in taxes in separate vote



# Energy Management

## Electric Procurement Strategies

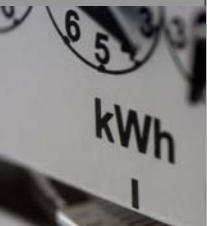
August 27, 2007





# Presentation Outline

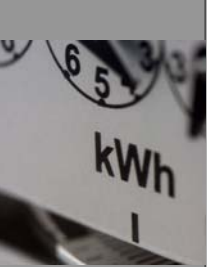
- Purpose
- Background
- City of Dallas procurement goals
- Procurement term
- Environmental goals
- Energy products
- Energy use characteristics
- Strategy to purchase electricity
- Procurement process
- Summary





## Purpose

- This briefing addresses an upcoming decision to contract with a Retail Electric Provider (REP) for the total delivery of electricity to meet the City's power needs
  - Current contracts for electricity expire on Dec 31, 2007
- This will be for electricity only, and does not include infrastructure or maintenance
- Electricity for street lights will be included, however, it does not include maintenance of street lights
  - Oncor is responsible for and provides maintenance of street lights

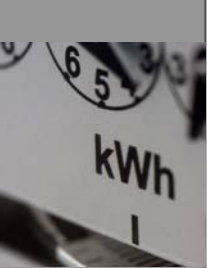






## Background

- Prior to deregulation, City purchased electricity from TXU Electric (regulated company)
- Texas Energy Market Structure changed – Senate Bill 7 (Sept 1999) created opportunities for competition in electric retail (deregulation) effective Jan 1, 2002





# Background

**Power Generation - Independent Power Producers and Investor Owned Utility Generators**



**Transmission & Distribution Service Provider (TDSP)**

**REGULATED**



Oncor owns transmission & distribution infrastructure that serves City of Dallas.

**Retail Electric Provider (REP)**

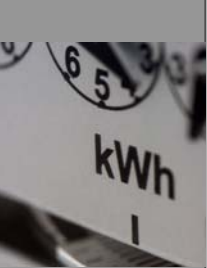
**DEREGULATED**



City is not a REP. City buys service of REP to supply us with electricity. REP passes TDSP charges to City.

**City of Dallas – Customer and end user of electricity.**



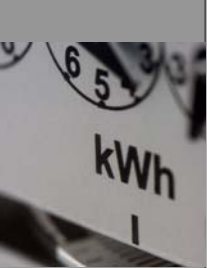


## Background

- In 2001, City considered procuring electricity independently versus as member of aggregation
  - Texas Local Government Code allows us to join with other political subdivisions to negotiate purchase of electricity on our joint behalf, i.e. Aggregation
- Aug 2001, City delegated authority for electric procurement to Public Power Pool (P3) aggregation beginning in 2002 for all electric accounts (except street lights)
  - Public Power Pool (P3) is aggregation made up of about 100 members including Dallas County and DISD
  - Public Power Pool (P3) staff competitively bids and procures electricity for its members within its board's guidelines
- April 2006, Council opted to withdraw from Public Power Pool (P3) effective Dec 31, 2007 and bring energy procurement back in-house
- Parsons Brinkerhoff Consult, Inc. was engaged to assist City with Energy Management Plan including independent procurement



# Background

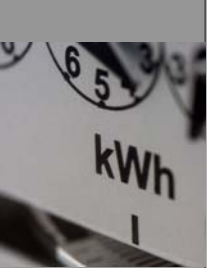


- Bringing energy procurement back in-house and purchasing electricity independently requires more action on part of City than was required when City participated in Public Power Pool (P3) aggregation
  - Council will direct purchasing strategies which have been delegated to Public Power Pool (P3) since 2001
  - More staff involvement required than when process was delegated to Public Power Pool (P3) and they managed process
  - City sets fundamental criteria for Retail Electric Providers (REP) to deliver reliable service and desired products
  - Process must have greater transparency and verification
  - Consider adjusting City process to be flexible enough to accommodate volatile nature of energy market



# Background

- Typical City contract approval process does not allow City to maximize savings in electricity purchases, since contracting energy at lowest price requires ability to commit to providers within a day or less
  - Retail Electric Providers (REP) do not own generation – have to buy supply
  - Retail Electric Providers (REP) do not buy until they have a customer
  - Supply pricing dependent upon:
    - Generation market factors – changes day to day (unit availability/generation mix, etc.)
    - Fuel market factors – changes by the minute
      - Industry operates based on the New York Mercantile Exchange (NYMEX) gas futures contracts
      - One of the most volatile commodities (+/- 5% change in a day not uncommon)

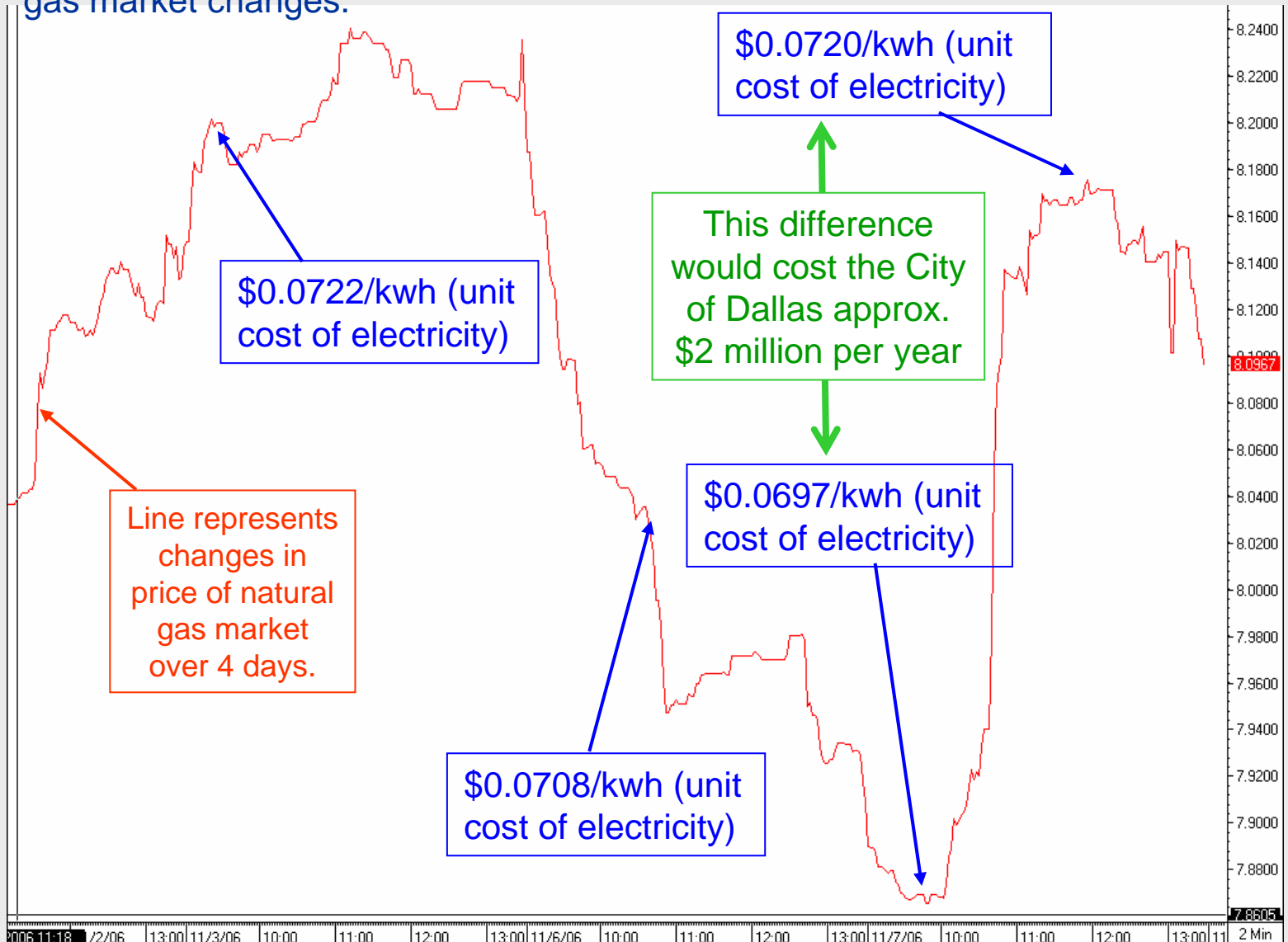




# Background

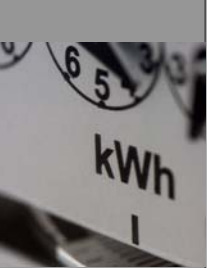
## Relationship Between Natural Gas and Electricity Prices

The line on the chart represents changes in price of natural gas market over 4 days. Points along line represent change in price of electricity as price of natural gas market changes.





# Background



- Pilot independent procurement for Street Light energy accomplished in Jan 2007 (does not include maintenance)
  - Energy for Street Lights had been purchased from TXU at Price To Beat rate which was ending on Jan 1, 2007
  - Used “heat rate” pricing with automatic locking (process described next page)
  - Awarded eleven-month electric services contract with Texas General Land Office to provide energy for City’s street lights
    - Contract is only for power and not for street light maintenance
    - Oncor is responsible for street light maintenance
  - Pilot street light procurement reduced City’s cost for street lights by 7% from Price To Beat rate
  - Resulted in the procurement of 40% renewable energy (an increase from 0 percent)
  - Contract term set to expire with all other City electric accounts Dec 31, 2007



# Background

- Used Heat Rate Pricing to purchase energy for street lights
  - Retail Electric Providers (REP) bid with use of a heat rate formula; bid most advantageous to City selected and approved by Council

## Heat Rate Pricing

$$\text{Electricity Price} = (\text{GP} \times \text{HR}) + \text{RA}$$

- Retail Electric Provider (REP) specifies **Heat Rate** and **Retail Adder** in their bid
  - **HR – Heat Rate** relates gas input to electricity output; efficiency rate of power plant
  - **RA – Retail Adder** accounts for ancillary services, Retail Electric Provider (REP) profit, other costs to get retail power
- **Gas price** – based on closing price of natural gas as traded on NYMEX
  - **GP – Gas Price** automatically determined and locked over specific number of days following Council authorization; and then applied to Heat Rate formula to determine price of electricity





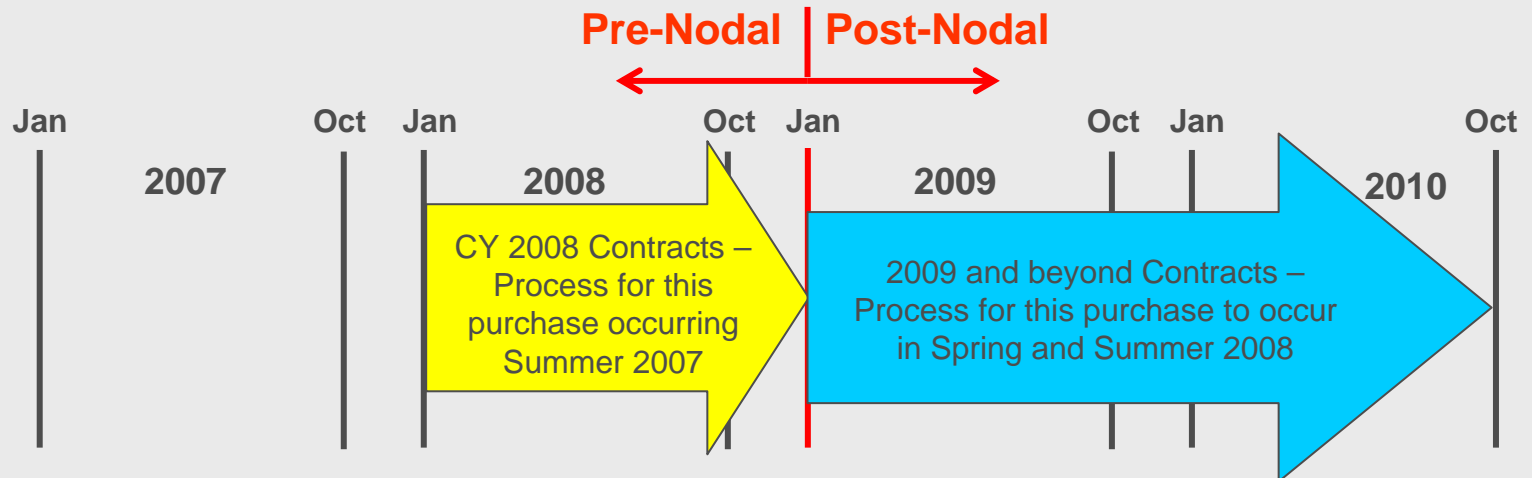
# City of Dallas Procurement Goals

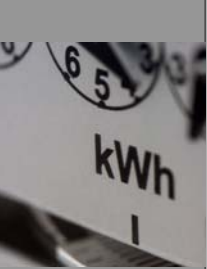
- Procure reliable power
  - Provider must be operationally and financially reliable
- Achieve best price that meets Council policy direction
  - Timing of procurement / budget certainty
  - Shift load to time of day that best price is available
  - Incentives to City users for reduced consumption
- Promote environmental stewardship
  - Low/No emission and renewable energy in power supply purchased
- Ensure transparent process and transactions
  - Selection of providers
  - Auditable pricing
  - Billing capabilities and process – timely and easily understood invoicing and reporting
  - Acceptable terms and conditions



# Procurement Term

- Recommend 12-month contract for electricity through CY 2008
- ERCOT plans to implement Nodal pricing in Jan 2009
  - Higher power costs to be charged in nodes perceived to be causing problem during periods of congestion
  - Metropolitan areas without local generation will bear brunt of congestion charges, i.e. Dallas - Fort Worth Metroplex
  - Since effect of Nodal is not fully known yet, contract pricing into 2009 would be negatively impacted
  - City should contract only through 2008 to allow Retail Electric Providers (REP) and City to better understand Nodal impacts





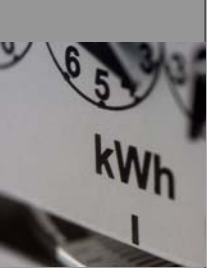
# Environmental Goals for Electric Purchases

- 40% minimum renewable sources for electric purchase
  - Use of renewable energy credits
    - A certificate guaranteeing that energy being purchased is generated from a Texas renewable energy source
    - Only means of guaranteeing energy is renewable
    - Retail Electric Providers (REP) must be able to provide auditable portfolio of generation sources
  - Encourages development of renewable energy sources
  - Discourages development of less desirable sources
  - Premium charge for purchasing energy from renewable sources
    - Street Light – 40% renewable – approximately \$200,000 of \$12.8m contract, or 1.6% of cost
    - If we include 40% renewable energy credits in this purchase, it is estimated that additional cost will be about \$1m, or 1.2% of cost



# Energy Products

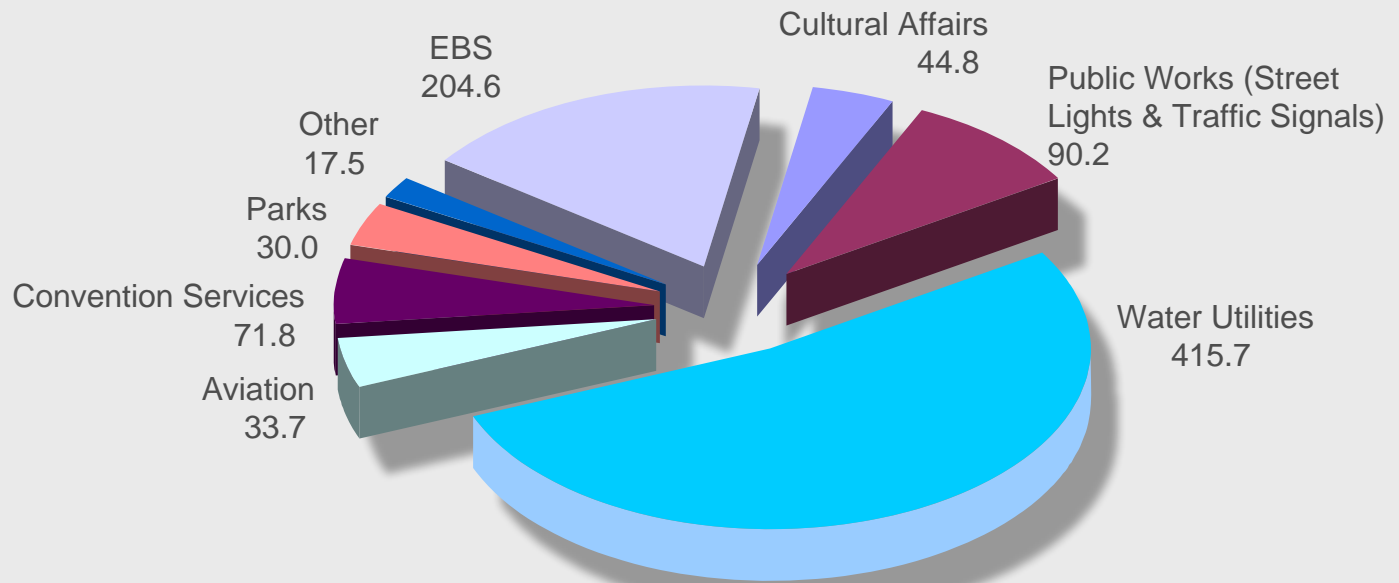
- There are a variety of electricity pricing offerings in the market
  - Recommended – Heat Rate – represents power generator's efficiency in converting fuel to electricity
    - Lower heat rates = increased power plant efficiency
    - Price calculated as  $(\text{Heat Rate} \times \text{Cost of Gas}) + \text{Adder}$
    - Price moves with natural gas market until locked in
  - Fixed price rate – one rate for duration of contract (no incentive for load shifting)
  - Market clearing price of energy (MCPE) - price for energy is variable rate that changes every 15 minutes; customer pays variable market rate based on backwards-looking index (greater risk, and only beneficial for infrequent and highly variable loads)
  - Hybrids (more complex)
    - Fixed price block + MCPE - allows you to lock up portions of your load in fixed price increments while participating in the MCPE market for usage in excess of base load
    - Time of use pricing (on- and off-peak) - fixed or heat rate but differs in time of day such that if entity is able to shift load to lower priced times, overall energy costs can be lowered
    - Seasonal pricing - could participate in MCPE based products in winter time and heat rate and/or fixed price products in summer; decreases some of spring and fall MCPE based risks





# City of Dallas Energy Use Characteristics

City of Dallas Electric Usage (MWH)  
Calendar Year 2006  
Total = 908.3 MWH



City of Dallas uses approximately the same amount of electricity as 38,000 single-family households annually.



# City of Dallas Energy Use Characteristics

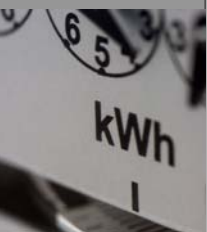
- City has approximately 2,400 individual electric accounts and electric invoices for water facilities/pumping, street lights, traffic signals, levee pumps, and buildings (convention center, recreation centers, fire stations, City Hall, cultural facilities, etc.)
  - City accounts differ fundamentally from typical residential service accounts
- Meters/accounts should be grouped so that best energy product can be targeted to each group of meters to achieve best price and conservation incentives
  - Demand Meter – records total use and highest rate of use in a 15 minute period during billing period (peak usage)
  - Non-Demand Meter – records total use only and does not provide information on peak use or breakdown of use over billing period
  - Unmetered – electric charges are based solely on expected use
  - IDR – Interval Data Recorder – records total use and rate of use every 15 minutes (meter allows for time-of-day pricing)



# City of Dallas Energy Use Characteristics

## Load Groups for Bidding

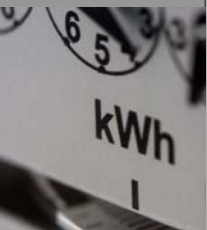
- Separate City load into three different groups for bidding based on type of meters
  - Better pricing structures
    - Time-of-use pricing for some Interval Data Recorder (IDR)
    - Encourages demand management and conservation
  - More competition to serve the loads
- Breaking into three groups enhances City's buying power and does not diminish it
- Final bid evaluations based on overall best value to City for each group





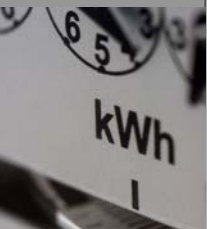
# City of Dallas Energy Use Characteristics

## Recommended Load Groupings



Group	Meter Type	% of Total Usage	# of Accts.	Representative City Facilities/Uses
A	Demand Meters	11%	512	Fire Stations, Rec Centers, Police Facilities, Branch Libraries, Levee Pumps
B	Non-Demand Meters and Unmetered	11%	1842	Streetlights, Traffic Signals
C	Interval Data Recorder (IDR) Meters	78%	80	DWU, Convention Center, Main Library, City Hall





## Strategy to Purchase Electricity for Groups A and B

- Demand meters, and non-demand and unmetered
- Heat rate with automatic lock established in same manner as was done for Street Lights in Jan 2007

$$\text{Electricity Price} = (\text{GP} \times \text{HR}) + \text{RA}$$

- Retail Electric Provider (REP) specifies **Heat Rate** and **Retail Adder** in their bid
  - **Gas price** – based on closing price of natural gas as traded on NYMEX over a specified number of days following Council authorization of Retail Electric Provider (REP)
- Automatic price lock for groups A and B will occur for all of CY 2008; this is 1<sup>st</sup> price lock in process
    - Mandatory lock; no discretion of when to lock
  - These two groups represent 22% of load



## Strategy to Purchase Electricity for Group C

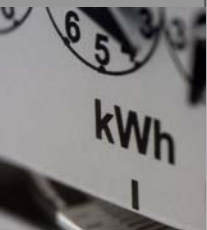
- Interval Data Recorder (IDR) meters
- This group represents 78% of load
- Heat rate pricing with dual rates for on and off-peak periods for some loads
  - Provides incentives for City to maximize load shifting from peak to off-peak for cost-savings
- Retail Electric Provider bids Heat Rate formula for Group C
  - Retail Electric Provider (REP) specifies **Heat Rate** and **Retail Adder** in their bid
  - **Gas price** – based on price of natural gas as traded on NYMEX, but recommend locks be executed by City Manager (with consultant input) and within Council established guidelines



# Strategy to Purchase Electricity for Group C

- Guidelines to be used for locking gas price are recommended by Parson Brinkerhoff based on experience with other customers and City's risk tolerance
  - Movement within Natural Gas market will trigger action by City if market decreases by 10% or increases by 5% from previous lock
    - Public Power Pool (P3) has previously exercised similar strategy – Risk 5% increase in rates in return for opportunity to see rates decrease 10%
  - Multiple locks over several months will hedge against fluctuations in market
  - Flexibility to lock at any time as long as within guidelines

Lock	Group	Pricing Approach	% of Group C Locked	Downside Trigger	Upside Trigger	When Locked
#2	C (partial)	Heat Rate Time-of-Use	34%	Decrease 10% or more from baseline	Increase 5% or more from baseline	No later than Oct 20
#3	C (partial)	Heat Rate Time-of-Use	33%	Decrease 10% or more from previous lock	Increase 5% or more from previous lock	No later than Dec 31
#4	C (partial)	Heat Rate Time-of-Use	33%	Decrease 10% or more from previous lock	Increase 5% or more from previous lock	No later than Feb 28



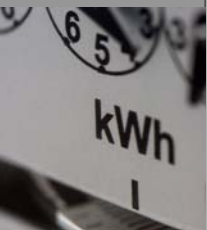
# Strategy to Purchase Electricity for Group C

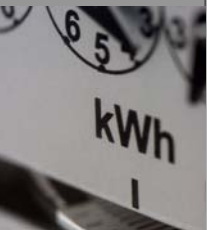
Example of Guidelines when Baseline Set at 10¢ per kWh			
Baseline set when final pricing is taken from Retail Electric Providers (REP)	Lock #2 – 34% of Group C No later than Oct 20 <sup>th</sup>	Lock #3 – 33% of Group C No later than Dec 31 <sup>st</sup>	Lock #3 – 33% of Group 3 No later than Feb 28 <sup>th</sup>
			+5% = 11.5763¢
		+5% = 11.025¢	
	+ 5% = 10.5¢		
10¢ per kWh			
	<10%> = 9¢		
		<10%> = 8.1¢	
			<10%> = 7.29¢



## Strategy to Purchase Electricity for Group C

- Alternatives for locking Group C after Council authorizes Retail Electric Provider (REP) contract
  - Automatic lock occurs in same manner as was done with Street Lights and as recommended for Groups A and B; no discretion
  - Lock occurs within established guidelines at discretion of City Manager with consultant input
  - Lock occurs solely at discretion of City Manager with consultant input
- For this procurement, recommend delegation of authority to City Manager to lock pricing within guidelines and after Council awards contracts





# Procurement Process

## ■ Multi-step process

- ✓ 1<sup>st</sup> step – Developed and advertised request for proposal (RFP) during July
  - All 94 Retail Electric Providers (REP) registered in State were notified of request for proposal (RFP)
- ✓ 2<sup>nd</sup> step – Proposals submitted on Aug 8<sup>th</sup>
  - Six Retail Electric Providers (REP) submitted proposals
- ✓ 3<sup>rd</sup> step – Consultants and staff reviewed proposals and short-listed
  - 4<sup>th</sup> step – Negotiate contract terms with short-listed Retail Electric Providers (REP)
  - 5<sup>th</sup> step – Request pricing from remaining Retail Electric Providers (REP)
  - 6<sup>th</sup> step – City Council authorizes contract
  - 7<sup>th</sup> step – Delegate authority to City Manager to lock prices within Council guidelines



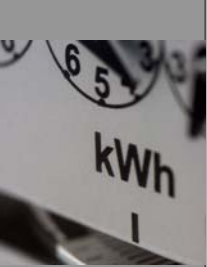
# Summary

- Continue use of multi-step procurement with specifications developed by City
- Utilize three load groups based on type of meters and usage
  - Groups A and B – Heat rate with automatic lock
  - Group C – Heat rate with time of use pricing
- Award 12-month contracts
- Include environmental initiatives of 40% renewable
- Receive and evaluate (staff and consultants) pricing from short-listed Retail Electric Providers (REP)
- Approval of contracts by City Council
  - Groups A and B pricing will lock automatically following Council approval
  - Authorize City Manager to lock pricing for group C over 6 months and within Council guidelines for CY 2008
- Benefits of this approach
  - Council involvement more than with Public Power Pool (P3)
  - Flexible process allows City to better handle volatile market
  - Shorter term allows continued evolution of City strategies
  - Encourages development of renewable energy sources and discourages development of less desirable sources
  - Three contracts will lead to greater competition and lower prices for each group of meters
  - Opportunity to reduce cost such as through load shifting



# Appendix





- Criteria for Short-Listing Retail Electric Providers (REP)
  - Financial stability
  - Ability to provide renewable energy credits
  - Agreement to contract terms
  - Level of experience
  - Contract imbalance allowance
  - Assurance of timely and accurate invoices
  - Invoicing per requirements
  - Customer service
  
- Evaluation Team
  - Robert Brashear – Parsons Brinkerhoff Consult, Inc.
  - Mike Brasovan – THG Energy Solutions, LLC
  - Annette Van Brunt – Van Brunt & Associates, Inc
  - Jesse Dillard – City of Dallas

# Sanitation Services Department

## FY07-08 Budget

**Briefing to City Council**  
**August 27, 2007**



# Six Basic SAN Services:

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- 1) Residential Refuse Collection \$30,908,723
- Essential public health service
  - Twice weekly collection
  - 242,000 accounts generates over 300,000 tons of waste
  - Transport of waste from 3 transfer stations
  - 394 FTEs and 210 vehicle units
- 2) Brush / Bulk Service \$11,350,735
- Monthly collection of over 200,000 tons each year
  - Storm / flooding damage debris removal
  - 153 FTEs and 150 vehicle units
- 3) Dead Animal Collection \$497,591
- Both on-demand and scheduled service
  - Over 50,000 animals collected annually

# Six Basic SAN Services, cont:

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## 4) Waste Diversion & Recycling \$9,333,117

- Residential program: *Too Good To Throw Away*
- Household Chemical Collection Center
- Diversion at landfill: green waste, concrete, asphalt

## 5) Landfill Operations \$17,555,340

- Regional disposal facility
- Generates \$18.9M in commercial revenues
- 140 FTEs, 40 pieces of heavy equipment

## 6) City Facilities Refuse Collection \$1,009,600

- Both on-demand and scheduled service
- 210 facilities – contractor collected with city oversight
- Recycling drop-off centers serving single & multi-family

## SAN Department Support [ \$4,375,108 ]

- *37.2 FTEs to manage \$71M in budget, 799.8 FTEs*
- ***In FY08, this expense is allocated over other SAN Services***

# What's the *Value* of SAN Services ?

---

- Pick up your garbage 104 times a year
  - 1.5 tons per household each year
  - Cost-of-service 20% less than comparable ICMA cities
- Collect 225,000 tons of bulk waste
  - Tree limbs, broken appliances, old furniture, debris
  - Monthly service is 4 times more frequent than any benchmark cities
- Recycle and divert 200,000 tons of waste
  - Household items – plastic, paper, metal, cardboard through *Too Good To Throw Away*
  - Christmas trees and other green waste
  - Old concrete, asphalt, used tires
  - Hazardous wastes – pesticides, paint, motor oils
- Remove over 50,000 dead animals
  - From residential households, veterinarians, rights-of-way

# What's *new* for FY08 ?

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- **Initiate “Pride in your Neighborhood” pilot**
  - Partner with non-profit “Keep Dallas Beautiful” for 6 specific neighborhoods as “make-over” pilots
  - ***Decrease litter, graffiti, code violations***
  - Increase “curb appeal” with cleaner, well-cared-for properties
  - Nurture the sense of unique identity and cultural strength
  - Enlist grass-roots efforts of residents, businesses, civic groups
  - Workshops to educate all from school-age to adults; incorporate into local school environmental curriculum
  - Includes high school student summer-hire program with hands-on environmental lab
  - Quarterly “spruce up” events to target community’s specific needs
  - Pilot costs to be reimbursed from Storm Water funds

# What's *new* for FY08 ? (cont.)

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- **Offer landfill space as a purchase commodity**
  - Create multi-year disposal contracts
  - Hauler contracts for specific volume for specific time frame (i.e.; Hauler X agrees to 50,000 tons for each of 5 years)
  - Hauler receives discount from gate rate for set volume
  - Hauler pays for landfill space, even if they bring less than contracted volume
  - Raise gate rate for non-contract customers
  - Limit amount of contract space to protect asset for residential customer

## **Results:**

- Stabilize landfill revenues; insulate from economic jolts
- Predictability of landfill operational needs and costs
- Increase revenues on steady basis

# SAN Budget - BFO Bid Amounts

Dept Support has been allocated across services

SUMMARY OF BFO BIDS				
Service	Budgeted FY 2006-07	BFO Proposed FY 2007-08	Comments	BFO Revenues FY 2007-08
Residential Refuse Collection	27,484,809	30,908,723	See Note 1	32,333,500
Landfill Services	13,115,074	17,555,340	See Note 1 and Note 2	27,874,061
City Facilities Services	653,326	1,009,600	See Note 3	675,000
Waste Diversion Service	8,664,260	9,333,117	Full Year Funding of TGTA	7,968,632
Brush/Bulk Waste Removal	11,006,770	11,350,735		11,994,995
Animal Collection Services	483,675	497,591		522,964
Department Support - SAN	7,777,053	0	See Note 1	0
<b>Totals</b>	<b>\$ 69,184,967</b>	<b>\$ 70,655,106</b>		<b>\$ 81,369,152</b>

## Notes:

- 1) In this year's budget process, department support has been allocated across departmental services for a more accurate cost of service (\$4.4M/37.2 FTEs)
- 2) 2003 GO Bond debt payment of \$1.8M
- 3) City Facilities contract will be enhanced to replace the city's existing 32 drop-off recycling sites with new receptacles, plus add 38 new sites (\$334,600)



# Residential Fee – budget estimate

<b>Current Fee</b>		<b>\$18.85</b>
<b>Cost to maintain service</b>		<b>\$0.68</b>
- Full Year Funding of Too Good To Throw Away	\$0.04	
- Day Labor increases (minimum wage and contract rebid)	\$0.18	
- Fuel, equipment maintenance & replacements, other	(\$0.08)	
- Year 1 of Green Fleet Phase-In Program	\$0.18	
- Debt service for 2003 GO Bond	\$0.21	
- Capital Transfer to Landfill Waste Cell Construction Fund	\$0.11	
- E-recycling events	\$0.04	
"Pride in Your Neighborhood" Pilot Program		\$0.00
<b>FY 07-08 Proposed Sanitation Fee</b>		<b>\$19.53</b>

# SAN Rate Forecast

Sanitation Financial Forecast				
	FY 05-06	FY 06-07	FY 07-08	FY 08-09
	(Actual)	(Budget)	(Proposed)	(Forecast)
<b>Expenses</b>	<b>\$60,063,273</b>	<b>\$69,184,967</b>	<b>\$70,655,106</b>	<b>\$73,695,033</b>
<b>Revenues</b>	<b>\$71,661,754</b>	<b>\$81,303,731</b>	<b>\$81,369,152</b>	<b>\$83,544,170</b>
<b>NET</b>	<b>\$11,598,481</b>	<b>\$12,118,764</b>	<b>\$10,714,046</b>	<b>\$9,849,137</b>
Residential monthly rate	<b>\$17.88</b>	<b>\$18.85</b>	<b>\$19.53</b>	<b>\$20.47</b>
<b>Rate Impact</b>		<b>\$0.97</b>	<b>\$0.68</b>	<b>\$0.95</b>

## Notes:

- (1) Revenues from recycling proceeds are \$1.5M less than estimated in Aug 2006 briefing. Projections for expenses in FY09 include increases related to rising labor costs.
- (2) Previous FY09 rate impact estimated at **\$0.11** in August 2006 briefing.

# Revenue Assumptions

## FY08 Budget Development:

---

- Adjust the residential fee annually to maintain full cost recovery
- Increase gate rate at McCommas Bluff Landfill from \$16/ton to \$18/ton
- Implement multi-year disposal contracts for commercial customers at landfill
- Collect a full year of franchise fees for commercial haulers
  - Franchise fee program initiated in mid-FY07
  - Program recovered ½-year of permit fees and ½-year of franchise fees

# FY 07-08 Revenues Estimate

	<u>FY06-07</u>	<u>FY 07-08</u>
■ <b><u>Collection Revenues:</u></b>	\$ 55.7 M	\$ 57.8 M
□ Based on total budget with \$19.56 residential rate		
□ Includes all revenues – city facilities, cost plus		
■ <b><u>Recycling Revenues:</u></b>	\$ 2.5 M	\$ 1.6 M
□ Sale of recyclables; education fund		
■ <b><u>Disposal Revenues:</u></b>	\$ 19.1 M	\$ 22.0 M
□ Tipping fees (charge per ton) \$18.9 M		
□ Permits / Franchise \$ 2.9M		
□ Other \$ 0.2M		
■ <b><u>Special One-Time Project:</u></b>	\$ 4.0 M	\$ 0.0 M
□ Linfield material to McCommas Bluff		
<b>Total revenues projected:</b>	<b>\$81.3 M</b>	<b>\$ 81.4 M</b>

# Net Balance to General Fund

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□ FY08 Expense est. (with 68-cent increase to SAN rate)	<b>\$70,655,106</b>
□ FY08 Revenue Estimate:	<b><u>\$81,369,152</u></b>
□ Net Balance to General Fund:	<b>\$10,714,046</b>



# Dallas Police Department

Proposed FY 2007/08 Budget

Budget Briefing  
August 27, 2007



# Presentation Topics

- Challenges
- Background/History
- Plans to address challenges and continue progress

# Departmental Challenges

- Large city with highest overall Part I Crime Rate
- Part I Crime suppression strategies of putting “Cops on the Dots” while still maintaining a police presence in neighborhoods
- Response Time
- Community Confidence



# Major Departmental Objectives Since 2004

- Reduce Part I Crime
- Grow the Department
- Reduce critical incidents that erode public trust in the department

# Part I Crime Rate Status

## **2006 Results**

- ↓ Lowest number of murders in 39 years
- ↓ Lowest overall crime rate in 34 years
- ↓ 14,115 fewer criminal offenses in 2006 than 2003

## **2007 Status** (YTD June 30th)

- ↓ Violent crime down 12.3%
- ↓ Non-violent crime down 1.1%
- ↓ Total crime down 2.8%

# 2006 Major Cities Murder Rate per 1000 Population

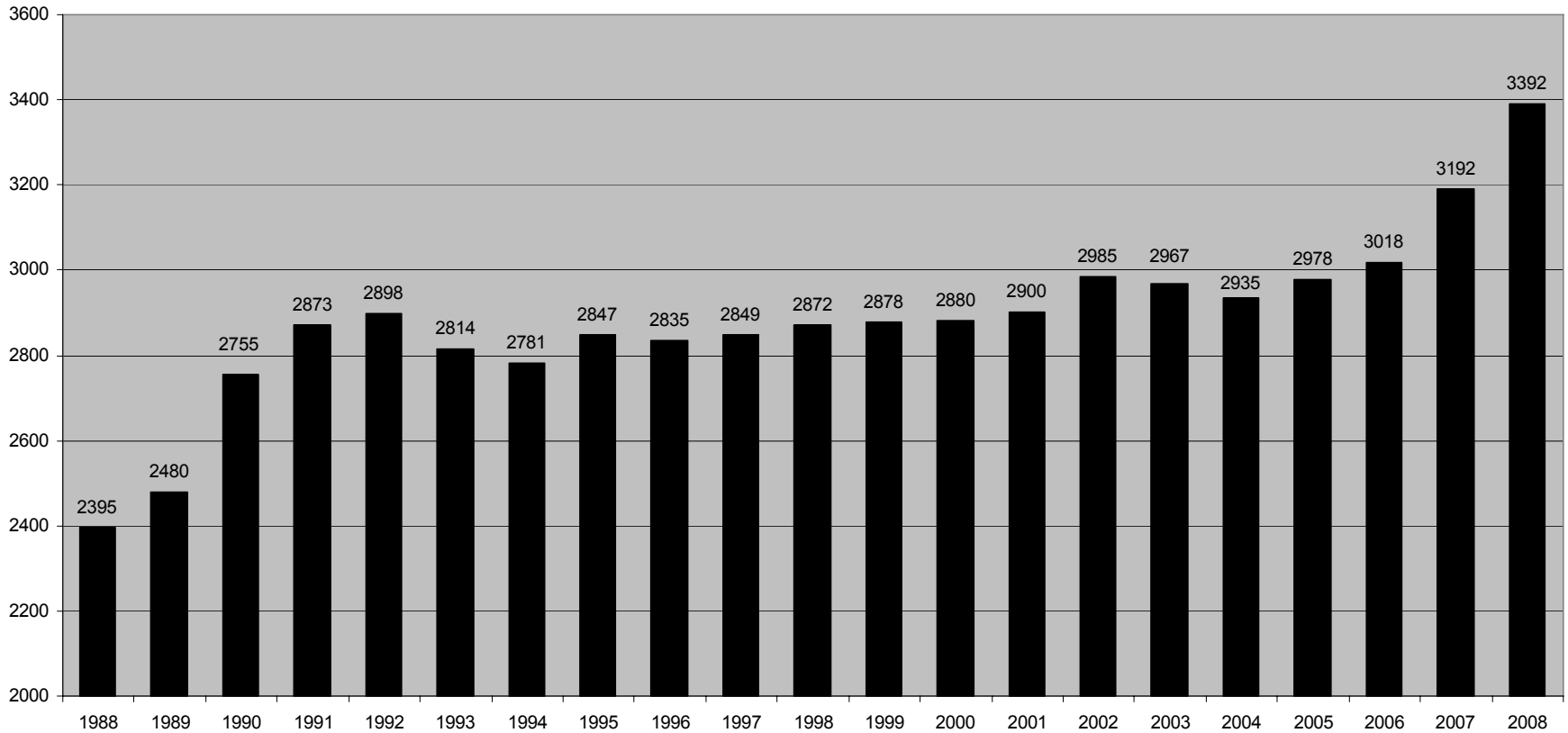
	City	Population	Murder per 1000	Murders
1	NEW ORLEANS	200,000	0.810	162
2	DETROIT	884,462	0.471	417
3	BALTIMORE	637,556	0.433	276
4	OAKLAND	398,834	0.364	145
5	WASHINGTON	581,530	0.291	169
6	PHILADELPHIA	1,464,576	0.277	406
7	KANSAS CITY	448,218	0.250	112
8	ATLANTA	485,804	0.226	110
9	MEMPHIS	680,828	0.216	147
10	HOUSTON	2,073,729	0.182	377
11	MILWAUKEE	581,005	0.177	103
12	INDIANAPOLIS	800,969	0.175	140
13	CLEVELAND	452,759	0.166	75
14	CHICAGO	2,857,796	0.163	467
15	PHOENIX	1,517,443	0.154	234
16	<b>DALLAS</b>	<b>1,248,223</b>	<b>0.150</b>	<b>187</b>
17	NASHVILLE	560,813	0.146	82
18	JACKSONVILLE	795,822	0.138	110
19	BOSTON	562,393	0.133	75
20	SACRAMENTO	460,552	0.124	57
21	LOS ANGELES	3,879,455	0.124	480
22	CHARLOTTE-MECKLENBURG	699,398	0.120	84
23	COLUMBUS	731,547	0.116	85
24	LAS VEGAS METRO	1,315,625	0.116	152
25	SAN FRANCISCO	746,085	0.115	86
26	FRESNO	465,269	0.112	52
27	OKLAHOMA CITY	536,016	0.103	55
28	TUCSON	535,232	0.097	52
29	SAN ANTONIO	1,292,116	0.092	119
30	DENVER	568,465	0.090	51
31	LONG BEACH	478,283	0.086	41
32	LOUISVILLE METRO	626,018	0.080	50
33	OMAHA	416,770	0.079	33
34	FORT WORTH	641,752	0.076	49
35	NEW YORK	8,165,001	0.073	596
36	ALBUQUERQUE	500,955	0.068	34
37	MESA	459,705	0.057	26
38	SAN DIEGO	1,266,847	0.054	68
39	SEATTLE	583,772	0.051	30
40	PORTLAND	542,174	0.037	20
41	SAN JOSE	920,548	0.032	29
42	AUSTIN	709,813	0.028	20
43	EL PASO	615,553	0.021	13
44	HONOLULU	912,693	0.019	17

## Dallas

- 9<sup>th</sup> in 2004
- 14<sup>th</sup> in 2005
- 16<sup>th</sup> in 2006

# Growing the Department

Sworn Strength at End of Fiscal Year  
1988 to 2008



# Growing the Department

## Challenges

- Hiring large numbers without lowering qualifications
- Increasing the applicant pool
- Adequate recruiting budget
- Ensuring competitive compensation
- It takes **16 months** from hiring until an officer can work as a one-officer car
- Factoring in days off, vacation, training, etc., it takes approximately **70** additional officers to increase field staffing by one officer 24 hours per day, seven days a week

# Growing the Department

## Hiring requirements to reach 3 per 1000\*

	<b>FY 06/07</b>	<b>FY 07/08</b>	<b>FY 08/09</b>	<b>FY 09/10</b>	<b>FY 10/11</b>
<b>Number of Officers Hired</b>	342	376	387	398	409
<b>Sworn Strength</b>	3,192	3,392	3,592	3,792	3,992
<b>Number per 1000 Population</b>	<b>2.5</b>	<b>2.6</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>

\*Assumes hiring 200 officers over projected attrition of 5.5% per year, based on 20 year review of departmental attrition.

# Policy Enhancements

## Notable enhancements

- Eliminated use of neck restraint
- Issued Tasers and established model policy for their use
- Revised pursuit policy
- Deployed mobile video cameras in patrol vehicles
- Mental Health Officer Training

## Results

- Reduced legal risk
- Improved standing in the community
- Taser deployment down 60% in 2006 vs. 2005
- Pursuits down 74% after first full year of policy
- Excessive/inappropriate force, physical abuse and officer involved shooting investigations down 30.2% in 2006

# Addressing Departmental Challenges

- COMPSTAT
  - Focus on gangs, drugs and guns
  - People, Places and Behaviors
  - Hotspot policing (Cops on the dots)
- Increase capacity in the field through hiring, productivity measures, overtime and technology



# Addressing Departmental Challenges

## Beat Management Policing

- The Department must manage problems, instead of just handling complaints
- 232 beats in the city
- Beat Policing model was previously not viable because of two obstacles
  - Technology/Accountability
    - Computer Assisted Dispatch (CAD) – Go live date 8/22/07
    - Automatic Vehicle Locator (AVL)
    - Vehicle hardware
    - Records Management/Data integration upgrades
    - Beat Management System
  - Part I Crime reduction strategies required officers to be assigned to high crime hotspots
- Officers will be held accountable for staying on their beat when not answering calls and for problems occurring on the beat

# Addressing Departmental Challenges

## Beat Management Policing (cont.)

- The department is creating technology to provide beat level intelligence that supports the Beat Management model
  - Crime Stats
  - Drug house locations
  - Chronic community problems
  - Key community stakeholders
- The department will enter into Neighborhood Group agreements to address community crime concerns and act upon community based crime intelligence
- Officers will be provided with problem solving training consistent with the goals of Beat Policing
- The current ICP program will be eliminated with those officers in the program becoming problem solving officers in the Beat Management Model

# Increased Neighborhood Presence

- Neighborhood Group Agreements
- 10-70-20 Program
- Additional marked vehicles will allow for one-officer cars
- Revitalized Police Athletic League (PAL)
- Foot patrols in identified “hot spots”
- Mobile Police Storefront deployment
- Operation Disruption
- Non-traditional uniformed units
  - Tactical
  - Mounted
  - Traffic

# Increased Neighborhood Presence

## “Footprints” Initiative

- Will challenge officers to leave evidence of their presence in neighborhoods
  - Extra Patrol Requests – officers will be required to leave a card at the location of the request indicating their response to the request for extra patrol
  - Open garage checks – Officers will be utilized in marked vehicles to patrol neighborhoods searching for open garage doors, property left unattended, etc., and leave a card recommending crime prevention techniques to be taken by the citizen residing at the location
- This initiative will help to apprise citizens of the numerous occurrences of officers in their neighborhoods that commonly go unnoticed

# Drug House Interdiction

- Quickly triage drug house complaints to determine if the location is an actual drug house, smoke house or a chronic nuisance location in order to ensure the proper departmental resources and strategies are utilized.
- Prioritize enforcement targets
- Strategies
  - Narcotics Task Forces w/state and federal agencies
  - Narcotics Division conducts undercover buys and executes search and arrest warrants
  - Abatement Unit and Narcotics division coordinate to address possible nuisance locations
  - Utilize Patrol elements to disrupt “business as usual” at drug houses
  - Knock and Talks
- Coordinate efforts with Code, CAO, and the community to identify nuisance structures that are eligible for demolition under Texas Local Government Code Chapter 54 or Chapter 27 of the Dallas City Code

# South Central Patrol Division

- Will be the model for Beat Management and Geographic Policing when it opens
  - Divided into 5 geographic regions
  - Patrol Lieutenant commands a team responsible for each region
  - Problem solving officers assigned to each region to work with the community and beat officers regarding community problems
- Why South Central?
  - The policing models can be implemented from the opening of the division with no transition from an established model
  - The division has 7 council districts represented
  - Established crime watch and faith based programs
- South Central stats
  - 32 beats
  - 54.9 square miles
  - Approximately 15% of total patrol work load

# FY 2007/08 Proposed Budget

	<b>FY 06/07 Budget</b>	<b>FY 07/08 Proposed</b>
Salaries and Benefits	\$330,413,161	\$361,957,049
Supplies and Materials	\$10,931,429	\$12,878,585
Other Services and Charges	\$30,528,382	\$36,592,047
Capital Outlays	\$627,696	\$547,196
Reimbursements	(\$9,596,862)	(\$10,902,644)
	<hr/>	<hr/>
Total	<b>\$362,903,806</b>	<b>\$401,072,233</b>

# Budget Enhancements

- \$4.3 Million for hiring 200 officers over attrition
- \$5.7 Million for full year funding of officers added in current fiscal year
- \$13.6 Million for second year funding of police compensation package
  - Additional \$100 per month for certification pay
  - Compression of steps at all ranks
  - Addition of step at all ranks
  - Continuation of recruit bonuses
  - Retention incentive payments of \$5000 at 5 and 10 years
  - Additional officers earning certification pay
- Add 176 additional vehicles to Police Department fleet
  - 125 marked vehicles
  - 51 unmarked vehicles



# Budget Enhancements

- Opening of new South Central Patrol Division
- \$4 Million Urban Area Security Initiative (UASI) Grant
  - Records Management System
  - Upgrade to Fusion Center operations
- Grants supporting law enforcement efforts
  - Multidisciplinary Anti-trafficking task force grant
  - Six City Anti-gang grant
  - Auto Theft Interdiction grant
  - Comprehensive Selective Traffic Enforcement grant
  - Victims Services grant
- Justice Assistance Grant (JAG)
  - Scheduling software to maximize fleet utilization
  - 4 Sky Watch Towers
  - Inventory software for Property Room
- \$200,000 for Citizen Confidence Survey

# Enhancement Benefits

- Additional sworn staffing will assist in greater deployment of sworn personnel throughout Dallas communities enhancing crime reduction efforts and improving police visibility
- Targeted overtime use will supplement staffing
- Additional marked vehicles will increase police visibility
- Enhanced Fusion Center technology will allow for 24/7 operations providing real-time criminal intelligence and data-mining for patrol and investigative personnel
- The enhanced compensation package aids in recruiting qualified applicants and retaining experienced officers

# Crime Reduction Requires a Comprehensive Solution

**The Police Department can't solve crime problems alone; additional recommendations include, at a minimum:**

- Establish a Criminal Justice System Coordination Council
- Offender re-entry programs designed to successfully integrate offenders back into the community
- Affordable drug and alcohol treatment programs
- Meaningful employment opportunities, particularly in the southern sector of the city.
- Enhanced housing and apartment security strategies
- Successful youth crime prevention programs

These recommendations will be brought before the appropriate committees for dialogue.

# Results

- Dallas will no longer be ranked number one in overall crime among cities of 1 million or more population based on data from the 2009 UCR Part I Crime report
- Reduce combined response time for Priority One and Two calls 33% by December 31, 2009
- Improve community relations as measured by the Citizens Confidence Survey

QUESTIONS?

# Memorandum



DATE August 24, 2007

TO The Honorable Mayor and Members of the City Council

SUBJECT City Council Grants Briefing

Due to the lengthy agenda for the City Council meeting on Monday, August 27, 2007, the grants briefing listed on the agenda will be rescheduled for a later date.

Please contact me if you have any questions.



Mary K. Suhm  
City Manager

c: Deborah Watkins, City Secretary  
Thomas P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
Ryan S. Evans, First Assistant City Manager  
Charles W. Daniels, Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Ramon F. Miguez, P.E., Assistant City Manager  
Dave Cook, Chief Financial Officer  
Frank Libro, Public Information Office  
Chandra Marshall-Henson, Assistant to the City Manager