



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Solid Waste and Recycling Department

CM/ DCM/ ACM: Mario Canizares

DATE: July 25, 1017

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding a compressed natural gas (CNG) fueling facility at the intersection of Mayhill Road and Spencer Road.

BACKGROUND

Since October 2012, the Solid Waste Department has provided the Public Utilities Board (PUB) and the City Council a number of briefings regarding the department's plans to pursue compressed natural gas (CNG) as an alternative fuel. As those discussions evolved, plans were presented to and approved by the PUB and Council to construct a CNG fueling station, to offer public CNG sales, and to convert the Solid Waste fleet to the CNG fuel system.

In the fall of 2013, the department began converting the Solid Waste fleet to the CNG fuel system and commenced negotiations with a firm to construct a CNG fueling station. Shortly thereafter, negotiations with the firm stalled, and the department received Council approval to contract with Ultimate CNG (UCNG) for mobile fueling services on April 15, 2014. The initial agreement was for \$120,000 for a contract term of three years. Since that time, the department has remained on the mobile fueling platform and continued converting its fleet to the CNG fuel system. As the department's demands for CNG increased, the department twice received authority to amend the contract amount. As of November 2015, the contract for the mobile fueling system had grown to \$1.9 million.

During its August 22, 2016, meeting, the City Council awarded a \$2.7 million contract to Zeit Energy for the construction of the CNG fuel station. In September 2016, the Solid Waste Department received a \$600,000 grant from the Texas Commission on Environmental Quality (TCEQ), under the condition that the City make CNG fuel available through public sales for a period of no less than three (3) years. To date, \$201,368 of the grant has been expended on equipment for the fuel station.

In the last few weeks, staff has evaluated the financial impact of the department's investments into CNG. While fuel prices in 2012 may have made the project appealing at that time, the difference in market price between diesel and CNG has narrowed substantially. As a result, the fuel savings associated with CNG adoption no longer cover the costs associated with the fuel station or vehicle conversions (approximately \$40,000 each). Additionally, staff has learned that the fuel costs associated with the mobile fueling platform are not sustainable and immediate action should be taken to reduce further negative financial impact. To

that end, staff has halted further CNG vehicle purchases and is seeking policy direction on the construction of the CNG facility and whether public sales should be offered.

OPTIONS

The City Council may recommend construction of the CNG fueling facility with public sales, without public sales, or recommend an alternate course of action.

RECOMMENDATION

Staff recommends completing construction of the CNG fueling facility for City of Denton use only.

ESTIMATED SCHEDULE OF PROJECT

If construction of the CNG fuel facility moves forward, staff estimates construction will be completed within a six month period.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

October 22, 2012 – PUB discussion regarding CNG

November 5, 2012 – City Council discussion regarding CNG

April 15, 2014 – Awarded a mobile fueling contract to Ultimate CNG

January 6, 2015 – First amendment to the contract with Ultimate CNG

November 9, 2015 – Second amendment to the contract with Ultimate CNG

August 22, 2016 – Awarded Zeit Energy a contract for CNG fuel facility construction

July 24, 2017 – PUB discussion regarding CNG

FISCAL INFORMATION

The construction of the CNG fuel facility will be funded from the Solid Waste Department's Capital Improvement Program (CIP). The purchase of natural gas and additional operational expenses will be funded from the department's operating fund.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Sustainable & Environmental Stewardship

Related Goal: 2.5 Develop Capital Improvement Program (CIP) based on community needs

EXHIBITS

1. Agenda Information Sheet
2. Presentation

Respectfully submitted:

Ethan Cox
Director of Solid Waste