CITY COUNCIL WORK SESSION

MARCH 19, 2024

The City Council of the City of McKinney, Texas met in work session in the Council Chambers, 222 N. Tennessee Street, on Tuesday, March 19, 2024 at 4:00 p.m.

The work session was broadcast live on cable television Spectrum Channel 16 and AT&T U-Verse Channel 99; and online at https://mckinneytx.new.swagit.com/views/130. A video recording of the meeting is available to members of the public through the City of McKinney meeting archive.

Mayor George C. Fuller called the work session to order at 4:03 p.m. upon determining a quorum consisting of himself and the following members were present: Mayor Pro Tem Charlie Philips, and Council members Justin Beller, Patrick Cloutier, Geré Feltus, Rick Franklin, and Michael Jones.

City taff present: City Manager Paul Grimes, Assistant City Manager Kim Flom, Assistant City Manager Steve Tilton, Assistant City Manager Barry Shelton, City Attorney Mark Houser, City Secretary Administrative Assistant Charlene Johnson, City Secretary Accreditation & Reporting Specialist Edith Ruiz, Deputy City Secretary Tenitrus Bethel, City Secretary Empress Drane, Director of Public Safety Greg Conley, Director of Strategic Services Trevor Minyard, Director of Organizational Development & Performance Management Joe Mazzola, Chief Financial Officer Mark Holloway, Director of Public Works Ryan Gillingham, Assistant Director of Public Works Paul Sparkman, Environmental Services Manager Eric Hopes, Director of Parks, Recreation & Open Space (PROS) Amy Kinkade, Assistant Director of PROS Ryan Mullins, Apex Centre Manager Erica Lyght, Parks Planning & Development Manager Jenny Baker, Director of Planning Jennifer Arnold, Director of Engineering Gary Graham, Fire Chief Paul Dow, Director of McKinney National Airport Ken Carley, Information Technology Service Technician Matt Record, Video Producer Joey Barr, and Video Producer Michael Johnson.

There was one (1) member of the public present in the audience.

Mayor Fuller called for Public Comments. There were no requests to speak.

Mayor Fuller called for discussion of agenda items for the City Council Regular Meeting to be held on Tuesday, March 19, 2024 at 6:00 p.m. There was no discussion.

Mayor Fuller called for the Work Session agenda:

24-1346 Presentation on Refuse Rates

Information was presented by city staff Ryan Gillingham and by Scott Pasternak of the firm Burns & McDonnell.

24-1347 Discuss History of McKinney Airport Advisory Board

Information was presented by city staff Ken Carley.

The presentations for agenda items 24-1346 and 24-1347 not included on the posted agenda are included in these minutes as *Appendix A: 24-1346 Presentation on Refuse Rates* and *Appendix B: 24-1347 Presentation on Airport Advisory Board.*

There were no Council Liaison updates regarding city boards and commissions.

Mayor Fuller called the Executive Session at 5:08 p.m. in accordance with the Texas Government Code:

A. Section 551.071(2) Consultations with Attorney on any Work Session, Special Session, or Regular Session agenda item requiring confidential attorney/client advice necessitated by the deliberation or discussion of said items (as needed)

- 310 E. University Dr. and 1020 N. McDonald St., Lot 1R, Block A of the Hisun Motors USA Addition, and being 11.034 acres out of the William Davis Survey, Abstract No. 248, City of McKinney, Collin County, Texas

B. Section 551.087. Deliberation Regarding Economic Development Matters

- Project Hemispheres

Council returned from the Executive Session at 6:03 p.m. with all members present except Council member Franklin.

Council unanimously approved the motion by Mayor Pro Tem Philips, seconded by Council member Cloutier, to authorize the City Attorney to proceed with filings under Chapter 54 of the Texas Local Government Code to address the issues discussed in the Executive Session.

Council unanimously approved the motion by Council member Cloutier, seconded by Council member Feltus, to adjourn the work session at 6:04 p.m.

These minutes were approved by the City Council on April 2, 2024.

SIGNED:

_____
GEORGE C. FULLER, Mayor
CHARLIE PHILIPS, Mayor Pro Tem

ATTEST:

_____
EMPRESS DRANE, City Secretary
TENITRUS BETHEL, Deputy City Secretary

City of McKinney, Texas

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Appendix A: 24-1346 Presentation on Refuse Rates

Appendix B: 24-1347 Presentation on Airport Advisory Board.

Solid Waste Rate Study

City Council Work Session
March 19, 2024

Agenda

1. Background
2. Share model and results from Solid Waste Rate Study
3. Receive feedback on residential and commercial rate options
4. Receive feedback on Central Business District rate structure and billing options

Solid Waste Management Strategy Timeline and Process

We are here

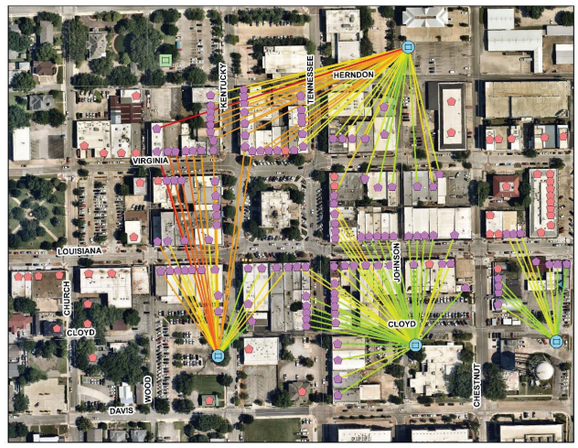
SWMS Data Collection And Analysis → Community Meetings and Feedback → Solid Waste Management Strategy Adoption → Procurement For New Refuse Hauler → Transition To New Refuse Contract

2022 — 2023 — 2024

2022-2023	August 15, 2023	March 19, 2024	Spring 2024	Summer 2024	October 1, 2024
Solid waste and recycling RFP process	City Council approves Frontier and Balcones contracts for solid waste and recycling	City Council Work Session discussion on solid waste and recycling rates	Frontier to meet with Commercial Customers to establish new service	Transition activities to solid waste collection and recycling contractors	Contract Start date for Frontier and Balcones FY2025 Fiscal Year Begins

CBD Trash Services

- Current Operations
  - Four centralized dumpster locations
  - 70 – 95 gallon carts
  - Trash is picked up six days per week
  - Businesses pay Waste Connections Directly (38% participation rate, 69/180+)



CBD Trash Finances

- Currently 69 accounts in the CBD pay approximately $62,000 per year
- Current Solid Waste Rate Study estimates that the cost of service for CBD is $850,000 per year

Level	Current Services	Equivalent Services
Low	$28.48	$63.30
Moderate	$62.85	$279.84
High	$109.00	$583.49 +

Central Business District Feedback

1

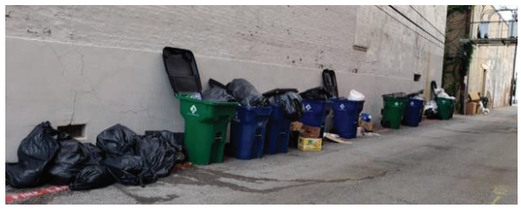
Economics
Keep pricing as low as possible

2

Fairness and Compliance
Approximately 62% do not have refuse accounts

3

Aesthetics
Keep high level of service



Solid Waste Rate Models

A

Isolated Cost of Service Rate Model

Each customer class is assigned respective costs

B

Shared Cost of Service of Rate Model

CBD costs are shared across commercial businesses as follows:

Year 1 – All CBD Business pay for service at current rates
Year 2 – 25% of CBD costs paid by CBD businesses
Year 3,4,5 - 50% of CBD costs assigned to CBD businesses

C

Averaged Shared Cost of Service of Rate Model

Same as B, except rates are averaged over 5 years

Agenda

- Methodology Overview
- Rate Design
- Q&A

Methodology Overview

Methodology Overview

INITIATION & DATA COLLECTION
- Data Request
- Kick-Off Meeting
- Ongoing Staff Communication

COST OF SERVICE ANALYSIS
- Develop Test Year Revenue Requirement
- Allocate Costs
- Identify Cost of Service

RATE DESIGN
- Develop Cost of Service Driven Rates
- Rate Recommendations to Support the Financial Integrity of the Solid Waste Enterprise Fund

City Staff Engagement

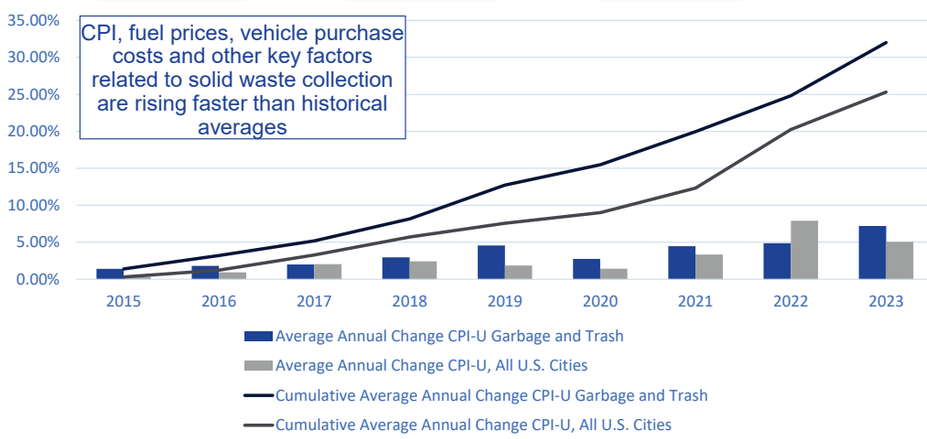
Allocation of Costs to Cost Centers

Gross Revenue Requirements
↓
Adjustments
↓
"Test Year" Revenue Requirement
↓
Allocate to Cost Centers
↓

Administration	Residential Trash	Residential Recycling	Yard Waste	HHW and Electronic Recycling
Cart Purchase	Commercial Trash	Commercial Recycling	Commercial Roll-Off	Downtown (CBD) Services
Parks	Public Education and Outreach	Code Enforcement	ROW Vegetation Maintenance	Hauling Disposal

Rate Design

Forecasting Considerations and Assumptions

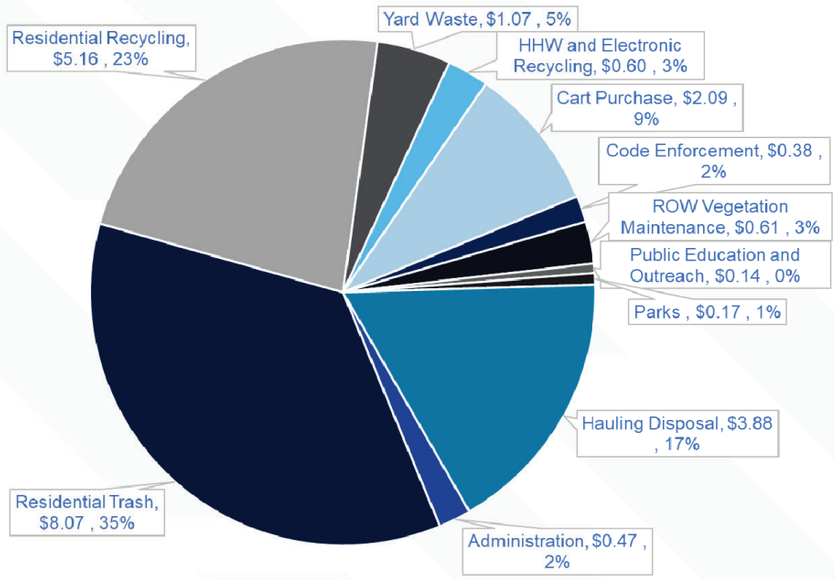


Five-year historical average increase to CPI-U Garbage and Trash is 4.77%

Forecasting Considerations and Assumptions

- Solid waste rates were historically high enough to sustain the fund through cost adjustments from the prior contractor without pass throughs to residents
  - The City's ability to absorb these costs has decreased in recent years
  - Additional solid waste services provided by the City have historically not been accounted for by residential and commercial rates
  - The City recently procured a competitive and cost-effective collection contract from Frontier Waste Solutions
- Assumptions:
  - Initial cart roll-out program includes grant funding equal to $15 per recycling cart
  - Carts are managed with a 7-year useful life with replacement occurring in FY 2031
  - Low commodity price recycling market

Residential Cost of Service Breakdown



Evaluated Options

Isolated Cost of Service Rate Model	Shared Cost of Service Rate Model	Averaged Shared Cost of Service Rate Model
Each customer class is assigned respective costs	CBD costs are shared across commercial businesses	Shared cost model rates are averaged over 5 years

Proposed Rate Increases – Isolated Cost of Service

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential	4.9%	0.3%	0.9%	3.4%	6.3%
Commercial Trash	3.4%	3.9%	5.3%	5.8%	8.6%
Commercial Recycling	37.3%	-1.0%	-1.2%	5.1%	8.2%
Commercial Roll-Off	4.8%	4.8%	4.8%	4.8%	4.8%
Downtown (CBD) Services	594.6%	4.5%	10.1%	0.6%	10.8%

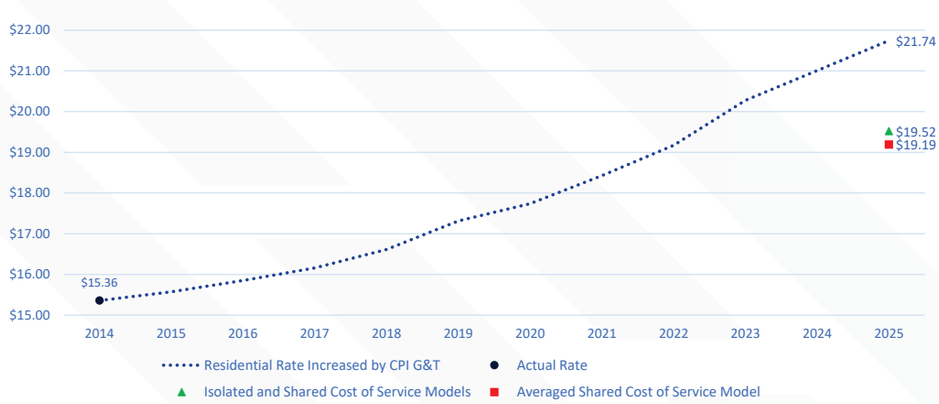
Proposed Rate Increases – Shared Cost of Service Model

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential	4.9%	0.3%	0.9%	3.4%	6.3%
Commercial Trash	14.2%	1.6%	3.7%	5.5%	8.7%
Commercial Recycling	37.3%	-1.0%	-1.2%	5.1%	8.2%
Commercial Roll-Off	4.8%	4.8%	4.8%	4.8%	4.8%
Downtown (CBD) Services	0.0%	149.7%	59.9%	0.6%	10.8%

Proposed Rate Increases – Averaged Shared Cost of Service Model

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential	3.1%	3.1%	3.1%	3.1%	3.1%
Commercial Trash	6.6%	6.6%	6.6%	6.6%	6.6%
Commercial Recycling	8.8%	8.8%	8.8%	8.8%	8.8%
Commercial Roll-Off	4.8%	4.8%	4.8%	4.8%	4.8%
Downtown (CBD) Services	34.8%	34.8%	34.8%	34.8%	34.8%

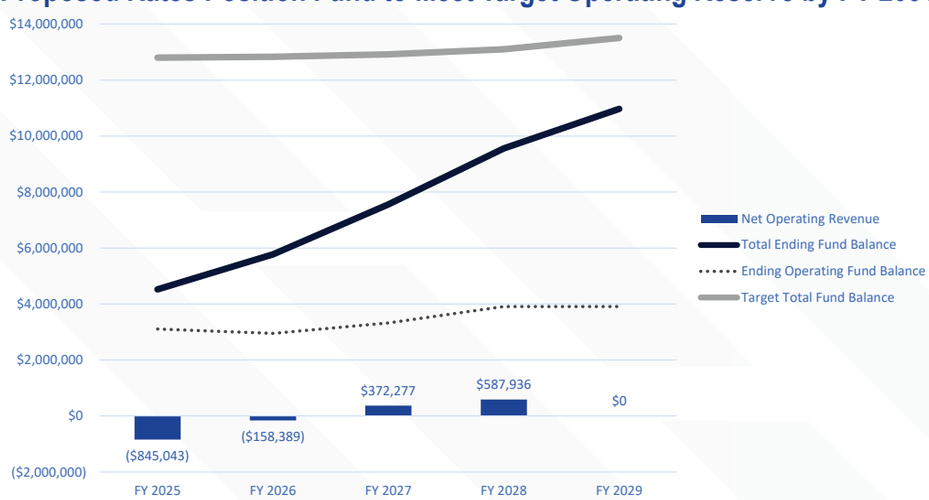
Proposed Residential Rate Compared to CPI Increases



Residential Rate	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Isolated and Shared Cost of Service Model	$18.61	$19.52	$19.59	$19.76	$20.43	$21.71
Increase ($)		$0.82	$0.86	$0.90	$0.94	$0.98
Averaged Shared Cost of Service Model	$18.61	$19.19	$19.79	$20.41	$21.05	$21.71
Increase ($)		$0.58	$0.60	$0.62	$0.64	$0.66

Proposed FY 2025 Rates Remain Competitive Among Benchmark Cities

Proposed Rates Position Fund to Meet Target Operating Reserve by FY 2031



Target Fund Balance:
- 90-day operating reserve
- Cart replacement cost requirements based on a 7-year cart useful life

Cart Replacement:
- Money set aside for cart replacement counted as an expense
- Savings for cart replacement added back into in the Ending Fund Balance

Impact of averaged shared cost of service rate adjustments provided as an example, and subject to change based on Council direction.

Feedback / Recommendations

Feedback on rate options

A. Isolated Cost of Service Rate Model
B. Shared Cost of Service Rate Model
C. Averaged Shared Cost of Service Rate Model

Service

A. Combination dumpsters and carts

Billing

A. City

Next Steps

- Develop, communicate and coordinate cost allocation model for businesses in CBD (Ex. Level 1, Level 2, Level 3)
- Incorporate proposed rate structure into FY25 Budget for October 1, 2024 start.
- New cart delivery anticipated to begin early summer of 2024
- Delivery of new trucks expected in May / June 2024
- Frontier starts collection services on October 1, 2024

Questions

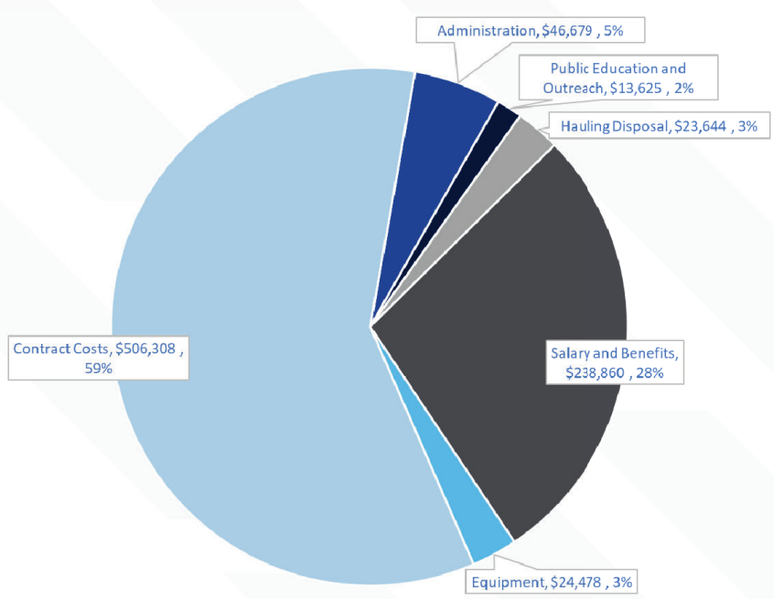
Supporting Slides

CBD Rate Structure Option

		Demand		
		Level 1	**Level 2**	**Level 3**
		Office Space	Retail	Restaurant
Size	0 - 1,000 sq. ft.	Rate A $ _____	Rate D $ _____	Rate G $ _____
	1,001 sq. ft. to 2,000 sq. ft.	Rate B $ _____	Rate E $ _____	Rate H $ _____
	2,000 sq. ft. +	Rate C $ _____	Rate F $ _____	Rate I $ _____

CBD Boundaries

Central Business District Cost of Service Breakdown



McKinney National Airport

City Council Work Session Meeting

March 19, 2024

McKinney Airport Advisory Board Timeline

- October 6, 1977
  - The first Airport Advisory Board meeting was held
- October 16, 2007
  - City Council adopted a resolution approving the Articles of Incorporation and Bylaws for the McKinney Airport Development Corporation (MADC)
- April 1, 2008
  - City Council approved a resolution approving an administrative services agreement between the City of McKinney and the MADC
- September 3, 2013
  - City Council approved an Asset Purchase Agreement for real property and business assets at the airport (Purchase of FBO)
- September 17, 2013
  - City Council approved a resolution adopting amended bylaws for the McKinney Airport Development Corporation
- October 2, 2015
  - Articles of Dissolution filed with State of Texas formally disbanding the MADC

McKinney Airport Advisory Board Background

- There were between 5 and 7 airport board members, appointed by City Council
  - Members were residents of McKinney or owned or were employed by a McKinney business
  - Up to 2 members could be residents of Collin County, or own or be employed by a Collin County business
  - Officers included a President, Vice President, Secretary and Treasurer
- Served as an advisory board to city council
- Met monthly, occasionally calling special meetings (bi-monthly after November 2014)
- In addition to the Airport board and administrative staff, meetings were periodically attended by:
  - Mayor and City Council members
  - CMO/City staff
  - MEDC/MCDC staff
  - ATCT manager

McKinney Airport Development Corporation Background

- Between 2007 and 2013 the City Council delegated additional authority to the MADC
  - Airport Management Agreement: April 2008
    - Manage the airport (operations, development, marketing, promotion of services)
    - Hire Airport Manager
    - Oversee capital projects (planning, contracting, negotiating, engaging consultants)
      - Approval of capital expenditures identified in approved budget not subject to further approval
- In 2013 the Council downgraded the role of the MADC to an advisory capacity
  - Second Amended Bylaws of MADC: October 2013
    - Advising instead of acting on behalf of the City
    - No longer independently manage and operate the airport
    - Removed authorization to hire an Executive Director (transferred to City Manager)
    - City's Finance Department assumed responsibility for custody and security of all Airport funds and for compiling financial reports.

McKinney National Airport

Review of 2014-2015 Meeting Agendas and Minutes

- A typical meeting included:
  - Board Chairman Report
  - Airport Director's report
  - FBO report
  - Operations report
  - Financial Report (given by City Finance Department)
  - Liaison Updates (MEDC & MCDC)
- Periodically cancelled due to lack of a quorum
- Approved Resolutions and Ordinances before submitting to City Council for adoption
- Reviewed proposed fee schedules for FBO and airport land lease rates

McKinney National Airport

Considerations

- Administrative workload (airport and city staff)
- Responsiveness (timely action items to city council)
- Potential for conflicts of interest – board members who are drawn from airport businesses, users, tenants influencing rates and charges policies, lease terms, etc.
  - Airport as owner of FBO – aeronautical services provider

McKinney National Airport

What are other national airports doing?

- TKI STAFF REACHED OUT TO OTHER TEXAS NATIONAL GA AIRPORTS TO SURVEY ON THEIR GOVERNANCE STRUCTURE

  - Arlington: no advisory board
  - Addison: no advisory board (disbanded in the late 1990's)
  - Dallas Executive Airport: no advisory board
  - Ellington: no advisory board
  - Georgetown: no advisory board (disbanded)
  - Sugar Land: no advisory board

  - Denton: advisory board
  - Ft. Worth Alliance & Meacham: advisory board (same board advises both airports)
  - Conroe/North Houston: advisory board
  - New Braunfels: advisory board
  - San Marcos: advisory board

McKinney National Airport

Questions?

End of Appendix B