

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, APRIL 13, 2016
8:30 A.M.

Present: Darsweil L. Rogers, Chairman
Wade R. Fowler, Jr., Vice Chairman
Michael G. Lallier, Secretary
Evelyn O. Shaw, Treasurer

Others Present: David Trego, CEO/General Manager
Karen McDonald, City Attorney
Kristoff Bauer, Deputy City Manager
Jim Arp, Council Liaison
Kenneth Edge, County Liaison
John Ellis, Hope Mills Liaison
PWC Staff

Absent: Media

CALL TO ORDER

Chairman Rogers called the meeting of Wednesday, April 13, 2016 to order.

Chairman Rogers acknowledged Mr. Trego's Birthday on today.

APPROVAL OF AGENDA

Upon motion by Commissioner Shaw and seconded by Commissioner Fowler the agenda was unanimously approved.

PRESENTATIONS

Sustained Professional Purchasing Award

Presented by: J. Dwight Miller, Chief Finance Officer

Mr. Dwight Miller, Chief Finance Officer stated the Sustained Professional Purchasing Award was received by the PWC Procurement Services Department from the Carolinas Association of Government Purchasing. The award was presented at the Association's Spring Conference and Vendor Expo in Greenville, North Carolina on March 8, 2016.

The Association operates as a chapter of the National Institute of Government Purchasing and is affiliated with the School of Government at the University of North Carolina at Chapel Hill. The association is committed to the ongoing professional development of its members which represent approximately 140 government agencies.

Mr. Miller went on to quantify the qualifications necessary to qualify for the award. The total points needed to receive this award are 130. The PWC Procurement Services Department achieved a total of 155 points and is one of 13 agencies to receive this distinction in 2015. He then introduced the PWC Procurement Services Department

members – Mark Cannady, Retha Morris, Laura Hairston and Gloria Wrench (Procurement Manager).

APP A RP3 (Reliable Public Power Provider) Diamond Level Award

Presented by: Reggie Wallace, Chief Operating Officer – Electric Systems

Reggie Wallace, Chief Operating Officer of Electric Systems stated PWC received the RP3 Award (Diamond Level) at the APPA E&O Conference in Minneapolis, MN. He stated PWC won the RP3 Diamond Level designation for the 4th time. The RP3 process is an assessment of a company's performance by a group of their peers. APPA members and representatives of other utilities throughout the United States come together to access in four basic areas (reliability, safety, workforce development and system improvements). Mr. Wallace stated PWC achieved a perfect score on our application. A total of 8 utilities achieved this award, of which PWC was one.

Mr. Wallace stated this was a collaborative effort within PWC. He thanked the Information Systems Department, Human Resources Department, Finance and Corporate Communications Departments. He stated Gail Boggs and Thomas Covington were extremely instrumental in ensuring all the information was compiled and properly filed with APPA.

Mr. Trego asked if there were any other Diamond Level winners within NC. There were none. There were three other utilities in the United States who have received Diamond Level four times. Mr. Wallace also commended PWC Rodeo participants for their herculean efforts during the rodeo competition.

INTRODUCTION OF NEW IS DIRECTOR

Susan Fritzen introduced Mr. Paul Rao, the new Information Systems Director. Mr. Rao gave a brief background of his experience in the utility industry. He expressed his delight in being a part of the PWC team.

CONSENT ITEMS

Upon motion by Commissioner Lallier and seconded by Commissioner Fowler Consent Items were unanimously approved.

- A. Approve Minutes of meeting of March 23, 2016

DISCUSSION ON RESOLUTION APPROVING BOND ORDER

Presented by: J. Dwight Miller, Chief Finance Officer

Dwight Miller read Resolution NO. PWC2016-07 which states:

Resolution Approving and Agreeing to the Terms of a Bond Order Authorizing the Sale and Issuance of Public Works Commission Revenue Bonds, Series 2016 by the City of Fayetteville, North Carolina, Requesting That the City Council of Said City Adopt Such Bond Order and Taking Certain Other Actions in Connection with Such Bonds.

Mr. Miller highlighted page 3 of the resolution, in particular item 5. This item gives authorization to the officers and employees to take the action in regards to moving forward with these bonds and to sign the necessary documents. He stated there will also be documents that will be brought to the Commission for signature.

Mr. Miller also highlighted item 6 of page 3. This item deals with fulfilling the terms of the bond order. He stated both parties will be obligated under the bond order. Commissioner Lallier asked if this is any different from bond orders in the past. Mr. Miller responded that there is no difference from bond orders in the past. It is the way we have always done this process.

Commissioner Rogers requested to know the timing. Mr. Miller stated he expects the Bond Order will be placed on the LGC's agenda for approval on the 1st Tuesday in May (May 3rd). The POS will be sent out on the 8th of May. Pricing will occur approximately 10 days later. The bonds will close around the 25th or 26th of May.

Mr. Miller also presented several slides detailing PWC's 2016, 2018 and 2020 series. He highlighted existing bond debt and subordinate liens (or state loans). He noted with the series 2018, we will have a new peak. The Series 2020 new bond issue will run to 2045.

Mr. Miller noted the electric side has very little debt service. The water and wastewater debt service is larger.

Upon motion by Commissioner Fowler and seconded by Commissioner Shaw PWC Resolution 2016-07 was unanimously approved.

GENERAL MANAGER REPORT

GLENVILLE LAKE

David Trego, CEO/General Manager announced PWC is filling up Glenville Lake. Per Mick Noland once we fill it 4 to 5 more feet it will be full.

DUKE POWER SUPPLY AGREEMENT

Mr. Trego stated we had a verbal agreement concerning the Power Supply Agreement with Duke when we were involved in our last negotiations towards the end of the Depreciation Case. There was recognition that when we moved out the first term of the agreement by two years there was a failure to also move out the notice period for cancellation or continuation of that agreement to coincide with the move out of two years. Duke verbally agreed they would come back with another amendment to recognize that move. It gives enough time as possible to access the market and complete the needed due diligence. Staff will be able to

make a good recommendation to the Commission and Commission will be able to make a good informed decision.

Mr. Trego stated staff is expecting to come to the next meeting with an amendment to the Power Supply and Coordination Agreement. The major (only) change is moving the notice date out for two years.

IBT

David Trego announced we have a new judge. Mr. Noland stated the State has been slow in getting this case in front of the Hearing Officer. The case has been reassigned to a new judge and an Administrative Hearing has been scheduled has been moved from August to June 13th. Discussion ensued.

PROPOSED 911 CENTER

Mr. Trego stated he has had discussions with Kristoff Bauer (Deputy City Manager) relevant to the City/County Proposed 911 Center. Preliminary designs are in the process of being developed and with PWC's concurrence, include space for a back-up hot-site and emergency operations center that would be used as a multi-purpose facility. Mr. Trego stated the City is beginning to put together pro formas as far as the budget is concerned and estimates based on a preliminary architect's report that would include PWC.

If we decide not to move forward, the City would take our portion or square footage away and we would not have to contribute. It will be part of the presentation that will go to City Council at some point and he wanted to ensure the Commission was aware. Mr. Trego stated this will not affect this year's or next year's budget. It would take Commission action to move forward (Placed in the budget or a budget amendment). Mr. Trego stated it is a viable option for PWC to consider. Discussion ensued.

COMMENTS BY COMMISSIONER LALLIER

Commissioner Lallier thanked staff for the revised Purchase Order Detail report. He also asked about the well-being of the personnel injury. Commission offered their condolences and best wishes. Discussion ensued.

REPORTS AND INFORMATION

Commission acknowledges receipt of the following reports and information.

- A. Purchase Orders
 - December 2015
 - January 2016
 - February 2016
- B. Monthly Incident Summary for March 2016
- C. Personnel Report for March 2016
- D. Position Vacancies
- E. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr# 18246 – water services on US401 Bypass (Skibo Road) for Shops on Skibo
 - Encr# 18247 – water lateral and sewer main at NCHWY 87S & SR2220

- F. Approved NCDOT Relocation Agreement(s):
 - Relocation Agreement Number 18265 – relocation of transmission and distribution poles to accommodate joint use attachment of traffic signals at Pearl and Bragg Blvd: WBS element No. 45336.1.FS.39
- G. Actions by City Council during meeting of March 29, 2016, related to PWC:
 - Approved Bid Recommendation - 750 MCM Underground Primary Distribution Cable
 - Approved Bid Recommendation – Hydrogen Sulfide Control
 - Approved Resolution Making Certain Findings and Determinations, Authorizing the Filing of an Application with the Local Government Commission, Requesting the Local Government Commission to Sell Bonds at a Competitive Sale and Approving the Financing Team all in Connection with Issuance of Revenue Bonds by the City of Fayetteville, NC
 - Approved Interlocal Agreement Amendment with Hoke County

**REVIEW PROPOSED CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET FOR
FISCAL YEAR 2017-2022**

Presented by: David W. Trego, CEO/General Manager & PWC Staff

Mr. Trego stated staff has redesigned their presentation on the Capital Improvement Program based on Commission comments.

Mr. Trego provided a history of the CIP Budget along with the proposed FY2017 budget for a total of \$102.9 Million, which reflects a decrease of 12.0% from FY2016.

Mr. Trego also provided an overview of the Capital Improvement Project Categories which include: Water Improvements/Expansions (\$25,428,000); Connect Project/New Meters (\$13,441,000); Annexation (\$14,587,000); Rehabilitation – Water/Sewer (\$14,700,000); Substations/BWGP/Electric Improvements (\$13,550,000); NCDOT – Relocation Projects (\$6,846,000); LED Lighting (\$7,305,000); New Services-Electric/Water/Sewer (\$3,743,000); City of Fayetteville-Utility Projects (\$3,010,000); Buildings and Improvements (\$296,000). Mr. Trego noted the Connect Project will be completed in FY2017.

David Trego stated the CIP Budget of \$102.9 Million is funded by \$21.8 Million from Electric Fund; \$15.0 Million from Water Fund and \$66.1 Million from Bonds/State Loans and Reserves.

He also stated of the total spend; \$7.4 million will be offset by revenues. LED Lighting and other electric sustainability initiatives will be funded through Renewable Energy Portfolio Standards funds. NCDOT will reimburse PWC for some utility relocations and customer contributions to certain projects are also budgeted. Staff responded to questions from Commissioners and discussion ensued.

Mr. Trego discussed the FY 2017 CIP Budget Drivers. He stated staff

- Took into consideration internal/external capacity to get priority work completed
 - Contractor capacity limited in some areas
- Continue water/wastewater rehabilitation programs to extend life of existing assets
- Water and Wastewater improvement projects starting in North Fayetteville
- Continue multiyear replacement initiatives in Electric

- Substation rebuilds & power transformer replacements
- Pole replacement program
- LED conversion initiatives
- Power Quality
- ▶ Complete Advanced Metering Infrastructure (AMI) project in FY 2017.

North Fayetteville Lift Station Project is a three year project.

Discussion ensued on regional (local) contractor capacity. Council Member Arp asked “How are we helping contractors to build competency?” Mr. Trego responded staff has discussed inviting local and regional contractors to an informational meeting, making them aware of our basic 6 year plan and hopefully encouraging them to make investments in their own businesses. Discussion ensued.

Commissioner Shaw asked how much of the \$14.7 Million budgeted for Water/Sewer Rehabilitation is budgeted for the critical needs which have already been identified for relining. Mr. Noland responded staff breaks down repair between water distribution lines and wastewater sewer lines. Staff can look at the sewer lines to determine which ones need to be repaired. And staff has identified which lines are in critical need of repair. For the water lines, staff cannot get inside the lines. They are rehabilitating the oldest lines first and staff has already identified specific projects.

Discussion ensued on power quality and new technologies relating to power quality. Commissioner Lallier requested for Communications and Community Relations update the community on PWC’s advances in this area.

Mr. Trego discussed Major Risk Factors to CIP Budget which include: Unplanned major equipment/system failure; Regulatory/legislative action; Contractor Capacity – the inability to get qualified bids for projects from local/regional contractors (May have to expand to out of state contractors which may charge premium and/or defer some work); Impact of New CoF Paving Ordinance (Contractors still gaining experience with requirements).

He updated the Commission on the AMI – CONNECT Project. \$13.2 million is budgeted in FY 2017. This 4 year project is projected to be complete in FY2017. There will be a total of 181,000 electric/water meters installed. The benefits of these meters provide: 2-way communications; improved customer information; leak detection; utility theft detection and improved system diagnostics. Mr. Brown noted PWC is already able to detect and inform customers of leaks before their bills are received. Discussion ensued.

David Trego reviewed Annexation - Areas 16 thru 21. \$14.6 Million is budgeted in FY2017 which includes \$2 million that is estimated to comply with the new City paving ordinance. Areas 16 & 17 are currently under construction. Areas 18 & 19 are scheduled for FY2017 start (Southgate, Southgate Village & Phase 1 of Arran Lakes West). Area 20 & 21 to be engineered in FY 2017 (Hackney Hills, Lake Point, Robinhill Estates and 2nd phase of Arran Lakes West).

Other Major Projects include the Hoffer Plant Reliability Improvements/Expansion; Rebuild of POD II; the Legion Road Project and the North Fayetteville Water System Improvement.

Plan Years Notable Projects include:

- ▶ Raeford Road NCDOT
 - NCDOT still finalizing design
 - Potential \$18 million impact on PWC over 3-4 years
 - \$7.1 Million Electric & \$10.9 Million Water/Wastewater
 - Working with CoF to coordinate communications with NCDOT to minimize impact on PWC, CoF and properties along route.
- ▶ Fleet Bay Expansion – Delay start until FY2018
 - Scope dependent upon CoF commitment to continued use of PWC Fleet Services as well as outsource opportunities being considered– Potential \$2.3 million project
- ▶ Water/Wastewater Rehabilitation Continues @ \$14 -\$16 million/yr. average over plan period
- ▶ North Fayetteville Sewer Upgrades \$13 Million over six years

Discussion ensued on Fleet Bay Expansion.

Mr. Trego discussed Planned Projects Based on Category. He stated we have a number of projects, some are new and others are ongoing. He highlighted NCDOT Projects; City of Fayetteville Projects; New Services; Annexation; Rehab. Projects; Outfall Rehabilitations; Plant Improvements (W/WW); Plant Expansions (W/WW); Other W/WW System Improvements; Butler Warner Generation Plant; Substations; Lighting; and Electric Systems Improvements. Discussion ensued.

Staff responded to questions from Commissioners concerning the Proposed Capital Improvement Program Budget.

RECESS UNTIL THURSDAY, APRIL 14TH @ 8:30 A.M. TO REVIEW FY2017 OPERATING BUDGET

Commission Meeting was recessed at 11:50 a.m. by Chairman Rogers until 8:30 a.m. Wednesday, April 14th to discuss FY2017 Operating Budget.