

PUBLIC WORKS COMMISSION
RECONVENED MEETING OF THURSDAY, APRIL 14, 2016
RECESSED ON 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
John Ellis, Hope Mills Liaison
PWC Staff

Absent: Karen McDonald, City Attorney
Kristoff Bauer, Deputy City Manager
Jim Arp, Council Liaison
Kenneth Edge, County Liaison
Media

CALL TO ORDER

Chairman Rogers called the reconvened meeting of April 14, 2016 to order, which was recessed on April 13, 2016.

ADDENDUM TO MANAGER'S REPORT

David Trego, CEO/General Manager reported that staff has triple checked the accounts through Hope Mills to identify the properties that are within the town limits of Hope Mills and those that are outside Hope Mills. Mr. Trego stated in all of our communications to customers, we have requested for customers to respond if they feel the information we have is incorrect. So far, we have not received any calls associated with it.

Mr. Trego stated most of the initial communication has gone out to customers in the form of a letter. Three different letters have been sent. One letter states "You are inside the town limits but you are on the inside rates, which means there is no change necessary and you are not due a refund". Another letter goes to outside customers that inform them they are on the proper rate, which means nothing will happen. The third letter states "We have identified you as being inside the town limits but you are on the outside rates and we will switch you and we will review your account for a possible refund".

Mr. Trego stated we have also posted those letters and updated our website with all the current information. We have not received many calls in reference to it.

He went on to state, the last batch we verified were customers that are outside the town limits but were put on an inside rates. There are approximately 15 customers. We will switch these customers to the proper rate but will not back bill them. These customers are receiving special handling. If there are any customers that are disputing the change, we will inform the Town Manager, John Ellis.

Mr. Trego stated staff has convened a rather larger group to ensure we are moving toward the proper timeframe to switch the customers' rates prior to May 1st (when the rate increase goes into effect).

We are also starting the process of identifying the information we need to get out of our legacy system to ensure we have proper verification of customer information. Mr. Ellis is going through records to determine those customers who have been annexed since 2007.

Once we get the information out of our two systems we will determine if we can automate the refund procedure or complete the refunds manually. He stated the process will be tested to ensure the integrity of the automation.

Mr. Trego estimates there are 4,000 accounts. He thanked Mr. Ellis for his assistance in verifying the addresses and accounts.

Commission and staff discussed how to handle refunds for individuals who cannot be located.

REVIEW FY2017 OPERATING BUDGET

*Presented by: David W. Trego, CEO/General Manager
J. Dwight Miller, Chief Finance Officer &
PWC Staff*

Mr. Trego stated staff has changed the format for the review of the Operating Budget. He stated he will review key points in the budget and each Chief Officer will also review the drivers and risks in their areas of the budget.

Mr. Trego provided a history of the actual budgets in FY2014, FY2015, the Projected FY2016 Budget as well as highlights of the FY2017 Budget.

Mr. Trego noted some expense drivers which included:

- Lower power supply & generation costs
 - Allows for \$15.7 Million to be added to rate stabilization in FY17 (Anticipating coal ash costs without increase in revenue using rates)
 - FY16 appropriation from rate stabilization budgeted at \$13.8 Million is currently projected to be \$6.9 Million
 - Projected results could put in additional funds at year end
- Funds for Water/Wastewater NCDOT projects moved to a Capital Project Fund in FY16; No contribution to this fund anticipated in FY17

- Projected \$5.2 Million in FY16

He also noted revenue drivers which included:

- Transfer from Renewable Energy Portfolio Standards (REPS) fund increased by \$2.0 Million in FY17
 - Funding of LED conversions, power quality pilot and community solar study
- FY17 revenues from Electricity sales increase 2% compared to FY16 budget
- FY17 revenues from sales of water/wastewater flat compared to FY16 budget
 - Increase in Rates offset by continued decline in average use per customer and impact of switching Hope Mills customers to rates equivalent to inside city rates

Discussion ensued. Commissioner Rogers requested a report on internal and reserved funds. Commissioner Lallier also requested a report on the REPS Fund.

Mr. Trego noted there is a 2.5% increase in payroll. Discussion ensued.

David Trego highlighted the Executive Budget. He noted with the old Alliance, PWC was contributing \$300,000. Now that we have a new Economic Alliance organization, the City has split with PWC and the City and County are taking it over. Mr. Trego stated he has not received any notification from the City requesting funds for the Economic Alliance. Discussion ensued. Per Commission, \$315,000 for Economic Development will remain in the budget.

Mr. Trego also noted legal fees have increased in the Executive Division's budget related to Coal Ash. Commissioner Salaries were also discussed and the amount will stay consistent with previous years (\$25,200).

Each Chief (Senior) Officer provided a summary of their division's budget, detailing major drivers, trends and assumptions. Each officer also explained major budget variances (FY16 to FY17) and risks to budget, along with plans to mitigate. Discussion ensued.

Commissioner Rogers requested for staff to formally create a training program – What is it a new Commissioner needs to know and understand? He also requested for Communications to create a Power Point for Commissioners and Staff to use when they go out into the community. Commissioner Lallier requested to know what the Commission is doing to stay abreast of emerging issues. Discussion ensued on training commission-wide.

Mr. Miller reviewed the proposed budget totals for each division. The FY2017 Proposed Electric Fund Budget is \$242,051,100; the Proposed Water/Wastewater Fund Budget is \$99,203,300; the Proposed Fleet Maintenance Internal Service Fund Budget is \$9,242,500, which represents a total recommended Budget for FY2017 in the total amount of \$350,496,900 compared to the FY2016 Budget in the amount of \$358,866,970 (2.3% decrease), net transfer to the City in the amount of \$9.6M. Discussion ensued.

Mr. Miller also highlighted major drivers affecting the overall budget which included Coal Ash (\$12,000,000); Hope Mills Customers moved inside the city (affected revenues in FY2016 by \$1.7M and in FY2017 by \$2.0M); Electric and Water/Wastewater use of Net Assets. Discussion ensued. Commissioner Lallier requested a detailed report of balances in the Rate Stabilization Funds.

Mr. Miller reported 126 days reserve as of February 2017.

Commissioner Lallier suggested Commission establish an Internal Coal Ash Fund. Discussion ensued.

Commissioner Lallier motioned to establish a new internal fund for future expected coal ash expenses and that the initial deposit into the fund is the un-appropriated dollars from the rate stabilization from the FY2016 budget. Motion was seconded by Commissioner Shaw. Discussion ensued.

Motion was withdrawn by Commissioner Lallier.

Commissioner Lallier motioned to establish an internal fund to pay for expected costs of coal ash removal and that is it initially funded from the Electric Rate Stabilization Fund in the amount of \$12M. Motioned seconded by Commissioner Shaw. Discussion ensued.

Motion was withdrawn by Commissioner Lallier.

Commissioner Lallier motioned to establish a fund to mitigate the cost of expected bills from Duke Progress for removal of coal ash and that staff title the fund Coal Ash Reserve. Motion seconded by Commissioner Shaw. After discussion motion was unanimously approved.

Commission discussed cash reserves in the electric and water/wastewater fund. Commission will review models for electric and water during Electric Rate meetings in May 2017.

Commissioners thanked staff for their hard work in preparing the budget. Commissioner Rogers noted the presentation was very much improved. He commented on the 'estimate' versus 'actual' budget presentation. He requested for staff to be consistent in the presentation of the budget in future years.

There being no further business, upon motion by Commissioner Fowler and seconded by Commissioner Lallier, the meeting was adjourned at 1:33 p.m.