

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, APRIL 27, 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
Kristoff Bauer, Deputy City Manager
Jeffrey Bradford, Assistant City Attorney
Patrick Murray, Grant-Murray Real Estate
Jim Arp, Council Liaison
PWC Staff
Media

Absent: Karen McDonald, City Attorney
Kenneth Edge, County Liaison
John Ellis, Hope Mills Liaison

CALL TO ORDER

Chairman Rogers called the meeting of Wednesday, April 27, 2016 to order.

APPROVAL OF AGENDA

Commissioner Shaw motioned to pull Consent Item II-E for discussion. Motion was seconded by Commissioner Fowler and the agenda was unanimously approved with the revision.

CONSENT ITEMS

Upon motion by Commissioner Shaw and seconded by Commissioner Fowler Consent Items were unanimously approved, with exception of Item II-E which was pulled for discussion.

- A. Approve Minutes of Meeting of April 13, 2016
- B. Approve Minutes of Reconvened Meeting of April 14, 2016
- C. Bids were received on February 16, 2016 for the purchase of miscellaneous water and sewer inventory items (115 regularly used water and sewer inventory items). These contracts are to provide miscellaneous water and sewer inventory items over a

one (1) year period using quantities based on historical usage. The contract does have the provision to extend for additional one-year periods up to a maximum of three (3) additional years. The previous contract expired in 2015. Included in this recommendation are a list of items on each contract and an analysis of the savings realized when comparing the current bid prices to the previous contract pricing. The projected savings for the proposed contracts is \$76,320.80 based on estimated first year estimates.

Approve bid recommendation to award annual contracts to the lowest bidders meeting specifications (per inventory item), with the option to extend contracts for additional one-year periods up to a maximum of three (3) additional years, upon the agreement of both parties and forward to City Council for approval as listed below:

Contract #1	
Ferguson Waterworks, Hope Mills, NC	\$193,420.47
Contract #2	
Fortiline Waterworks, Fayetteville, NC	\$333,779.29
Contract #3	
HD Supply Waterworks, Fayetteville, NC	\$206,530.95

- D. Approve bid recommendation to award contract for P.O. Hoffer Water Treatment Facility Expansion, Phase 1B – Reliability Improvements to M. B. Kahn Construction Co., Inc., Columbia, SC, the lowest responsive, responsible bidder, in the total amount of \$3,968,100.00 and forward to City Council for approval. The PO Hoffer WTF Capacity Expansion, Phase 1B – Reliability (Budget Code CPR1000230) – a total of \$3,319,000 has been budgeted in the CIP Budget for FY17 and FY18. This project is being funded by bond funds and there are sufficient bond funds available from previous projects to fund the total cost of this project. Bids were received on April 5, 2016 as follows:

<u>Bidders</u>	<u>Total Cost</u>
M. B. Kahn Construction Co., Inc., Columbia, SC	\$3,968,100.00
State Utility Contractors, Monroe, NC	\$4,237,000.00
Wharton-Smith, Inc., Sanford, FL	\$4,309,000.00

Comments:

Plans and specifications were requested by six (6) contractors with three (3) contractors responding. The lowest responsive, responsible bidder is requested.

Item II-E Pulled for Discussion

Commissioner Shaw stated she requested further clarification on an item (Item II-E). She stated she received information from Mr. Trego concerning her request which answered if PWC was showing good faith from the contractors’ prospective in regards to including small businesses in the realm of this particular item.

Commissioner Shaw further stated the matter at hand would be a policy issue rather than a procedural issue. The information she received showed the Purchasing Office is following the customary standard set by PWC at this time. She stated she believes there is room for the Commission to further explore policies with regard to how we unbundle some of the larger contract items, such that there is opportunity for the smaller local businesses to participate.

Commissioner Shaw then yielded the floor to Commissioner Lallier to express his concerns. Commissioner Lallier asked if Commissioner Shaw had a recommendation for them to consider regarding adding further discussion on policy on a future agenda. She responded yes. She is requesting for staff to review USDOT regulations in regard to fostering opportunities for small businesses with any projects that receive DOT funds (directly or indirectly) and that Commissioners have a discussion of the same. She requested for Commissioners to take the recommendations from USDOT, study them and then come back at a later time to discuss them.

Commissioner Lallier asked if Commissioner Shaw is limiting the recommendation in policy to only the projects that receive DOT funding or to projects overall. Commissioner Shaw responded she feels the Commission should look at projects overall. But as far as the information she brought for the Commissioners to share today, it is with regard to projects that receive USDOT funding (directly or indirectly). However, as they have discussed in previous meetings there is room for improvement in how the Commissioners set policies with regard to how we make opportunities and foster an environment whereby projects may be successfully awarded to qualified and capable local businesses. She also stated most of the projects we let and award are going to businesses that outside of the area we consider local.

Further discussion ensued. Following discussion Chairman Rogers requested for staff to return with the following within 30 days.

1. Understanding on how we spend money on a typical basis (understanding the buckets)
2. Outline the differences between the DOT federal rules and State guidelines.
3. Determine if there a capacity issue, and/or an ability to perform issue
4. Will there be a likely price issue if things are broken out

Mr. Trego stated the first step would be to educate Commissioners on what we do in regards to DOT Projects and how we operate with the statute and beyond the statute. He stated staff will also research other local purchasing municipalities to determine what they are doing to be creative in including local businesses.

Further discussion continued on the disparity of the two bids and publicizing bids in a local newspaper. Mr. Trego stated staff will work with Carolyn Hinson (Communications) to develop rotating advertisements that will mention the type of work we do and direct potential vendors to our website. Also, staff will work on some of the more major projects we have on the electric and water sides ahead of the bid and place a special notice requesting for potential vendors to watch our website for upcoming bids. Staff expects to have this process in place within the next 60 to 90 days.

Commissioner Lallier motioned to approve Consent Item 2E. Motion was seconded by Commissioner Fowler and unanimously approved.

- E. Approve bid recommendation to award contract for Russell Street Water Main Replacement (Gillespie to Eastern) project to Sandy's Hauling & Backhoe Service, Inc., Roseboro, NC, the lowest responsive, responsible bidder in the total amount of \$1,534,413.50 and forward to City Council for approval. CIP WS23 – Russell Street Water Main Replacement, Gillespie to Eastern is budgeted in FY2016 - \$1,481,000 and FY2017 - \$544,000 for a total of \$2,025,000. This project will be funded from 2014 Revenue Bonds and will be completed in FY2017. Bids were received on April 5, 2016 as follows:

<u>Bidders</u>	<u>Total Cost</u>
Sandy's Hauling & Backhoe Service, Inc., Roseboro, NC <i>*base bid and alternate</i>	\$1,534,413.50
Billy Bill Grading Co., Fayetteville, NC <i>*submitted for base bid only, no bid on alternate</i>	\$4,257,423.00

Comments:

Plans and specifications were requested by ten (10) prime contractors with two (2) contractors submitting bids. Bids were originally scheduled to be opened on March 24, 2016; however, only two (2) bids were received. North Carolina General Statutes required that three (3) bids be received in order to open on the first advertisement. The project was re-advertised and bids were opened on April 5, 2016. The lowest responsive, responsible bidder is recommended.

PRESENTATION ON ROBERT C. WILLIAMS BUSINESS CENTER

Charles Johnson, PWC Facilities Construction and Maintenance Manager & Patrick Murray, Grant-Murray Real Estate

Charles Johnson, PWC Facilities Construction and Maintenance Manager presented Patrick Murray, PWC's broker for the RC Williams Building.

Mr. Murray stated his objective today is to provide an overview of the current state of Fayetteville's office market; to update PWC on the current occupancy of the Robert C. Williams Business Center; and to give recommendations on how to improve the occupancy of the building.

Mr. Murray stated the RC Williams Building is a 56,250 SF Class A office building. It connects to the downtown parking deck. The building offers full service leases (including utilities, janitorial service, etc.). It offers a proxy card system for after-hours access and is located within downtown's historic district.

The current occupancy rate is 62%. There are seven tenants in the building and the fourth floor is empty.

Mr. Murray highlighted the strengths and weaknesses of the building.

The strengths include: quality of the available space; the lack of Class A office competition in the market; “Charm” of the historic downtown district; full service rate on the low end of the rental rate range.

The weaknesses include: weak office demand throughout the Fayetteville region; downtown is not viewed favorably by most office users; perception of parking problems; 500,000+ SF of available office space, which means tenants have a lot of options in the market.

Patrick Murray recommended a “dynamic” pricing model in that each space is priced separately depending on its space characteristics. He also recommended offering to or making known to the tenant that an improvement allowance (TIA) is available dependent on lease terms and qualifications. He recommended support from the City of Fayetteville, the Downtown Alliance, and any other applicable organizations in a campaign to drive more office growth into the downtown submarket. Discussion ensued. Commissioner Rogers will reach out to Mayor Robertson and Council Member Arp (PWC Liaison) regarding the Robert C. Williams Building and Festival Park Plaza.

CONSIDERATION OF VARIOUS OPTIONS FOR THE MEDICAL, PRESCRIPTION DRUG AND DENTAL BENEFIT PLANS

Presented by: J. Dwight Miller, PWC Chief Finance Officer

Dwight Miller, Chief Finance Officer, reviewed PWC’s current health plan. He stated there are a total of 1,188 lives covered in the health plan. There are 580 participants in the plan (employees and retirees).

Mr. Miller stated there has been a significant shift since 2014 to the Value Plan from the Standard Plan. Opt-outs have also increased from 121 to 140 for the same period.

Dwight Miller reviewed the total medical and prescription employee and retiree claims paid by PWC for FY2016 (\$7,684,700). He stated the cost per retiree enrollee is \$18,230 and the cost per employee enrollee is \$12,330, for an average of \$13,250.

He detailed the cost of the Standard, Value and Health Savings PPO plans for employee only; employee and spouse; employee and family; as well as for retirees.

Mr. Miller discussed specialty drugs and their cost to PWC and the employee. He stated the drug companies offer co-pay assistance. He also discussed brand name and generic drugs and their cost to PWC and the employee.

Commission and staff discussed options for retirees’ health insurance.

Mr. Miller outlined the following considerations for health and dental retirement benefits.

- A. Health and Dental Retirement Benefits:
 - 1. Employees hired on or after May 1, 2016 will be ineligible for Retirement Health and Dental Benefits
 - 2. Eligible Retirees, up to the month they attain age 65, will be paid for their cost of coverage, up to \$1,050 per month, to acquire their own insurance coverage

beginning January 1, 2017. To be eligible for this payment the retiree must provide to the PWC HR office proof of payment.

- B. Move \$200,000 from Medical Insurance to the Health Insurance Reserve; balance after transfer \$3,200,000
- C. Employee Premium Contributions to be effective July 1, 2016:
 - 1. Approve extending the current Premium Contributions, Schedule A, or;
 - 2. Approve Schedule B, 5% premium increase for Dependent Coverage, or;
 - 3. Approve Schedule C, 3% premium increase for all coverage except the Health Savings PPO, or;
 - 4. Approve another alternative
- D. Changes to Drug coverage, effective July 1, 2016:
 - 1. Add additional Tier for Specialty Drugs
 - a) Standard PPO 20% co-pay, maximum of \$500 per month
 - b) Value PPO 20% co-pay, maximum of \$500 per month
 - 2. Add a penalty of the difference in cost for selecting a brand drug over a generic. If the doctor or PA writes the script as "Dispense as Written" no penalty will apply

Discussion ensued on the considerations stated above.

Staff stated consideration 'A' should not impact employee recruitment, but may impact employee retention down the road. Mr. Russell stated there are very few utilities offering post-retirement medical benefits. Mr. Trego also noted PWC only offers a bridge plan that covers retirees until the age of 65. Commissioners also inquired about the City's retirement health plan.

Commissioner Lallier motioned to accept Health Plan Consideration A1 as printed (above). Motion was seconded by Commissioner Shaw and unanimously approved.

Commission requested staff to return with options for retirees to stay in the PWC plan or to go to the marketplace for health insurance.

Discussion began on Consideration B. Commissioner Lallier requested for staff to consult with our health plan administrator (TPA) and return with a recommended policy related to reserves.

Commissioners and staff discussed Consideration C. Staff is directed to provide Commissioners with additional information related to Consideration C.

Commissioners and staff discussed Consideration D. Commissioner Lallier motioned and Commissioner Fowler seconded to accept staff's recommendation on Consideration D (*as presented above*). Following discussion, motion was unanimously approved.

DISCUSSION ON AMENDMENT OF POWER SUPPLY COORDINATION AGREEMENT

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

David Trego, CEO/General Manager reminded the Commissioners that several years ago when the PWC settled the Depreciation Case with Duke, part of the global settlement was changing the terms of our agreement (we had a 10, 10, 10 and we changed to a 12, 8, 10). We realized we did not change the cancellation notification date. This revision to the power supply agreement only matches up the change in the cancellation notification dates to match with the change in the terms. There are no financial implications related to this change.

Commissioner Fowler motioned to approve staff's recommendation to approve the Amendment of the Power Supply Coordination Agreement and Commissioner Shaw seconded. Following a request by Chairman Rogers for staff to receive written acknowledgement from our lawyer that there are no substantive changes the motion was unanimously approved.

FY 2017 PWC BUDGET ORDINANCE

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

Staff Requests Commission to approve the FY2017 PWC Budget Ordinance as presented and to authorize staff to forward the Budget Ordinance to City Council for adoption in their budget.

Mr. Trego stated staff has completed the two changes recommended by the Commission. Staff recommends Commission to approve the FY2017 PWC Budget Ordinance as presented and to authorize staff to forward the Budget Ordinance to City Council for adoption in their budget. (See Page ____ of Minutes).

Commissioner Lallier motioned and Commissioner Shaw seconded to approve the FY2017 Budget Ordinance and to forward to City Council. Motion was unanimously approved.

GENERAL MANAGER REPORT

Mr. Trego provided the Commissioners with an APPA Governance Book. He stated future incoming Commissioners will also receive this Governance Book.

PWC's picnic will be on May 7th and several Commissioners have consented to attend. Mr. Trego stated he will be unable to attend due to a previous engagement.

Glenville Lake

Mr. Noland stated Glenville Lake is now full and everything is looking good. It will be available for recreational use for the summer. Discussion ensued.

Hope Mills

Mr. Trego also announced staff has completed all the appropriate testing and will be able to change the Hope Mills customers' accounts to the proper rates prior to the May bills going

out. He stated he had a very dedicated team to ensure the Commission's goal of May was met. Mr. Trego also stated staff automated the procedure within the Oracle system to create scripts which assisted in meeting our goal. There are approximately 100 accounts that are still being verified. He thanked Hope Mills for their cooperation in working with the County in verifying addresses. Hope Mills is in the process of providing information on the addresses associated with all areas annexed in 2007. PWC is also working on automating the procedure to complete the rebills and refunds. Discussion ensued.

Commissioner Comments:

Commissioner Shaw commended the staff who participated in the 3 on 3 Basketball Tournament. She thoroughly enjoyed the event and thanked staff for inviting her.

REPORTS AND INFORMATION

Commission acknowledges receipt of Reports and Information.

- A. Monthly Cash Flow Report for March 2016
- B. Recap of Uncollectible Accounts
- C. Investment Report for March 2016
- D. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18248 – replace 8” VC sewer main with 8” DI, abandon 6” AC water main and install 6” DI water main – NC HWY59S & SR1125
- E. Approved Utility Extension Agreement(s):
 - Northeast Hospitality, LLC – Water/Sewer Utility Extension; Water and Sewer Service; Vicinity of Cliffdale Rd and Two Bale Lane
- F. Approved NCDOT Relocation Agreement(s):
 - Relocation Agreement # 5916 – adjust and relocate water and sewer lines, which includes, water meters, fire hydrants and various sizes of encasement pipes, water lines, sewer lines and manhole diameters.

CLOSED SESSION AS ALLOWED UNDER N.C. GENERAL STATUTES 143 318.11(A)(3) TO DISCUSS PENDING CASES AT THE FEDERAL ENERGY REGULATORY COMMISSION

Commissioner Lallier motioned to go into closed sessions as allowed under N.C. General Statutes 143.318.11(a)(3) to discuss pending cases at the Federal Energy Regulatory Commission. Motioned was seconded by Commissioner Shaw and unanimously approved.

ADJOURNMENT

There being no further business and upon motion by Commissioner Shaw, seconded by Commissioner Lallier and unanimously approved the Commission Meeting was adjourned at 11:53 a.m.