

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, MAY 11, 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
Julie Brenman, FountainWorks
PWC Staff

Absent: Media

CALL TO ORDER

Chairman Rogers called the meeting of Wednesday, May 11, 2016 to order.

APPROVAL OF AGENDA

Commissioner Fowler motioned to approve the agenda. Motion was seconded
Commissioner Shaw and unanimously approved.

CONSENT ITEMS

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

- A. Approve Minutes of Meeting of April 27, 2016
- B. Approve Additional Policy/Procedure – Establishment of Commission Level
Governance Structure

The purpose of this procedure is to define the process of the creation of a
Commissioner Level Governance and Oversight structure. This structure may
include the creation of permanent and/or temporary committees and/or assignment of
staff liaisons as deemed appropriate by the Commission.

PRESENTATION OF PWC STRATEGIC PLANNING PROCESS RESULTS

Presented by: Julie Brenman, Fountainworks

Julie Brenman, Fountainworks, presented the PWC Strategic Plan 2016-2021. Ms. Brenman reviewed the steps that led to the final plan presented today. She also outlined the Vision and Mission Statements; Guiding Principles and Goals; and PWC Strategic Priorities 2017-2021.

VISION AND MISSION STATEMENTS

Vision

- PWC is valued by our customers and community for improving their quality of life by providing exceptional utility services, by being a leader in sustainability, and by being a community partner.

Mission

- To be a safe, highly productive utility that invests in our team, facilities and infrastructure, supports the interests of the City of Fayetteville, and provides information to customers, helping them to make informed choices

GUIDING PRINCIPLES & GOALS

PWC Guiding Principles

- To be valued by our customers
- Improving the quality of life
- Providing first-rate utility services
- Being a leader in community sustainability

PWC Strategic Goals 2021

- Lowest Responsible Rates, Most Financially Sound Utility
- Strong Core Business – Quality and Reliable Services
- Engaged with and focused on our customers
- Top Quality Work Force
- Effective Working Relationship with City and Local Government Bodies
- Sustainable Environmental, Economic, and Community Growth

PWC Strategic Priorities 2017-2021

- Attract, Retain and Engage Top Quality Work Force
- Coordinate regional infrastructure needs to support economic development
- Showcase value to community
- Evaluate Long Term Power Supply Options
- Rehabilitate Aging Infrastructure
- Ensure Cyber and Physical Security
- Engage Vendors Differently

Discussion ensued on the Strategic Plan. Commissioners agreed to change “Engage Vendors Differently” to “Improve Local Vendor Capacity and Engagement”.

Carolyn Hinson will update the Strategic Plan boards and Action Steps will have a timeline. Mr. Trego stated some steps are a two year process. Updates will periodically be placed on the agenda to keep the Commissioners abreast of staff’s progress.

Additional discussion ensued on how we can assist the smaller vendors in learning what they need to do to increase their capacity.

Upon motion by Commissioner Lallier and seconded by Commissioner Shaw the Strategic Plan 2016-2021 was unanimously approved with the one correction (as stated above).

3rd QUARTER (JULY THRU MARCH) FINANCIAL RECAP – (Goal #1)

*Presented by: J. Dwight Miller, Chief Finance Officer
Brenda Brown, Controller*

Dwight Miller, Chief Finance Officer presented Brenda Brown, PWC Controller. Ms. Brown presented the Nine Month Financial Recap for the period ending March 2016.

The financial statement reflected a change in net assets of \$22,085,500 for the electric utility and \$8,322,200 for the water and sewer utility that included assessments, aid to construction, grants and transfers. The change in net assets for the Fleet Maintenance Internal Service Fund is \$551,700. Ms. Brown stated the combined reserves are 135.4 days, which is above our target of 120 days. Discussion ensued.

Ms. Brown noted Electric Operating Expenses increased 20.5% and Water and Wastewater Systems Operating Expenses increased 9.3%. As noted above Days Cash Reserve is 135.40. Sales increased 1.6% above last year. She also stated the G&A Expense increased 27.7%. She noted there is an adjustment for 2015 which will bring down the increase in 2016 to approximately 19.6%. Other Operating Expenses increased by 16.4%. The City transfer is based on contractual agreements.

Brenda Brown detailed the results of Power Purchased and Power Cost for the first nine months of FY2016. Discussion ensued. The Electric Margin increased 32.1% from 2013.

She stated Water and Wastewater Sales increased 7.2% from last year. G&A increased 15.8%. The Water Margin 22.6% from 2013 (down 1.3% from 2015). The Wastewater 3rd quarter margin increased 16.6% from 2013 (increased 5.9% from 2015).

Ms. Brown stated the ratio of sales (City and PWC) for Fleet Maintenance is 73/27 (\$4,881,100/\$1,770,700). She also stated the cost for parts have increased. Fuel and other revenues decreased. Commissioner Lallier asked how many gallons of fuel are used for a month (on average). Ms. Fritzen will communicate this information to Commissioner Lallier.

Capital and Debt Service were discussed. Staff responded to questions from Commissioners related to the difference in budgeted expenditures to actual expenditures in the Electric Capital.

Electric and Water Bad Debt as of the 3rd Quarter is .9%. The Operating Reserve has increased from 119.7 days in 2015 to 135.4 days in 2016. Discussion ensued.

Commissioner Rogers thanked Mr. Miller and Ms. Brown for the Nine Month Budget Recap Presentation.

CONSIDERATION OF VARIOUS OPTIONS FOR THE MEDICAL AND DENTAL BENEFIT PLANS

Presented by: J. Dwight Miller, Chief Finance Officer

Mr. Miller stated this discussion is a follow-up from the previous Commission Meeting. He stated there was a major shift from the Standard 80/20 Plan to the Value 70/30 Plan. The Value Plan has higher co-pays and deductibles (out of pocket expenses). The premium is less than the Standard Plan. Due to this shift, premiums were reduced by approximately \$400,000.

Mr. Miller discussed the Reserve Account and his previous recommendation. He originally recommended to move \$200,000 to the Reserve Account, but higher than expected claims came in April and he is withdrawing that recommendation.

Mr. Miller stated most self-funded plans do not reserve, however it is considered a best practice. The amount that should be reserved is based on an aggregate deductible. He stated the reserve should be \$1.1M. Our reserve as of now is \$3M and he feels it is more than adequate.

Commissioner Lallier stated it is prudent to establish this reserve/policy for health care. Commissioner Rogers asked if staff has a recommended policy for the health care reserve. Mr. Miller will return with a suggested policy for health care reserve along with a detail of other reserve accounts.

Mr. Miller also discussed employee premiums. He stated employers target funding at a ratio of 80/20. He provided the following 2014 and 2016 enrollment-current rates and Schedule options.

- 2014 Enrollment-Current Rates \$8,044,500
- 2016 Enrollment-Current Rates 7,669,600 (17.3%)

- 2016 Enrollment-Schedule B 7,897,500 (20.2%)
- 2016 Enrollment-Schedule C 7,897,600 (20.2%)
- 2016 Enrollment-Schedule D 7,824,100 (19.3%)
- 2016 Enrollment-Schedule E 8,052,700 (22.3%)

Schedule B=5% increase on Dependent/Spouse Coverage

*Schedule C=3% increase on all coverage except HSA

Schedule D=5% increase on Employee only
Schedule E=5% increase Overall

Commissioner Lallier motioned to adopt a 3% increase on all coverage except HSA. Motioned was seconded by Commissioner Shaw and unanimously approved.

GENERAL MANAGER REPORT

David Trego, CEO/General Manager stated he, Commissioners Rogers and Fowler attended the WIDU Pastor's Coalition Meeting. Mr. Trego gave a presentation which was well received. He stated the questions from the pastors were very insightful. He stated it was the first opportunity to use the Standard Presentation Format we have created.

He also attended the City of Fayetteville OutFront Meeting in Vanstory Hills. It was well attended. He plans to attend future meetings also.

Mr. Trego stated he as well as a number of employees will attend the United Way Days of Caring. (The event is Thursday and Friday, May 12th and 13th).

IBT

Mr. Trego requested Mick Noland to update the Commission on the Hearing in Raleigh regarding the IBT. Mr. Noland updated the Commission on the series of events leading to the hearing on the request for a temporary restraining order. Discussion ensued.

HOPE MILLS

Mr. Trego stated we are well into the process of changing the Hope Mills customers' rate structures to the proper rates. We will follow-up with letters informing customers we have done so and also showing them how to find the new rates on their bills. We will also let them know we will now begin the process of determining the refunds. Mr. Trego stated the process is going well and we have been able to meet the Commissioners' desire to have the changes completed prior to the May 1st rate change.

COMMENTS

Commissioner Fowler

Commissioner Fowler announced the NC State Grange will hold a Veterans and Families Hiring Program. It will be at the Embassy Suites, here in Fayetteville on June 24th. They are looking for employers who would like to meet with them to see if there are any possible matches. Mr. Trego requested for Commissioner Fowler to give the information to Bobby Russell and we will have someone there. He stated we will also invite the City to participate.

Commissioner Shaw

Commissioner Shaw commended those who organized the PWC Picnic on last Saturday. She stated 'It was great'.

Council Member Arp

Council Member Arp thanked PWC for the great effort on the LED Lighting issue that came up in the City Council meeting. He also thanked David Trego for sharing information concerning LED Lighting for the Parks and Recreation Initiative.

REPORTS AND INFORMATION

- A. Monthly Incident Summary for April 2016
- B. Personnel Report for April 2016
- C. Position Vacancies
- D. Approved Utility Extension Agreement(s):
 - Fayetteville Investment Partners, LLC – electric, water and sewer utilities to serve Fayetteville Commons
 - Birchwood Farms, Inc. – water and sewer services to serve Cypress Lakes Village (Phase 8)

ADJOURNMENT

There being no further business, upon motion by Commissioner Shaw, seconded by Commissioner Lallier and unanimously approved, the meeting was adjourned at 9:50 a.m.