

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, MAY 25, 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
John Ellis, Hope Mills Liaison
PWC Staff

Absent: Karen McDonald, City Attorney
James Arp, Council Liaison
Kenneth Edge, County Liaison
Media

CALL TO ORDER

Chairman Rogers called the meeting of Wednesday, May 25, 2016, to order.

APPROVAL OF AGENDA

Commissioner Fowler motioned to add a closed session pursuant to N.C. General Statutes 143-318.11(a)(3) for legal matters. Motion was seconded by Commissioner Lallier and the agenda was unanimously approved with the addition.

PRESENTATIONS

High School-to-Work Partnership Award

Presented by: Chip Lucas, Cumberland County Schools – CTE Executive Director

Mr. Lucas recognized Bobby Russell and Jennifer Bullard for their outstanding contribution to the High School-To-Work Partnership Program with Cumberland County Schools.

Mr. Lucas presented the High School-to-Work Partnership Award to the Public Works Commission in recognition of exemplary support given to the Cumberland County Schools by providing work based learning during the 2015-2016 school-year.

*21st Consecutive Distinguished Budget Presentation and
9th Consecutive Comprehensive Annual Financial Report Award*

*Presented by: J. Dwight Miller, Chief Finance Officer &
Jeff McCauley, GFOA / Greenville Utilities Chief Finance Officer*

Mr. Jeff McCauley stated the Government Finance Officers Association is recognizing the Commission for the quality of its two most important documents. The Comprehensive Annual Financial Report provides the public and investors with financial performance and stewardship of the Commission and the Commission's budget document which is a financial roadmap and strategy for maintaining the infrastructure and operations of the largest public utility in North Carolina and also positions the Commission to be prepared to take advantage of economic development opportunities in the future.

Mr. Jeff McCauley presented to the Commission on behalf of the Government Finance Officers Association, the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award which also includes special Capital Recognition for the Capital Section of the budget to the Public Works Commission.

NAFA Institute and EXPO, The 100 Best Fleets Award

Presented by: Susan Fritzen, Chief Corporate Services Officer

Ms. Fritzen introduced several Fleet employees, Tony Eakins (PWC Fleet Manager), Wayne Nichols (Fleet Analyst) and Kelvin Young (1st Shift Supervisor). Ms. Fritzen stated on April 21, 2016, in Austin, TX, at the NAFA (National Association of Fleet Administrators) Conference, The City of Fayetteville received the honor of being recognized as the 43rd Best Fleet Operation in the Americas.

She stated there are over 38,000 public fleet operations in North America. Over 1,900 applications were sent out to fleets identified as being superior by their peers. Other national recognitions; site visits by the judges and best practices were used and from that the top 100 were named. There were 4 other public entities named within North Carolina in the top 100 (Wake County Government #3, City of Durham #49, City of Charlotte #80 and City of Raleigh #87). The criteria for excellence consisted of 12 categories, from which the top 100 were named. They included accountability; use of technology and information; collaboration; creativity; celebration; evidence of a high trust culture; doing it right the first time; performance recognition; quick and efficient turn around; competitive pricing; staff development and resources stewardship.

Spring Lake Certificate of Appreciation

Presented by: Tad Davis, Spring Lake Town Manager

Mr. Tad Davis, Spring Lake Town Manager, on behalf of Spring Lake Mayor Chris Rey and the Board of Alderman, thanked PWC for providing support for their 15th Annual Spring Fling which was hosted in April. He stated PWC's support helped to make it a wonderful time for all who attended. He also thanked PWC for providing support to Lillian Black Elementary school during their annual field day.

CONSENT ITEMS

Upon motion by Commissioner Shaw and seconded by Commissioner Fowler Consent Items were unanimously approved, following discussion.

- A. Approve Minutes of meeting of May 11, 2016
- B. Approve canceling the June 8, 2016, Commission Meeting
- C. Approve bid recommendation to award bid for purchase of four (4) 230kV Circuit Breakers to Siemens Industry, Inc., Cary, NC in the total amount of \$88,900.00 and \$260,400.00 respectively and forward to City Council for approval. POD No. 2 Rebuild (FY2017 CPR1000067) - \$1,500,000 has been budgeted for equipment (other equipment will be purchased from these funds), contingent upon budget approval; and 230kV Circuit Breaker Replacement (FY2016 CPR1000301) – Reilly Road Switching Station - a budget transfer of \$125,000 has been made to fund this purchase. Bids were received on May 17, 2016 as follows:

One (1) 230kV Circuit Breaker for Reilly Road Switching Station

<u>Bidders</u>	<u>Total Cost</u>
Siemens Industry, Inc., Cary, NC	\$88,900.00
Hitachi HVB, Inc., Suwanee, GA	\$90,000.00

Three (3) 230kV Circuit Breakers for POD No. 2 Upgrade

<u>Bidders</u>	<u>Unit Price</u>	<u>Total Cost</u>
Siemens Industry, Inc., Cary, NC	\$86,800.00	\$260,400.00
Hitachi HVB, Inc., Suwanee, GA	\$90,000.00	\$270,000.00

Comments: Bids were solicited from seven (7) vendors with two (2) vendors responding. The low bidder is recommended.

- D. Approve bid recommendation to award bid for purchase of one (1) Forestry Track Loader to Carolina Construction Equipment, Waxhaw, NC, in the total amount of \$89,997.00, the lowest bidder and forward to City Council for approval. The Forestry Track Loader was not budgeted (see notes below); however a budget transfer has been made from Electric Construction’s Operating Capital budget to cover the cost of this unit. Bids were received on May 3, 2016 as follows:

<u>Bidders</u>	<u>Total Cost</u>
Carolina Construction Equipment, Waxhaw, NC	\$89,997.00

Notes: This is a replacement for Unit #6501 which has been taken out of service and would require repairs of approximately \$40,000 to be put back in service. It was deemed to be more cost effective to purchase a

new unit rather than spend \$40,000 on a unit that is more than four (4) years old.

- E. Approve bid recommendation to award bid for purchase of Group Operated Disconnect Switches for the Butler-Warner Generation Plant POD No. 2 Upgrade to M. D. Henry, Pelham, AL, in the total amount of \$273,340.00, the lowest bidder and forward to City Council for approval. POD No. 2 Rebuild (FY2017 CPR1000067) - \$1,500,000 has been budgeted for equipment (other equipment will be purchased from these funds), contingent upon budget approval. Bids were received on May 17, 2016 as follows:

<u>Bidders</u>	<u>Total Cost</u>
M.D. Henry, Pelham, AL	\$273,340.00
Substation Enterprises, Alabaster, AL	\$277,270.00
Peak Substation Services, Birmingham, AL	\$325,763.00

Comments: Bids were solicited from ten (10) vendors with three (3) vendors responding. The low bidder is recommended. The bid package contained other pieces of equipment and structures; however, we are electing to rebid those items.

- F. Approve bid recommendation to award bid for purchase of a Prefabricated Relay Control House for the Butler-Warner Generation Plant POD No. 2 Upgrade to VFP, Inc., Salem, VA, the lowest bidder, in the total amount of \$161,107.00, and forward to City Council for approval. POD No. 2 Rebuild (FY2017 CPR1000067) - \$1,500,000 has been budgeted for equipment (other equipment will be purchased from these funds), contingent upon budget approval.

Bids were received May 17, 2016 as follows:

<u>Bidders</u>	<u>Total Cost</u>
VFP, Inc., Salem, VA	\$161,107.00
GFRC Acquisition dba GFRC Shelters, Bossier City, LA	\$170,164.00
Modular Connections, LLC, Bessemer, AL	\$251,996.00

Comments: Bids were solicited from eleven (11) vendors with three (3) vendors responding. The low bidder is recommended.

- G. Approve bid recommendation to award bid for purchase of Relay Control Switchboards for the Butler-Warner Generation Plan POD No. 2 Upgrade to Schweitzer Engineering Laboratories, Inc., Pullman, WA in the total amount of \$332,790.00 and forward to City Council for approval. The POD No. 2 Rebuild (FY2017 CPR1000067) - \$1,500,000 has been budgeted for equipment (other equipment will be purchased from these funds), contingent upon budget approval.

Bids were received May 17, 2016, as follows:

<u>Bidders</u>	<u>Total Cost</u>
----------------	-------------------

Schweitzer Engineering Laboratories, Inc., Pullman, WA	\$332,790.00
Birmingham Control Systems, Inc., Birmingham, AL	\$345,355.00
Keystone Electrical Manufacturing Co., Des Moines, IA	\$352,499.49
Electrical Power Products, Inc., Des Moines, IA	\$362,377.00
Kemco Industries, Inc., Sanford, FL	\$416,859.00

Comments: Bids were solicited from eight (8) vendors with five (5) vendors responding. The low bidder is recommended.

DISCUSSION ON REPS FUND (RENEWABLE ENERGY PORTFOLIO STANDARD)

*Presented by: Reggie Wallace, Chief Operations Officer – Electric Systems
Rhonda Haskins, Director – Financial Planning*

Mr. Wallace, Chief Operations Officer, stated the NC General Assembly passed Senate Bill 3 in 2007 which established quotas for electric sales from renewable sources. The bill also defined ‘renewables’, which include but is not limited to solar, wind, hydro, animal waste and biomass. It provided escalating quotas over time and created a market for renewable energy credits (RECs). Mr. Wallace went on to state there is an established cap on the total cost that utilities must incur and Senate Bill 3 also allowed utilities to add a rider to rates to cover costs up to the cap.

PWC SPECIFIC PARAMETERS			
Year	2012	2015	2018
% of Sales	3.0	6.0	10.0
Cap (1000\$)	\$1,525	\$4,916	\$4,916

The caps are based on the number of customers and the values established in the statute. Mr. Wallace stated of the percent of sales, there is a set-aside for solar, swine and poultry. The poultry standard is not assigned to each individual utility. It is an aggregate for all utilities within the state and everyone has to contribute to meet their load ratio share. Poultry and swine have been difficult for the industry to achieve and Public Staff has given and accepted alternative numbers.

Mr. Wallace detailed the PWC REPS surcharges we are collecting from customers. Total estimated collections from all customers are \$2.2 million per year. Mr. Wallace noted the cap to collect from residential customers is \$34.00 per year, though Commissioners have elected to collect only \$12.00 per year.

Mr. Wallace detailed the estimated REPS Funds Cash Flows for FY2016 thru FY2020. The balance in the REPS Fund will decrease from \$6.33M in FY2016 to .65M in FY2020. Discussion ensued.

CONSIDERATION OF THE FOLLOWING FINANCIAL MATTERS

Presented by: J. Dwight Miller, Chief Finance Officer

Rhonda Haskins, Director – Financial Planning

Dwight Miller, Chief Finance Officer, presented Rhonda Haskins. Ms. Haskins reviewed in detail the budget summary for the Electric, Water/Wastewater and the Fleet Maintenance Internal Service Fund Budget Amendment #2.

A. Electric, Water/Wastewater (W/WW) and Fleet Maintenance Internal Service Fund (FMISF) Budget Amendment #2

Discussion ensued. Staff responded to questions from the Commission related to the proposed budget amendment.

Commissioner Lallier requested for staff to provide the percentage of outside city rate customers and what outside city rate differential will generate on the new category of Outside Customers

Ms. Haskins reviewed the following Capital Project Fund Budget Amendments. She detailed the budget amendment requests. Discussion ensued.

Commissioner Lallier requested staff to provide future Annexation Costs thru Project 32 (Variance over Original), including increased costs for Overlay and Permanent Patch.

B. Capital Project Fund Budget Amendments:

1. Electric Rate Stabilization Fund #24 reducing the FY 2016 transfer to the Electric Fund due to positive recent reviews of operating reserve levels and recent rate planning reviews of future rates and coal ash liabilities
2. Electric Rate Stabilization Fund #25 establishes the minimum FY 2017 transfer to the Electric Fund consistent with the Commission approved amount in the Electric Fund 2017 budget – **Effective July 1, 2016**
3. W/WW Rate Stabilization Fund #14 reducing the FY 2016 transfer to the W/WW Fund due to positive recent reviews of operating reserve levels and the expected use of this fund towards the Hope Mills refund
4. W/WW Rate Stabilization Fund #15 establishes the minimum FY 2017 transfer to the W/WW Fund consistent with the Commission approved amount in the W/WW Fund 2017 budget – **Effective July 1, 2016**
5. Annexation Phase V Reserve Fund #17 reducing the transfer for Areas 16 & 17 as these projects will now be funded from 2016 bond proceeds
6. Annexation Phase V Reserve Fund #18 establishing the FY 2017 activity consistent with the Commission approved amounts in the Electric and Water/Wastewater Funds budgets – **Effective July 1, 2016**
7. Annexation Phase V – Areas 16-17 CPF #3 making the funding change to 2016 bond proceeds
8. 2013 PO Hoffer Phase I SRL CPF #1 increasing loan proceeds made available by NCDEQ and reducing the project cost to the expected amount.

Commissioner Lallier motioned to accept staff recommendation to approve Amendment #2 Budget Ordinance and Capital Project Fund Amendments as detailed by staff and to forward to City Council for inclusion in their budget at the June 13, 2016 meeting. Motion was seconded by Commissioner Fowler and unanimously approved. (See Amendment #2 Budget Ordinance on pages _____ of the Minutes and Capital Project Fund Budget Amendments on pages _____ of the Minutes.)

Chairman Rogers thanked Ms. Haskins and Mr. Miller for the presentation.

GENERAL MANAGER REPORT

David Trego, CEO/General Manager, stated the bond issuance will be on June 8th at 10:00 a.m. Commissioners are welcome to view the process in the Commission Boardroom.

Mr. Trego requested for requested for Mick Noland to give an update on Dioxane. Mr. Noland stated the upstream municipalities are taking steps to work with their industries to get Dioxane out of their wastewater so it does not run through the treatment plant and get back into the river.

The state is in the process of reissuing permits. The permit will not have a limit in it, but it will require for them to do monitoring and once the monitoring is complete a limit will be determined. We have been doing stream monitoring, though there isn't a drinking water standard for Dioxane, but there are about 10 different numbers of what it should be. There is a drinking water standard for well water which is 3 parts per billion. For the last three months, the levels we have seen in the Cape Fear River are 1-1.5 parts per billion. These numbers are below acceptable levels for ground water drinking. We are continuing down the path to get Dioxane out of the water before there is a drinking water standard established.

Mr. Trego stated PWC is working with the City of Fayetteville who is partnering with the Cumberland County School System. He asked Mr. Russell to update the Commission on PWC's involvement. Mr. Russell stated the City is participating in a summer youth employment pilot. They are planning to bring on 10 junior and senior high school students associated with the STEM program and has asked PWC to take 5 of the students. The City is paying for the cost of the 4 week summer program. PWC will interview candidates on June 4th to determine the best fit for our operations.

COMMENTS:

Commissioner Fowler stated there is a similar program for Disabled VETS. The City is part of a pilot with it. This program also pays for them to work at your place of employment.

Commissioner Darsweil Rogers welcomed Summer Intern Anthony Radke to the Commission Meeting.

REPORTS AND INFORMATION

Commissioner acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report for April 2016
- B. Recap of Uncollectible Accounts
- C. Investment Report for April 2016
- D. Purchase Orders
 - March 2016
 - April 2016
- E. Position Vacancies
- F. Actions by City Council during meeting of May 9, 2016, related to PWC:
 - Approved Resolution Direction Construction of Areas 18 and 19 of the Phase 5 Annexation Utility Improvement Project be Undertaken
 - Approved Bid Recommendation for Water and Sewer Inventory
 - Approved Bid Recommendation for P.O. Hoffer Water Treatment Facility Expansion – Phase 1B – Reliability Improvements
 - Approved Bid Recommendation – Russell Street Water Main Replacement (Gillespie to Eastern)
 - Approved Bond Order Authorizing and Approving the Sale and Issuance Under The Provision of the State and Local Government Revenue Bond Act, as Amended, of not to Exceed \$126,000,000 Aggregate Principal Amount of the City of Fayetteville, North Carolina, Public Works Commission Revenue Bonds, Series 2016 to Provide Funds for the Financing and Refinancing of Various Electric, Water and Sanitary Sewer Capital Improvements and Directing the Authentication and Delivery of the Series 2016 Bonds
- G. Nine Month (July 2015 – March 2016) Financial Statement Recaps

CLOSED SESSION AS ALLOWED UNDER N.C. GENERAL STATUTES 143 318.11(A)(3) FOR LEGAL MATTERS

Commissioner Fowler motioned to go into closed session as allowed under N.C. General Statutes 143.318.11(a)(3) for legal matters. Motioned was seconded by Commission Lallier and unanimously approved.

Upon returning to open session at 11:41 a.m., Commissioner Lallier motioned to adopt a Public Hearing Policy/Procedure, similar to City Council's Public Hearing Policy/Procedure # 120.2. Motion was seconded by Commissioner Shaw and unanimously approved.

Commissioner Lallier also motioned to hold a Public Hearing on June 22nd during the regular Commission Meeting at 8:30 a.m. to discuss the PWC FY2017 Budget. Motioned was seconded by Commissioner Shaw and unanimously approved.

ADJOURNMENT

There being no further business and upon motion by Commissioner Lallier, seconded by Commissioner Shaw and unanimously approved the Commission Meeting was adjourned at 11:43 a.m.