

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, MAY 10, 2017  
8:30 A.M.

Present: Evelyn O. Shaw, Chairwoman  
Wade R. Fowler, Jr., Vice Chairman  
D. Ralph Huff, III, Secretary  
Darsweil L. Rogers, Treasurer

Others Present: David W. Trego, CEO/General Manager  
Jay Reinstein, Assistant City Manager  
Karen McDonald, City Attorney  
Jim Arp, City Council Liaison  
Melissa Adams, Hope Mills Town Manager  
PWC Staff  
Media

Absent: Michael Boose, County Liaison

CALL TO ORDER

Chairwoman Shaw called the meeting of Wednesday, May 10, 2017, to order.

APPROVAL OF AGENDA

Upon motion by Commissioner Rogers the agenda was amended by adding 'Discussion on Fleet Maintenance' as Item III and all subsequent items renumbered as appropriate. Motion was seconded by Commissioner Huff and unanimously approved.

Upon motion by Commissioner Rogers and seconded by Commissioner Huff, the amended agenda was unanimously approved.

CONSENT ITEMS

Upon motion by Commissioner Huff and seconded by Commissioner Rogers the Consent Items were unanimously approved.

- A. Approve Minutes of meeting of April 26, 2017
- B. Approve bid recommendation to award bid for purchase of LED Luminaires to the vendors, and for the amounts listed below, with the option to purchase additional quantities within a one-year period upon the agreement of both parties and forward to City Council for approval.

<u>Recommended Bid Awards*</u>	<u>Total Cost</u>
Anixter, Wake Forest, NC (Quoting GE)	\$1,660,213.08
Anixter, Wake Forest, NC (Quoting EOI)	\$ 67,230.25
WESCO Distribution, Raleigh, NC (Quoting Cooper)	\$ 233,100.00
Irby Utilities, Fredericksburg, VA (Quoting Leotek)	\$ 395,871.90
Total Bid Award Amount	\$2,356,415.23

\* Additional information, including bid tabulation, specific inventory items to be awarded to each vendor, notes regarding bid discrepancies and last purchase history, are provided on the attached spreadsheets.

***Comments:** Bids were solicited from ten (10) vendors with five (5) vendors responding. The lowest responsive, responsible bidders are recommended. A bid was received from Howard Lighting; however the bid was determined to be non-compliant with our specifications.*

END OF CONSENT

#### DISCUSSION ON FLEET MAINTENANCE

Commissioner Rogers requested for David Trego, CEO/General Manager to begin the Fleet Maintenance discussion. Mr. Trego stated since Council voted to reject Commission's recommendation it moves the issue back to the Commission to make a decision with regards to which direction staff needs to take. Mr. Trego stated the two extremes of the options are to instruct staff to rebid it and if there are suggestions as to modifications, make suggestions to staff. The other end of the spectrum is to not rebid the item and there are variables in the middle of the two options.

Mr. Trego stated PWC would have to disclose to the bidders Council's consideration in taking Fleet back. This is something that was not necessarily disclosed as overtly before. Council has had this issue as an open item for several years. The Council and the City had not taken any formal action on that move so PWC went forward with the proposal knowing that. Ms. Fritzen, in her presentation to the Commission as well as to the Council, stated the bidder we recommended, in the final contract would allow a reopener should the size of the parts change (if the size of fleet grew or shrank). We wanted that flexibility should something happen. Subsequent to the bid going out in December at the Council's Strategic Planning Session, the issue of looking at the nature of the relationship between the City and PWC on fleet came up again. Taking back garbage trucks, modifying the agreement, taking a look at different options was brought up again. Mr. Trego feels because it was brought up again we would have to disclose that item to the bidders because it is an active item at this point on the City Council's agenda. It could possibly impact whether bidders bid. It is a bit of an unknown. The City's fleet is roughly 73-74% of the total fleet that is here. The dollar value can be reduced in theory by 75% (as far as parts volume). That impacts economic analysis and if it occurs we have to ensure we do not have any stranded costs. He stated it

could impact the number of bidders we receive and the nature of the bids. He stated this is something that would need to be modified in the RFP process. We would need to fully disclose that item. He wanted Commission to consider it as part of their discussion.

Commissioner Fowler stated he believes we should be out of the fleet maintenance business because we are a utility. He stated the City outsourced it to us to complete their fleet maintenance. He would like for us to decide we no longer will be in the fleet maintenance business. He suggested we give the appropriate amount of time for the City to decide who will do their Fleet and then we can settle in on what we want to do with parts. Mr. Trego stated that is a bigger discussion.

Commissioner Fowler stated that decision needs to be made before we decide on parts again. There should not be any variability whether we should or should not be. He stated we have been talking about this for a long time. The City has been hanging this issue out there for a long time as to whether they want to take it back or not. Discussion ensued.

Commissioner Rogers stated if we go through this expansion, it would obligate the City to a 20 – 30 year commitment for PWC to do their fleet maintenance because of the investment. He stated we will be locked into a significant investment and he is not sure if it makes sense for anyone. Commissioner Huff stated even if they are happy with what we are doing now, the investment would add over \$225,000 a month to their costs and he is not sure if they will be satisfied with the additional cost. Mr. Trego stated there are a lot of strategic issues related to if we outsource our fleet or outsource a portion of our fleet. He stated there is an advantage in repairing your critical vehicles yourself. Finding a vendor to operate on certain vehicles is critical. In response Commissioner Fowler stated he is referencing doing fleet maintenance for vehicles that have nothing to do with the Utility. More discussion ensued.

Mr. Trego stated all of these decisions are intertwined. If we are doing the combined fleet, the size of the facility which we suggested has the number of bays for it and it has enough space for parts in it. We have to allocate enough space for parts, whether we do it or whether we outsource. He stated all the decisions around fleet (staff, physical plant and even parts,) are all impacted by this decision. He stated he still feels confident in recommending the vendor we did because we had a reopener and it was a one year contract.

Again, he stated because the City is now actively pursuing what it wants to do with fleet we will have to disclose that to bidders. And it may impact the number of bidders we receive as well as the bids we receive.

He asked for direction from the Commission. He stated he believes we can either rebid, not bid it or defer a bid until we receive direction from the City.

Commissioner Fowler asked City Attorney Karen McDonald if the agreement is a service level agreement in which either party can give notice to end the agreement. He also asked if there is an established end point to the agreement or is it open-ended? Attorney McDonald stated it is open ended.

Commissioner Arp suggested to the PWC Commissioners we take a year. Define what the way ahead is both parties want. Once you have done it, define what the sustainable means

to do it; whether it is through contracting of fleet parts or contracting of fleet maintenance; whether it is through continuing the existing agreement and a capital investment is made. He suggested we take a look at this issue in a very deliberate manner. The impact is not just to the boards but it is to the citizens and the ratepayers. Whatever we do we want to make sure we are doing it to the best interest of both parties. Mr. Trego added as well as to the best interest of the employees.

Commissioner Fowler stated we have been trying to do that. We had a new agreement which was signed by Steve Blanchard in 2015 and sent over to Ted Voorhees, former City Manager for signature. We have been trying to work this out for years. We have been told numerous times the City has been unhappy with how PWC is maintaining fleet vehicles.

Council Liaison Arp stated there have not been any active discussions about outsourcing (to his knowledge) fleet maintenance on the City side for quite some time. It does not mean it is not a consideration. He stated the focus of the Council now is on the budget and the impacts of proper re-evaluation and those issues that are associated with it. He stated he is not saying the Council is not interested in looking at it, but it is not the top priority for the Council right now. Those are not the discussions he has had as a liaison member for this board with his board. Yet he stated they need to make a decision as a Council. Additional discussion ensued.

After discussion, Council Member Arp stated the Council has a policy that there must be two competitive bidders. He stated he is not sure if they have ever shared that policy with the PWC Board. If it needs to come in any kind of formal format, he can work with the City Attorney and Council on providing it.

Chairwoman Shaw stated to further direct Mr. Trego and staff, as she understands it:

1. We have the option as a board to determine strategically whether or not the utility wants to remain in the fleet maintenance business outside of PWC's fleet vehicles or not.
2. To reach out to the City via the Mayor to contact him and let him know that we would appreciate the City Council making a determination as to whether or not they are inclined to enter a long-term (20-30 year) agreement if we are to continue to service their vehicles because of the facilities we will have to expand.

Chairwoman Shaw directed the Clerk of the Board to assist Mr. Trego in composing a letter under her signature to the Mayor to ask for the City's decision for the fleet outsourcing to PWC.

She also requested for the Commissioners to return to the next meeting with a decision as to whether we want to remain as an outsourced entity for fleet (other than our own vehicles). Commissioner Rogers stated the window may be somewhat narrow, considering the City staff is in the midst of budget discussions.

Council Member Arp stated it puts the City at a disadvantage because the focus is on the budget and some of the other major projects they have going on such as the baseball stadium and the City Parks and Recreation Bond effort. Council Member Arp stated he believes a

two year window may be more amenable and they will come up with better results. He went on to state he wanted to make sure Council has enough time to go through a deliberative staff process and determine what the impacts are from a budgetary standpoint and then have time to budget toward that end state.

Chairwoman Shaw asked Council Member Arp for clarification. She asked if he was suggesting that the letter to the Mayor give a one year window of time for the City to deliberate and give us an answer. Council Member Arp stated his recommendation is the City needs to make a decision in the next year before we come up to the next option on the contract. Based on that decision the PWC Commission can execute whatever option it wants to, to continue the agreement or to end the agreement. And that will give a one year transition period for the transition of fleet services from PWC to whatever other method the City would deem as appropriate. Chairwoman Shaw then asked Liaison Arp if he agreed with June 30, 2018. Liaison Arp agreed. That would be his recommendation.

Mr. Trego stated if the Commission decided at the next meeting it wanted issue notice of the termination of the current agreement, it would not happen for a year. In that year's timeframe, we can enter into a new agreement; make the decision concerning fleet; or extend for a sub-period of time for a new agreement. Additional discussion ensued.

Upon motion by Commissioner Huff, Fleet outsourcing RFP will be deferred until such time that the PWC Commissioners can make a decision based on external information from the City. Motion was seconded by Commissioner Rogers and unanimously approved.

Upon motion by Commissioner Rogers a letter will be sent to the Mayor, informing him that we are giving notice that we are exercising the article to cancel the current 2005 Fleet Maintenance Agreement, effective June 30, 2018. Motion was seconded by Commissioner Huff and unanimously approved.

Council Member Arp stated he believes this is a reasonable approach and the uncertainty is not good for either organization.

Commissioner Rogers asked about the staffing in Fleet (parts). Susan Fritzen stated we currently have three employees. One employee who retired has expressed interest in coming back. This employee can come back after 30 days or if he has not cashed a check he can come back as if he had not retired. There was one position allocated to Warehouse which can be pulled back and others are in the budget to move to the GM.

Commissioner Shaw requested for Commissioners Fowler and Rogers as well as Mr. David Trego to serve on the committee to discuss Fleet with the City. Council Member Arp will relay Commission's desire to form a joint committee to discuss Fleet and will disseminate information to Mr. Trego.

## GENERAL MANAGER REPORT

### *HOPE MILLS REFUNDS*

Mr. Trego thanked Andrew Barksdale (Fayetteville Observer) for the article in the newspaper informing residents about the Hope Mills refunds. Mr. Trego stated we saw an uptick in calls regarding the refunds after the article, but they are now 1 to 2 a day. He stated staff will go ahead and close down by the fiscal year end and turn the appropriate funds to the state.

#### *FERC*

Mr. Trego stated President Trump has nominated two people to the FERC board since our last meeting. He has one more to nominate to fill the board.

#### *PWC DAY*

Carolyn Justice-Hinson stated we had our second PWC DAY last week. She stated 20 individuals attended. The feedback has been excellent. Some of the individuals who attended were Robert Van Geons (FCEDC), Christine Michaels (Chamber) and Angie Hedgepeth (Realtors Association) and Jay Reinstein (City). The next PWC Day is scheduled for October and based on feedback; staff is planning to have a session geared toward the realtors.

#### *APPA LINEMEN RODEO*

David Trego stated our line workers competed in the National APPA Rodeo. We had five to compete in the journeyman team event which were Duane Stalnaker, Chris Carter, Chris Johnson, Steve Rivers and Jeremy Hatem. We also had three apprentices to compete which were Garret Locklear, Austin Locklear and Tyler Brayboy. Mr. Trego stated this is a real morale builder for the linemen. It has been something Commissioners has supported in the budget and the employees appreciate the Commission's support.

#### Comments:

Commissioner Shaw thanked staff for working so diligently in developing a hybrid RFP for Fleet. She stated it is important that we recognize that while we all want to see local companies prosper and succeed when they bid on our opportunities none of us, no matter where the suggestion arises, would ever breach and cross the line and violate state purchasing procedures and policies. We cannot do that and we will not do that, no matter what is suggested or inferred. She thanked staff for their hard work. It was not an easy task. She stated she read the RFP and it was very tight. It left no doubt as to what our expectations were.

Commission acknowledges receipt of the following reports and information.

#### REPORTS AND INFORMATION

- A. Purchase Orders – March 2017
- B. Monthly Incident Summary – April 2017
- C. Personnel Report - April 2017

- D. Position Vacancies
- E. Approved N.C. Department of Transportation Encroachment Agreement(s):
  - a. Encr.# 17311 – water & sewer install. @ SR3080 and SR 3687
  - b. Encr.# 18270 – electrical facilities @ SR1404 (Morganton Road) and SR1408 (Bonanza Drive)
  - c. Encr.# 18486 – 1” PE water lateral w/split tap @ HWY 59 (Hope Mills Rd) and US401 ( Raeford Rd.)
  - d. Encr.# 18494 – 8” RJDI sewer main @ SR1104 (Strickland Bridge Rd.)
- F. Approved Utility Extension Agreement(s):
  - a. FDSE Ventures II, LLC – Elec./Water/Sewer to serve Wal-Mart Express @ 3421 Murchison Rd-G
- G. Financial Statement Recaps
  - a. March 2017

REVIEW PROPOSED CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET FOR FISCAL YEAR 2018-2023

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

Mr. Trego stated this year all Commissioners universally expressed concern about where we are going with rates. Not that we do not want to charge the rates we need to operate the business. They also raised concern about the unknown impact at that time of where we were in relation to Coal Ash. He stated he took that message to staff. And in the numerous meetings they had on budget, he expressed that concern. Mr. Trego stated the overall charge was that we have a budget that keeps in mind the impact on rates. Mr. Trego believes staff has achieved that goal. Staff has done an excellent job in paring down the budget in ensuring we meet the strategic needs that the Commission has stated; to meet the needs of our customers; to meet the needs of the system and to do it in a responsible way.

He stated if it was not for two items, Hurricane Matthew and what they have to do to make repairs in the aftermath, and Coal Ash, this budget would have been 1 ½ percent less than it was last year. And that includes a projected 2 ½ percent increase in salaries for employees. He stated by the time it comes to the Commission it has already gone through several iterations.

Mr. Trego gave a history of the capital budget over the past two years. He noted FY15 included \$3.2 million budgeted for Glenville Lake Spillway Project. The budget of FY15-17 in Corporate Services included the AMI meter project which will be concluded in FY18.

The increase from \$102.9M to \$105.2M in the total budget is due to:

- Electric
  - 1) \$3M increase primarily due to DOT Projects;
  - 2) \$1.5 M for purchase of land for a future Point of Delivery;
  - 3) \$2.55M Community Solar at Butler Warner.
- Water
  - 1) \$3.5M for rehabilitation
  - 2) \$5M for repairs at the plants

### 3) \$1.8M in various systems improvements

Corporate Services decreased from \$13.5M to \$1.9M because the Connect Project is ending. Mr. Trego stated this project is almost complete but there are still some meters which will need to be changed out after the fiscal year ends. Discussion ensued.

Mr. Trego also provided an overview of the Capital Improvement Project Categories which include: Water Improvements/Expansions (\$24,580,000); Rehabilitation – Water/Wastewater (\$18,197,000); Substations/BWGP/Electric Improvements (\$18,055,000); Phase V Areas 20 & 21 (\$15,382,000); NCDOT – Relocation Projects (\$10,038,000); Hurricane Matthew (\$5,042,000); LED Lighting (\$4,975,000); New Services/Meters-Electric/Water/Sewer (\$4,662,000); City of Fayetteville-Utility Projects (\$2,971,000); Buildings and Improvements (\$1,260,000).

David Trego stated the CIP Budget of \$105.29 Million is funded by \$28.4 Million from Electric Fund; \$17.3 Million from Water Fund and \$59.5 Million from Bonds/State Loans and Reserves.

#### FY2018 Funding Source Summary:

Mr. Trego also stated of the total spend; \$8.7 million of the CIP expenditures will be offset by revenues. LED Lighting and other electric sustainability initiatives will have majority of funding through Renewable Energy Portfolio Standards Funds. NCDOT will reimburse PWC for some utility relocations. Customer contributions to certain projects are also budgeted. Staff responded to questions from Commissioners and discussion ensued.

#### FY2018 CIP Budget Drivers:

Mr. Trego stated reduced capital in Corporate Services in FY2018 by \$11.6M is due to completion of the AMI project.

Some NCDOT projects delayed start dates and some new ones moved up in queue which caused an increase of \$3.4 million in this category in FY18. He also stated \$5.0 million has been budgeted for capital repairs due to Hurricane Matthew.

He stated there is increased funding for rehabilitation and replacement of aging electric/water/wastewater infrastructure. He budgeted \$1.5 million for land and ROW acquisition for additional Electric Point of Delivery (POD).

Staff responded to questions from Commissioners.

Mr. Trego went on to review the following.

#### Risk Factors to CIP Budget:

- Unplanned major equipment/system failure – last year Hurricane Matthew had a significant impact



- Regulatory/legislative action. He stated we do not know the impact of the Trump administrations regulatory rollbacks
- Contractor capacity is still limited in some areas. There is an additional bidder in the Phase V Area 19 bid
- Fleet Facilities need upgrading. There are not enough bays for growing fleet. The bays are too small for today's heavy vehicles. The scope is dependent on the City of Fayetteville decisions on Fleet.

Raeford Road NCDOT Project:

- The 4+ year project will reconstruct nearly 6 miles of Raeford Road from Highland Country Club to 71<sup>st</sup> High School.
- There are significant relocations of PWC electric, water and wastewater facilities involved.
- Relocations are estimated to cost a total of \$24.7 million
  - \$4.3 million budgeted for FY18 for engineering and some electric relocations
- Also investigating the replacement of additional PWC pipe and facilities not in conflict along the route
  - Doing cost/benefit of performing work during reconstruction of road compared to remaining useful life of facilities
  - Will be part of FY19 budget discussion

Annexation:

- \$15.4 million budgeted in FY18
- The neighborhoods include:
  - Area 18 & 19 Bid in FY17 – Southgate, Southgate Village & Phase 1 of Arran Lakes West
  - Area 20 & 21 Scheduled for FY18 – Hackney Hills, Lake Point, Robinhill Estates and 2<sup>nd</sup> Phase of Arran Lakes West

Community Solar Project:

- FY18 Budget includes \$2.6 million for the construction of a 1 MW solar facility at BWGP
  - Will also have 500KW of battery storage
- PWC retains Renewable Energy Credits (RECS)
- Will allow PWC customers to purchase solar output shares – Subscription Model
  - PWC charges a nominal fee to sign up and set up account
  - PWC charges monthly fee for operation/maintenance of the facility
  - PWC will credit customers for the electricity generated based on our wholesale power costs from Duke & value of RECS
  - Model allows for customers to exit program – fits well with Fayetteville demographics due to Ft. Bragg
- May pursue design build contract

Ongoing Reliability Improvements:

- Electric
  - Substation Rebuilds - \$2.6 million budgeted in FY18 to complete Lafayette Village and start Fenix Substation. We are completing one substation per year
  - Transmission Pole Replacement - \$1.5 million budgeted in FY18 to continue replacement of wood transmission poles with steel poles
  - Underground Cable Replacement – Doubling budget to \$2 million in FY18 due to increased failure risk
- Water/Wastewater
  - Water/Wastewater Rehabilitation – Increased budget by \$3.5 million in FY18
  - Continuing engineering of plant expansion projects started in FY17 - \$1.3 million budgeted in FY18
  - North Fayetteville Lift Station upgrades continue in FY18 with \$3.3 million budgeted.

#### Other Notable FY2018 Projects

- North Fayetteville water pressure improvement project continues – Andrews Rd. area
  - New water tank installation contract awarded and work underway
  - Installation of 11,000 ft. of new 16” main will start in FY18
- Improvements to Dispatch Area
  - Improve reliability during storms & display real time system data
  - Improvements based on lessons learned from Hurricane Matthew
- LED Conversion
  - Over half of PWC’s 36,000 lights converted & over 2,000 additional lights installed to meet new City requirements
  - City Streetlights nearly 91% converted
  - Thoroughfare and private streetlights over 70% converted
  - Area Light conversions started in FY17

#### Plan Years Notable Projects

- Main outfall into Rockfish Wastewater Plant nearing capacity during high rain events
  - Need to mitigate risk of overflows
  - Install Equalization Basin to even out flows
  - Engineering starting in FY18
- Fleet Expansion
- New Point of Delivery on the horizon for Electric
  - \$20+ million project
  - Decision of Power Supply may impact
 Discussion ensued on this project and plans for the land which will be purchased.
- Big Rockfish Creek Wastewater Outfall
  - \$14.6 million project
  - Due to increased flows in western Fayetteville a new outfall line will need to be installed in the 2022 timeframe

Staff responded to questions from Commissioners regarding the proposed Capital Improvement Plan (CIP). Staff and Commission also discussed mitigation plans for the Operations/Administration building to ensure water does not breach the building.

REVIEW FY2018 OPERATING BUDGET

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

Mr. Trego provided a history of the actual budgets in FY2016, FY2017 as well as highlights of the FY2018 Proposed Budget. He noted an increase of .6% increase in the Electric Fund (\$253.6M Proposed); 6.6% increase in the Water Fund (\$109.0M Proposed) and 3.9% increase in the Fleet Fund (\$9.9M Proposed). Total budget requested is \$372.2M which reflects a 2.4% increase. He noted if the Coal Ash expense (\$10.1M) was backed out of the total budget, the total budget would be less than last year. Mr. Trego commended staff for doing a good job in holding the budget. Commissioner Rogers noted that in the absence of Coal Ash PWC has been very good stewards of the ratepayers money.

Mr. Trego noted some expenditure and revenue drivers which included:

- Water Fund
  - \$2.8 million increase in depreciation expense.
  - \$1.4 million increase in appropriation to the Phase V Annexation Fund
  - \$1.0 million transfer to the NCDOT Reserve Fund
  - \$4.7 million loan from Electric Fund
  - \$1.7 million budgeted for unclaimed Hope Mills’ refunds to go to State.
  
- Electric Fund
  - \$3.9 million allocated for Wholesale Power Cost customer refund. This is the adjustment for last year. We were billed in calendar 2016 and receive the refund in calendar year 2017 (July).
  - \$2.7 million increase in NCDOT reimbursements for relocations
  - \$461,400 increase (4.6%) in PWC payment to City of Fayetteville
  - \$4.7 million loan to Water Fund
  
- Fleet Fund
  - The increased number of vehicles requires more outsourcing of repairs due to space limitations. Mr. Trego stated there is a premium related to outsourcing. Discussion ensued.

Mr. Trego stated the FY18 budget also reflected the following City of Fayetteville FIF Waiver requests.

Project	Total Project Cost	FIF Fees
Bragg Blvd. – Rowan to Barrington	\$36,050.00	\$18,900.00

Camden Road – Owen to Western	\$ 5,150.00	\$ 2,700.00
Cedar Creek Road	\$52,830.00	\$30,780.00
TOTAL	\$94,030.00	\$52,380.00

Mr. Trego noted the Commission approved last year \$150,000.00 in waivers for eight (8) projects. To date, approximately \$20,000.00 has been waived. Unused waivers for these projects are also carried forward into FY18.

Discussion ensued on total payments (and waivers) from PWC to the City and how to showcase the value of the Utility.

Mr. Trego also provided a summary of the Operating Expenses for each division.

The Management proposed budget is \$5.27M (-6.8%); the Communications budget is \$1.43M (+13.9%); the Human Resources budget is \$1.47M (+6.1%); Customer Programs budget is \$4.19M (-17.8%); the Corporate Services budget is \$19.9M (+5.5%); the Finance budget is \$12.4M (+.7); the Water/Wastewater budget is \$33.9M (-.5%); the Electric budget is \$172.8M (+5.0%). The total PWC proposed budget is \$251.4 million, which reflects an increase of (+3.4%).

The Customer Programs decrease is due to a completion of the AMI deployment. The increase in Communications is due to a consolidation of marketing communications into CCR. The increase in Corporate Services is primarily due to additional Non-CIP Capital in Information Services (licenses, software updates and hardware replacement). The increase in Electric is due to the impact of Coal Ash on Power Supply Costs. The increase % of aging underground electric facilities is causing a shift in Electric Construction work.

Mr. Trego stated Mark Brown and his team has done an excellent job in managing the workforce. He stated they managed this so there was no reduction in workforce. He stated Mark is looking at redeploying resources because of the AMI data. He stated Mark and his team has done an excellent job managing this process from an employee and resource prospective and we will realize the savings this coming year when we close out the AMI project.

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

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 (FY17 to FY18) and risks to budget, along with plans to mitigate. Discussion ensued with each officer regarding their budget, major drivers, trends and assumptions as well as risks to their budget and plans to mitigate.

Mr. Miller highlighted major drivers affecting the overall budget which included Coal Ash; Hurricane Matthew; Hope Mills Refunds; Electric appropriation to Net Position; Water and Wastewater Use of Net Position; Water and Wastewater Rate Stabilization Fund Balance and Electric Intergov Expense which is the Economic Development Year 2 of 5.

Mr. Miller reviewed the trending of the budgets of Electric, Water and Fleet for the past five years. He noted the Electric Fund has contributed to the net position for the past five years. The Water/Wastewater Fund has taken from the net position for the past five years. Mr. Miller stated the net City Transfer/Pilot is \$10.4M for FY18.

He also provided a summary of G&A expenses; the Capital Budget, the Rate Stabilization Fund for Electric (\$43.4M); the Coal Ash Reserve (\$27.3) and Water/Wastewater Rate Stabilization Fund (\$.3M).

He stated the Recommended Budget Ordinance reflects the amounts staff is requesting for the Commission to approve in each fund.

Mr. Miller also stated the Fayetteville Public Works Commission received the Distinguished Budget Presentation Award for 2016, which is the 22<sup>nd</sup> consecutive year we have received it. He commended Rhonda Haskins, Rhonda Graham, Lisa Buffaloe and Lisa Barbee.

He stated the public hearing will be on May 24<sup>th</sup>. The ad will go out in the paper today. The budget will be posted on the website for public inspection. Anyone who wants to view the budget can view it in the office of the Clerk of the Board. Commissioners agreed they will be prepared to vote on the budget during the May 24<sup>th</sup> Commission meeting.

As Mr. Trego stated in his memo to the Commissioners, the budget maintains all Commission approved reserve fund levels as well as any statutory or other restrictions or requirements including those included in Bond Orders.

Chairwoman Shaw congratulated Mr. Miller and his staff on receiving the Distinguished Budget Presentation Award for 2016.

Commissioner Rogers stated the budget presentation was very clear and he appreciated the work the staff apparently put into it.

Commissioner Huff also thanked staff for the presentation. He stated the detail of the presentation meant a work session is not needed and it was very voluminous.

## ADJOURNMENT

There being no further discussion, upon motion by Commissioner Fowler, seconded by Commissioner Rogers and unanimously approved, the meeting was adjourned at 2:12 p.m.