

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, FEBRUARY 14, 2018  
8:30 A.M.

Present: Wade R. Fowler, Jr., Chairman  
D. Ralph Huff, III, Vice-Chairman  
Darsweil L. Rogers, Secretary (VIA TELECONFERENCE)  
Evelyn O. Shaw, Treasurer

Others Present: David W. Trego, CEO/General Manager  
Johnny Dawkins, City Council Liaison  
PWC Staff  
Media

Absent: Jay Reinstein, Assistant City Manager  
Michael Boose, Cumberland County Liaison  
Melissa Adams, Hope Mills Town Manager/Liaison

#### REGULAR BUSINESS

Chairman Fowler called the meeting of Wednesday, February 14, 2018, to order.

Prior to the approval of the agenda, Chairman Fowler acknowledged the discussion surrounding power bills over the last month due to the cold weather. He stated Duke, South River, Lumbee River, etc., have all received resident's concerns about the higher bills. Commissioner Fowler stated we had 200 straight hours of sub-freezing temperatures, which is pretty rare for this area. Heat pumps do not do very well with those low temperatures.

Chairman Fowler stated the Commission has instructed staff to work as much as possible with our customers who have difficulty with their bills. He stated to-date we have reached agreements with 17,000 of our customers either to have delayed payment dates (extended payment so the bill is not late) or to enter into a payment plan. He stated this is 20% of our customers whom we have reached out to and helped. He congratulated staff on a job well. It is important to help our customers lights stay on.

#### APPROVAL OF AGENDA

Commissioner Rogers motioned for Item B of the Consent Items to be pulled for future discussion. Motion was seconded by Commissioner Shaw and unanimously approved. The amended agenda was unanimously approved.

#### CONSENT ITEMS

Upon motion by Commissioner Huff and seconded by Commissioner Shaw, the amended Consent Items were unanimously approved.

- A. Approve Minutes of meeting of January 24, 2018

PULLED FOR FUTURE DISCUSSION

- ~~B. Approve Resolution # PWC2018.02 adopting arbitration as a means of resolving all non-residential customer disputes.~~

~~Comments: PWC has determined that arbitration offers a fair, efficient, and cost-effective means of achieving binding dispute resolution for PWC and its non-residential customers by an arbitrator who is familiar with utility practices and utility law. PWC therefore concludes that binding arbitration before a single arbitrator in accordance with the then-existing Commercial Arbitration Rules of the American Arbitration Association (“AAA”), including the Optional Rules for Emergency Measures of Protection, for the resolution of all non-residential customer disputes is prudent and should be adopted.~~

- C. Approve Action on Easement

Approve staff recommendation to sell through private negotiation a 20 foot wide permanent utility easement granted by Barbara M. Johnson, unmarried, and described in Book 10121, Page 537, Cumberland County Registry. The utility easement is no longer needed by Fayetteville Public Works Commission since planned sewer lines have been rerouted. The recommendation, as approved by the Fayetteville Public Works Commission, shall be referred to City Council in accordance with Section 6A.9 of the Charter to request that the City of Fayetteville adopt a resolution authorizing Fayetteville Public Works Commission to dispose of the utility easement property by private sale at a negotiated price in accordance with Chapter 160A of the North Carolina General Statutes.

Comments: PWC has determined that the utility easement from Ms. Johnson described in Book 10121, Page 537, Cumberland County Registry is no longer needed and seeks to dispose of it.

END OF CONSENT

AMENDMENT TO THE INTERLOCAL AGREEMENT BETWEEN THE CITY OF FAYETTEVILLE, CUMBERLAND COUNTY AND THE FAYETTEVILLE PUBLIC WORKS COMMISSION RELATED TO THE FUNDING AND DEVELOPMENT OF THE FRANKLIN STREET PARKING GARAGE

Presented by: Kristoff Bauer, Deputy City Manager

In the absence of Deputy City Manager Kristoff Bauer, PWC CEO and General Manager, David W. Trego updated the Commission on the Funding of the Franklin Street Parking Garage.

He stated the City and the County have come to an agreement on the funding stream regarding the Franklin Street Parking Garage. In the original Interlocal agreement with the Franklin Street Garage (which is attached to the RC Williams) PWC was part of the three-party Agreement. We provided funds to help build the garage and we received a number of dedicated party spaces for our tenants within the RC Williams Building. He stated though this Amendment to the Franklin Street Garage Agreement has no material impact on PWC, since we are party to the original agreement we must also execute the amendment. This amendment extends the special taxing zone that the garage is in to include the Baseball Stadium. He stated staff recommends that the Commission approve the amendment and authorize the Chair to execute.

Commissioner Shaw motioned to accept the Amendment as recommended by staff. The motion was seconded by Commissioner Huff and unanimously approved.

## SUMMARY OF ASSESSMENT PROCESS FOR ANNEXED AREAS

Presented by: Mark Brown, Senior Customer Programs Officer

Mr. Trego stated Mark Brown will make a formal presentation to the City Council very soon for the Assessment on Areas 16 and 17 of Phase 5. He thought it was a good time to review the process with the Commission.

Mr. Brown stated the Council passed a resolution on Monday night to set a public hearing for their next regular meeting on February 26<sup>th</sup> to discuss this issue.

Mr. Brown stated Phase V consists of 34 areas. We have completed construction for the first 17 areas. We are half way through. He stated Areas 16 and 17 are in the Assessment Stage. Areas 18 and 19 are currently under construction. Areas 20 and 21 have been advertised for bids and Areas 22 and 23 are in the preliminary design phase.

Mr. Brown stated in the Phase V Agreement we have with the City, these are the guidelines for how the assessment rolls are established. PWC staff takes the work from construction and puts the roll together for the Council to review and eventually pass. He stated Council has the power to assess.

Single family residential is capped at \$5,000 per parcel, though the average cost per parcel on this current project was approximately \$22,600. He stated this does not apply to duplexes or apartment complexes. For non-single family residential, the policy is that you take the capped amount of \$5,000 and divide by 90 feet (\$55.56 per linear foot). The minimum is 90 feet and if they have more linear feet the assessment is higher, this is in addition to the average project lateral cost for all the laterals installed in the project.

Commissioner Fowler asked if we have an average cost of the laterals. Mr. Brown replied it is \$2,711. In the past it has been approximately \$1,600. He also stated City Council sets the interest rate for anyone who chooses to finance through the City and PWC. They set it at the time they set the assessment. It is the prime rate at the beginning of the fiscal year (plus 2%). The interest rate is 6.25% for Areas 16 and 17. He stated the maximum statutory interest rate is 8%.

Mr. Brown stated near the end of the design phase we send to Council a preliminary assessment resolution. It basically says we are planning to place sewer in defined areas. There are no addresses attached. We then send letters to property owners, there is a public notice and public hearing. Once the hearing has completed we send Council another resolution asking them to direct us to undertake the project. This gives us the permission to issue bids and proceed with construction.

On this past Monday we gave to Council another resolution to declare the costs. They approved it. The cost for this project was approximately \$17M. The Council orders the preparation of the actual assessment roll. The Clerk must make this available to the public. We provide the assessment roll to the Council. A public hearing is then called. Once the public hearing is completed the Council will decide which action they will take (levy the assessment and set the interest rate).

This is the schedule:

*February 12, 2018 - Resolution Scheduling a Public Hearing*

*February 26, 2018 – Public Hearing*

*March 19, 2018 – Resolution Confirming Assessment and Interest Rate*

*PWC Publishes Legal Notice 21 Days after Confirmation*

*No Interest If Assessment Paid Within 30 Days of Legal Notice*

*Annual Payment Due 60 Days after Confirmation*

Mr. Brown stated all of the above is based on general statute. The customer has options. If customer pays in full before the deadline, there is no interest. The customer can finance on their own or finance through PWC. If financed through PWC there are no credit checks and the customer has a maximum ten years to pay the assessment. The annual payment is the default payment method, though there is a monthly payment option available.

Mr. Trego stated only the City can set assessments. We take on this extra role to help the City because we have all this information. Normally the City would that responsibility with other assessments.

Ms. Justice-Hinson stated after the assessment is confirmed, within a week or two we will schedule community meetings with the same group that we scheduled connection meetings and construction meetings. We bring in our staff that handles the assessments so the customer can be set up right there. We explain the options to them. The City's Community Development department also participates in these community meetings. They have the information regarding grants to those who qualify.

Commissioner Fowler asked about the final completion date. Staff responded it is approximately 2024 or 2025. We are approximately half way through Phase V.

## 2<sup>nd</sup> QUARTER FINANCIAL RECAP (THRU DECEMBER 2018) – (Goal #1)

Presented by: Rhonda Haskins, Interim Chief Financial Officer

Brenda Brown, Controller

Ms. Brenda Brown, Controller presented the 2<sup>nd</sup> Quarter Financial Recap, through December 2018.

She stated Electric Sales are up 1.0%. Electric Operating Expenses are down 4.7%. Electric City Transfer/PILOT is up 22.6%. Water Sales are up 5.3%. Waste Water Sales are up 5.8%. Water/Wastewater Operating Expenses are up 1.7%. Net Bad Debts are just over 0.3%. Days Cash Reserve is 140.1 days.

Ms. Brown noted the G&A expenses decreased 10.3% because of a decrease in high dollar medical claims. Mr. Trego noted Electric Sales increased 1.0%. These figures are through December so the impact of the cold weather on electric usage is not reflected on the 1.0% change.

Ms. Brown stated our revenues are in line with last year. Our operating revenues are in line with our budget. She stated for the Aid to Construction and Grants our budget is more than

our actual. This is due to DOT Projects we budgeted for which were pushed back. We are waiting for the grant money to come in from DOT.

For Electric Power Purchased - Ms. Brown stated we are in line, compared to 2015. We have averaged \$1.1M since 2015. Our change is only .8%. She stated our cost per MWh is \$67.06.

Electric Power Costs is \$65.3M for the 2<sup>nd</sup> Quarter. It is slightly higher than budget and last year. This is because we budgeted for slightly less demand than came in through the second quarter.

Margin for Electric Fund has increased over 2015 by 13.4%. It decreased from last year by 4.6%.

The water sales increased 5.3% over last year and 16.7% compared to 2015. Waste water sales increased 5.8% over last year and 29.3% compared to 2015. Ms. Brown stated the increase is due to the rate increase during the period for residential and commercial customers.

Ms. Brown stated the water volume sales have been rather stable. There is a slight decrease from last year of 1.5%. Compared to 2015 there is a slight decrease of .6%.

For the Water and Waste Water Fund, Ms. Brown noted our actual change in net position is \$10,952,824 compared to last year (\$6,151,800). It is also a lot higher than budgeted (\$6,067,800). She stated this change is due to the increase in sales and the amount of operating expenses budgeted were including costs related to contractual services which have not been invoiced to us yet.

Ms. Brown stated the Water Margin is calculated by the sale of water over the plant production costs. The margin has increased 4.6% compared to 2015. It increased .5% compared to last year.

The Waste Water Margin Report compares the sale of waste water over plant treatment. Compared to 2015, it has increased from \$14.4M to \$18.9M in 2018, a 31.2% increase. The increase over last year was 7.4%. This is due primarily to the increase in sales of waste water and a slight decrease in our costs.

Fleet Maintenance Fund - Ms. Brown stated the increase in City Sales is due primarily to new processes that have been implemented this year, regarding the heavy duty environmental trucks. We are doing the lubing and greasing; weekly and daily walkthrough of the heavy duty trucks for the City; to include the inspection and replacement of tires.

Staff responded to questions from Commissioner Shaw. Ms. Brown stated Fleet is doing more of the work that was once contracted out. Ms. Fritzen stated PWC is working very closely with the City on environmental trucks because of all the problems they are having. She stated they need to be lubed daily (morning and evening) due to the activity of the arms. We are sending techs over there to assist them in completing (daily and weekly) the inspections. She stated this approach has worked very well.

Ms. Brown stated our Operating results are \$175,300, compared to budget at \$-268,200. We usually true up this account at the end of the year, so that our rates reflect our costs.

Capital and Debt Service - Ms. Brown noted our actual capital expenditures (\$7.4M) are lower than budgeted (\$14.2M). It will normally true-up in the third quarter. We have not spent any capital expenditures for Fleet Maintenance as of the 2<sup>nd</sup> Quarter.

We are in line with our interest expense for both the electric and water, based on our budget.

Electric & Water Bad Debt - Ms. Brown stated our year to date bad debt is just over .3%. She stated this is due to our great collections and also how our system handles late payments and how it sends cues out to staff so we can work them. She stated it is close to 2014 levels.

Our Days Cash Reserves target is 120 days. Our current Days Reserves is 140.1 collectively for electric and water. The increase over last year (134.0 days) is due to our capital expenditures are down from last year and the increase in water sales.

Commissioner Rogers asked about the margins in Electric. He stated when we look at the third quarter with the spike we received from Duke and the obvious costs that have been transferred through. Will it show any significant shifts in margin given the fact of the cold snap (up or down)?

Mr. Trego stated our billing from Duke provides us with an estimate at the beginning of the year and they bill that rate throughout the year and then we fix it in the true-up. Mr. Trego stated he and Jon Rynne had a conversation with Duke Energy to get an idea. Due to the high electric demand in NC in January the natural gas prices significantly spiked during that period of time. We have engaged in conversations with them to keep us posted on what their true-up might look like. On the energy side they keep a running true-up on what their fuel costs are (coal, nuclear and natural gas). They will give us some indication so we can project what the impact might be but we will not know what all the pluses and minuses might be until the end of the calendar year.

Commissioner Rogers asked since we ran the Butler Warner Plant for so many days, does it cause an improvement in our margins or a wash. Mr. Trego responded it is basically a wash.

Chairman Fowler thanked Ms. Brown for the 2<sup>nd</sup> Quarter Financial Presentation.

## GENERAL MANAGER REPORT

### *APPA National Rodeo*

Mr. Trego stated NC will host the American Public Power Association Lineworker Rodeo and Engineering Conference. It will be in the Raleigh area. He stated all the member utilities of ElectriCities are pitching in to make it happen. Next year Fayetteville will host the State Rodeo. We will have utilities from all over North Carolina to compete. He asked Mr. Rynne to give details on the PWC's efforts with the National Conference.

Mr. Rynne stated the Rodeo for the APPA will be held in Wake Forest on April 28th. He stated PWC sent one of our Right of Way crews up in advance to help clear the area where the rodeo will be held before the poles and equipment were delivered to the site. He stated PWC will send up a larger line crew with Digger Derricks and bucket trucks to help set up the poles and get them ready for the event. PWC has been very active in supporting this National Rodeo. Mr. Rynne stated in May we will then go to Hickory, NC for the State Rodeo. Next year around May 15, 2019, Fayetteville will host the State Rodeo. Mr. Trego

noted it has been a very long time since Fayetteville hosted the State Rodeo and it is expected to be a big event. Commissioner Rogers stated this will be an opportunity for a lot of local businesses to participate.

### ***Questions Regarding Bills***

In response to several customers in the meeting, Mr. Trego stated we have set up Senior Customer Service Representatives to assist customers with questions regarding their bills. Mr. Brown stated we also have conservation materials in the Main Meeting Room. Visitors are welcome to stop in to view them also.

### ***Comments from City Council Liaison Dawkins***

Council Member Dawkins requested for the Commission to consider delays in the late fees because of the high balances. Chairman Fowler stated we have already extended bills so late fees will not be assessed for 17,000 customers.

Mr. Brown stated if the customer contacts us to get an extended date or to be place on a payment plans before bills are due, there will be no late fees charged. If they contact us after the bill is due, the initial late fee will be assessed but there will be no additional late fees.

Mr. Trego also stated during previous Commission meetings we encouraged customers to contact us before their bills are due and we got that message out in the press. They were very helpful. We also posted the message to the website. Mr. Trego stated 17,000 customers which are roughly 20% of our customer base have taken advantage of this offer. We took over 44,000 calls in January and anticipate a higher number for this month.

Council Member Dawkins stated as hard as you are working to get the word out, it will not get to everyone one. He stated approximately 70,000 to 80,000 customers received high bills.

Mr. Trego stated he has talked to his counterparts at Duke Energy, Lumbee River, and South River, and they are dealing with a record calls. The cold snap affected the entire state. All of them have seen the same thing. Bills have gone up. As Commissioner Fowler stated at the beginning of the meeting heat pumps are not made to operate for 200 hours (approximately 8 days) below freezing. They are made to operate best around 40 degrees, and unfortunately back up heat had to come on.

Mr. Trego stated all the utilities in the state are dealing with the same thing and they are working with their customers as we are. He stated we are taking it very seriously. Also anticipating that some customers may come in today, we set up a special area with our most senior representatives to help them. Mark Brown also stated staff called the 40 customers who stayed after the City Council meeting on Monday evening. We have reached out to them to see how we can assist them.

Council Member Dawkins also stated we are losing the PR battle in social media (Facebook, Instagram, and Snapchat). He said there are some things on the radio. Mr. Trego stated the customer should call us and we can work with them. We have a lot of data for our customers with our new financial system. When the temperature went down, the usage went up. When the temperature went back to normal, the usage went back to normal. He also

mentioned the usage was impacted by fact the schools were closed and students were home, which may have impacted electric as well as water usage.

Mr. Brown stated during the cold snap there were a significant number of broken pipes, particularly irrigation systems. With our AMI system PWC was able to identify the broken pipes before the customers and went out and shut the water off. So that kept some of the bills down. If there is a broken pipe and the customer shows it was fixed, we can give a 30% adjustment in the water (if irrigation) or water and sewer (if inside).

## REPORTS AND INFORMATION

The Commission acknowledges receipt of the following Reports and Information.

- A. Purchase Orders
  - November 2017
  - December 2017
  - January 2018
- B. Personnel Report for January 2018
- C. Position Vacancies
- D. Approved N.C. Department of Transportation Encroachment Agreement(s):
  - Encr. #18619 – water lateral @ SR1169 (Camden Road) and SR1168 (Whitfield St.) (Fayetteville Urban Ministries)
  - Encr. #18622 – 8” RJDIP sewer main & 4’ doghouse manhole @ SR2299 (Russell St.) and I-95 BUS/US301
  - Encr. #18623 – 13 geotechnical borings & 8 subsurface utility test holes @ SR1606, SR1607 @ US HWY 401 North
  - Encr. #18624 – 12” DIP water main @ SR2299 (Russell St.) and I-95 BUS/US301
- E. Approved Railroad Encroachment Agreement(s):
  - Encr. # 18489 – Water Main Encasements – Gillespie Street (SR 2311)
  - Encr. # 18490 – Pipeline Crossing - Cumberland Street
  - Encr. # 18491 – Water Main Encasements – Mann Street
- F. Approved Utility Extension Agreement(s):
  - Sharlene R. Williams – electric, water and sewer services to serve Village at Sycamore Office Park
- G. Actions by City Council during meeting of January 8, 2018, related to PWC:
  - Approved Bid Recommendation to Award Bid to Purchase 40,000 ft. 750 MCM Underground Primary Distribution Cable
  - Approved Bid Recommendation to Award Bid for Purchase of Transformer No. 1 Relay Control Switchboards and SCADA HMI and Communications Switchboards
  - Approved Bid Recommendation to Award Bid for Purchase and Delivery of 2 ABB 72.5 kV Disconnecting Circuit Breakers

## ADJOURNMENT

There being no further business, upon motion by Commissioner Rogers seconded by Commissioner Huff ad unanimously approved the meeting was adjourned at 9:10 a.m.