

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, OCTOBER 11, 2017  
8:30 A.M.

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

Others Present: David W. Trego, CEO/General Manager  
Jay Reinstein, Assistant City Manager  
Jim Arp, City Council Liaison (VIA TELECONFERENCE)  
Michael Boose, Cumberland County Liaison  
Chancer McLaughlin, Hope Mills Develop. & Planning Adm.  
PWC Staff

Absent: Melissa Adams, Hope Mills Town Manager  
Media

**ADMINISTER OATH OF OFFICE:**

- ❖ Mayor Nat Robertson administered the Oath of Office to Darsweil L. Rogers as Commissioner of the Fayetteville Public Works Commission. Commissioner Rogers was appointed to a second term by the Fayetteville City Council on Monday, September 11<sup>th</sup>. Commissioner Rogers' second term will extend thru September 2021.

**REGULAR BUSINESS**

Chairwoman Shaw called the meeting of Wednesday, October 11, 2017, to order.

*Election of Officers for Fiscal Year 2017-2018:*

Commissioner Darsweil Rogers submitted the following slate of officers for FY2017-2018.

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

The motion was seconded by Commissioner Huff and unanimously approved.

Commissioner Shaw congratulated Commissioner Fowler for being elected Chairman of the Fayetteville Public Works Commission for FY2017-2018.

#### APPROVAL OF AGENDA

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

#### CONSENT ITEMS

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

A. Approve Minutes of meeting of September 27, 2017

#### END OF CONSENT

#### PRESENTATION OF FINANCIAL HIGHLIGHTS AND ANNUAL AUDIT REPORT FOR FISCAL YEAR 2017 PREPARED BY RSM AUDITORS *(PWC STRATEGIC GOAL #1)*

Presented by: J. Dwight Miller, Chief Finance Officer  
Lou Cannon, Engagement Partner – RSM Auditors  
Robert Bittner, III, CPA, MBA – RSM Auditors  
Brenda Brown, CPA, Controller  
Rhonda Haskins, CPA, Director of Financial Planning

Dwight Miller, Chief Finance Officer introduced RSM Auditors. He stated the final CAFR will be delivered to the Commission by the end of the week.

Mr. Cannon stated he is the Engagement Partner and Robert Bittner is the Senior Manager on this engagement. Mr. Cannon went on to say he appreciated the opportunity to work with PWC and the assistance they have received from staff.

Mr. Cannon stated they understand PWC is coming up on a debt issuance and the timeline of the engagement is to have everything completed. He stated an independent person is reviewing the results of the engagement. It is almost done, but not completely. He stated this is done as a quality control measure. The very last thing is that they will send to PWC a Representation Letter. They were hoping to bring it with them today, however it was not completed. Mr. Cannon stated there will be nothing that causes any slowdown with the LGC (Local Government Commission).

Mr. Cannon distributed several documents to the Commission and staff.

He stated the first document is their opinion of PWC's statements. He stated the auditors can give one of four opinions (Adverse Opinion, Disclaimer of Opinion, Qualified Opinion, Unqualified Opinion or Clean Opinion). Mr. Cannon stated PWC has seen the Clean Opinion in prior years and RSM is rendering the same to us this year.

Mr. Cannon and Mr. Bittner went on to explain one material weakness and several deficiencies in internal control. Commissioner Rogers requested for Mr. Cannon to define 'materiality or material weakness'. Mr. Cannon responded they (RSM) have a firm design sliding scale or calculation, depending on the size of the entity as to what they will consider material. Commissioner Shaw asked if it is universal. Mr. Cannon responded that some firms are more liberal as to what they may consider material. He stated RSM Auditors is more conservative. Mr. Cannon, Mr. Bittner, Commission and staff discussed the content of their letters, their findings and recommendations.

RSM Auditors presented to the Commission a draft of their audit. Commission deferred a vote on the audit until the next Commission meeting when the final draft is received.

Mr. Miller thanked RSM Auditors for the work they have done and for working with PWC. He then presented Brenda Brown, PWC Controller and Rhonda Haskins, Director of Financial Planning, to review operating results for fiscal year 2017.

Ms. Brown stated the financial results can be accessed at [www.faypwc.com/financials/](http://www.faypwc.com/financials/) once they are uploaded to the internet.

Listed below are the financial highlights of the audit:

- ❖ Fleet revenue and expenses are broken down between City services and PWC services. City Services are 74% and PWC Services are 26% PWC for FY2017. Revenues have increased to \$9.18M. Expenses have also increased to \$9.18M. This fund is designed by the rate structure break even. Ms. Brown noted Materials and Supplies comprise 52% of the fund's expenditures.
- ❖ PWC's Source of Payments comprise the payment center, mail, payment drafts convenience payments (Western Union, Speedpay), pay stations, online banking, ACH/wire and miscellaneous. Ms. Brown noted convenience payments were the most preferred method for customers to pay bills in FY2017.
- ❖ The customer base for FY2017 consisted of 82,600 electric services billed; 87,900 water services billed; and 86,400 wastewater services billed.
- ❖ The PWC's net position at year end was \$913.5 million, an increase of \$39 million, up from \$873.9 million in fiscal year 2016.
- ❖ Operating Revenues at year end were \$313.5 million, an increase of \$11.1 million, up from \$302.4 million in fiscal year 2016.
- ❖ Total assets at year end are \$1.3B.
- ❖ Ms. Brown noted the Revenues and Net Position correlate. Revenues, Change in Net Position and Net Position have increased since 2013.
- ❖ Balance of cash at end of year is \$173.1M, down from \$226.9M in 2016. Ms. Brown noted 'capital and related financing activities' contributed to this decrease.
- ❖ Total unrestricted and undesignated operating reserves were 131 days at June 30, 2017, down from 134 in the prior year.

- ❖ Ms. Brown stated PWC's Quick Ratio (it indicates the health of the utility) is an indicator of the health of the utility. The benchmark is 2 to 1, which means for every dollar of liabilities, we should have two dollars of assets. PWC's Quick Ratio is 3.0 in FY2017. The Current Ratio is another indicator of the health of the utility. Again, the benchmark is 2 to 1. PWC's Current Ratio is 3.37 in FY2017
- ❖ Income before Capital Contributions and Transfers was \$31.0 million compared to \$19.1 million in fiscal year 2016, up \$11.9 million or 8.3 percent.
- ❖ Return on Investment in FY2017 was 8.0%, up from 7% in FY2016.
- ❖ Return on Average Equity is 4.4% in FY2017, up from 2.2% in FY2016.
- ❖ Electric megawatt hour sales are just under \$2M for FY2017. The reduction is just under .5% from FY2016.
- ❖ Assets by Utility - Electric (40%), Water (26%) and Wastewater (34%). Ms. Haskins stated the electric fund is double the current assets of the water/wastewater fund, but the water/wastewater fund is heavily concentrated in the capital assets.
- ❖ Purchased Power from DEP decreased to \$129.80M from \$132.42M in FY2016. Capital Assets increased in FY2017 to \$891.3M, up from \$860.6M in FY2016.
- ❖ Power Supply and Generation Expenses increased by \$700,000 to \$141.8 million in fiscal year 2017 up from \$141.1 million in fiscal year 2016.
- ❖ Capitalization by Fund has remained consistent. This fund refers to how much the value of assets is over the long-term debt. The Electric fund is \$475M, the Water fund is \$109M and the Wastewater fund is \$239M.
- ❖ PWC's senior lien ratio is 3.63, exceeding the minimum requirement of 1.10.
- ❖ Payments to/from the City totaled Net Payments to the City of \$9.7M.
- ❖ PWC's Contribution to the City's General Fund totaled \$14.9M. These contributions included Special Agreements; Annexation Agreement; Net Cash Transfer and Street Lighting Value.

Mr. Miller, Ms. Brown and Ms. Haskins responded to questions and comments from the Commissioners.

Mr. Miller thanked staff. He stated they work very hard through the year and provided double duty during the audit. He requested for Ms. Brown and Ms. Haskins to introduce their staff.

Ms. Brown introduced the following staff: Sabrina King (Chief Accountant); Marsha Krings (Supervisor of Accounts Payable and Payroll); and Cathy Traylor (Supervisor of Revenue).

Ms. Haskins introduced the follow staff: Lisa Buffaloe (Manager of Financial Planning and Analysis); Carla Supples (Senior Financial Rates Analysis); and Jill Parker (Chief Accountant in Financial Planning). Mr. Miller also introduced Jason Briggs, the PWC Internal Auditor.

Chairman Fowler thanked staff on behalf of the Commission for their hard work and diligence to completing the financial reports.

## REVIEW OF PWC CUSTOMER SATISFACTION SURVEY RESULTS

Presented By: Carolyn Justice-Hinson, Communications/Community Relations Officer

Ms. Justice-Hinson stated conducting the Customer Satisfaction Survey is a part of our Strategic Initiatives in showcasing our value to the community. Using the results of the survey show us how we are doing in the various areas.

She stated we conducted a random phone survey to random residential and commercial customers, totaling 650. We also emailed an open on-line survey. We mailed the survey to over 50,000 customers; 1,800 customers responded.

We rate the following areas:

- Satisfaction/performance in key areas
- Customer Perceptions of PWC
- Use of billing options, communications preferences, website awareness/interest/use of programs (Community Solar)
- Terminology (Time-of-Use)

Ms. Justice-Hinson stated the survey is done on a scale of 0-10; above 8.0 equals strong (8-10 extremely positive; 6-7 somewhat positive). She also stated PWC has conducted surveys since 2011.

The highlights are:

- Overall Satisfaction
- Residential Satisfaction Attributes
- Individual Electric & Water Services. Both the Overall Satisfaction, and how customers value our services, attributes
- Customer Service-Overall Satisfaction, issue resolution
  - Online Survey Comparison/Opportunities
- Customer Perceptions
- Customer Preferences
- On-line Survey Feedback/Opportunities

Ms. Justice-Hinson stated the overall residential customer satisfaction was an average of 7.9. It has increased from previous years. The overall commercial customer satisfaction was 8.3. It has remained basically steady over the past several years. Ms. Hinson stated the highest ratings were courteous employees (8.6) and clear bills (8.6). She also stated one of our strategic initiatives were working on the bills and making improvements. It appears these efforts have paid off.

Customer satisfaction with the electric service: residential customers rated 8.4 and commercial services rated 8.7. She stated we also ask the customers to rate their services based on the price they pay; the residential customers rated 7.3; and commercial customers rated 7.4. Ms. Justice Hinson stated the decrease in value may have been because of the rate increases they pay. She stated we saw a slight uptick this year from the previous year. She stated it may have been the hurricane and the service we provided during it.

Commissioner Fowler asked if there is value in putting into the value question, the rates the surrounding communities pay for their electric services. Ms. Justice-Hinson stated we can

place it in the online survey. Mr. Trego stated we can place the information in the bill stuffer around the time of the survey. Discussion ensued.

She stated the attributes for the electric service, residential customers rated: safe service 9.1; reliability 8.7; minimum outages 8.1; and reasonable rates 7.3. Commercial customers rated: safe service 9.1; reliability 8.6; minimum outages 8.2; and reasonable rates 7.1.

Ms. Justice-Hinson stated for water and sewer services residential customers rated satisfaction 8.2 and value 7.5. Commercial customers rated satisfaction 8.7 and value 7.8.

The residential customers rated reliability 8.7; restoring service quickly 8.4 and reasonable rates 7.5. The commercial customers rated reliability 9.0; restoring service quickly 8.5 and reasonable rates 7.7.

She stated residential and commercial customers rated customer service very high. Both rated customer service 8.5.

Ms. Justice-Hinson stated we also ask several other questions. Residential customers rated issues resolved to satisfaction 82%; and resolved on 1<sup>st</sup> call 80%. Commercial customers rated issues resolved to satisfaction 84%; and resolved on 1<sup>st</sup> call 81%.

She stated the online survey is not as controlled an environment as the phone survey. When you receive an online survey in the mail, if you are satisfied with service you normally do not go online to say so. If you are not satisfied or have had a negative experience you are more inclined to go online to say so. She stated they wanted to compare the two.

Ms. Justice-Hinson stated they compared the Customer Service Online Survey to the Customer Service Phone Survey. The following were the results.

- Issues Resolved to Satisfaction
  - Phone: 82%
  - Online: 77%
- Issue Resolved on 1<sup>st</sup> call
  - Phone: 80%
  - Online: 78%
- Online Survey
  - 147 noted issue was not resolved
  - Offered follow-up: 76 requested

Regarding Customer Perception, customers rated the following:

Residential

- Provides information effectively (8.2)
- Provides easy access to information (8.3)
- Values you as a customer (8.0)

Commercial

- Provides information effectively (8.4)
- Provides easy access to information (8.4)
- Values you as a customer (8.2)

Regarding Customer Preferences, customers rated the following:

- Receive information from PWC
  - 53% In Bill
  - 26% Email
- Receive outage/service notification
  - 49% Phone call
  - 40% Text
- Preferred interaction
  - 78% Over the Phone
  - 8% Visit the Office

Discussion ensued regarding customer preferences. Mr. Miller stated some of the preferred interaction trends have declined over the years.

Ms. Justice Hinson stated when they asked questions regarding incentive programs customers provided feedback information on the following:

Incentive Programs – 360 requested information  
 Energy Forecaster (on-line app) – 289 requested information  
 Community Solar – 262 requested information

Commissioner Fowler thanked Ms. Justice Hinson for the presentation.

## GENERAL MANAGER REPORT

### **Connect**

Mr. Trego stated there are no more opt-outs. All customers have accepted the PWC meter and have power.

### **RC Williams Building**

The RFQ for marketing the RC Williams Building is out. Mr. Trego thanked Commissioner Huff for his assistance.

### **Jordan Lake**

Mr. Noland stated because of abnormal water conditions in the Jordan Lake shed, and if the water levels drop below 40% we may have to react with a voluntary water conservation advisory.

### **Duke Energy Progress**

Mr. Trego informed the Commission staff is in preparations to file a formal challenge against Duke Energy Progress on the calendar 2015 bill. He stated DEP changed their accounting method which impacted our bill by over \$1M. We feel our agreement required them to file something at FERC as opposed to just making an accounting change. Mr. Trego stated we went through the process of a true-up and informal challenge. The next stage is filing a formal challenge at FERC because we believe they violated the intent of the contract. Mr. Trego stated this filing will happen within the next two weeks. He also stated we have been fully transparent with Duke, letting them know we are preparing to file a formal challenge.

### **Atlantic Coast Pipeline**

Mr. Trego stated the Governor Cooper Administration did one rejection on the Atlantic Coast Pipeline. He stated there are a number of permits the state must issue on the pipeline. One is an erosion and sedimentation permit. The Cooper Administration feels there is not enough information to make sure they are compliant with North Carolina. So they issued a rejection and have questions for Duke, Dominion and the other partners on the pipeline. They also have to issue an air permit for the compressor and a stream permit for all the stream crossings. He stated the Cooper Administration is taking a close look at the pipeline and perhaps delaying the start of the project.

### **PWC Day**

Mr. Trego stated PWC hosted PWC Day on October 3<sup>rd</sup>. Many community leaders participated. County Commissioner Boose and PWC Liaison was one of the participants. He stated it was very informative and enjoyable. He stated it should be made a mandatory event for all liaisons. Mr. Trego presented Commissioner Boose with our first Certificate of Participation. Mr. Chancer McLaughlin also participated and will receive a Certificate of Participation. Mr. Trego stated we plan to have another PWC Day in the future.

### **Commissioner Comments:**

#### *Commissioner Evelyn Shaw*

Commissioner Shaw thanked Mr. Trego and staff for the reports and presentations. She stated they are user friendly. When they get them in advance it helps to have things to flow freely.

#### *Commissioner D. Ralph Huff*

Commissioner Huff thanked past chairwoman Shaw for the letter sent to City Council Member and PWC Liaison Arp.

## **REPORTS AND INFORMATION**

### **A. Monthly Incident Summary – September 2017**



B. Personnel Report – September 2017

C. Position Vacancies

D. Actions by City Council during meeting of September 25, 2017, related to PWC:

- Approved Resolution Directing Construction of Areas 20 and 21 of the Phase 5 Annexation Utility Improvement Project be undertaken.
- Approved Bid Recommendation – Sewer Lift Station Rehabilitation at North Fayetteville and Cypress Lakes Lift Stations

ADJOURN

There being no further business, upon motion by Commissioner Shaw and seconded by Commissioner Rogers, and unanimously approved the meeting was adjourned at 10:49 a.m.