

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, JANUARY 28, 2015
8:30 A.M.

Present: Michael G. Lallier, Chairman
Lynne B. Greene, Vice Chairman
Wade R. Fowler, Jr., Secretary
Darsweil L. Rogers, Treasurer

Others Present: Steve Blanchard, Interim CEO/General Manager
Karen McDonald, City Attorney
Kristoff Bauer, Deputy City Manager
Commissioner Glenn Adams, County Liaison
M. Gray Styers, Jr., Styers & Kemerait, PLLC – (via telephone)
PWC Staff
Media

Absent: James Arp, Council Liaison
Mike Bailey, Hope Mills Liaison
John Ellis, Hope Mills Liaison

Chairman Lallier called the meeting of January 28, 2015, to order.

Approval of Agenda

Commissioner Lallier requested the agenda be amended to add discussion items before the General Manager Comments as Items VI A & B and renumber the remaining items:

- Item VI-A: Clarify Commission Recommendations to the Local Delegation regarding Fire Flow
- Item VI-B: Discuss the NavIgate Review and LGC Correspondence

Upon motion by Commissioner Rogers, seconded by Commissioner Fowler, the agenda was unanimously approved as amended to add Items A & B: Clarify Commission Recommendations to the Local Delegation regarding Fire Flow and Discuss the NavIgate Review and LGC Correspondence and renumber the remaining items.

Consent Items

Upon motion by Commissioner Fowler, seconded by Commissioner Rogers, the following Consent Item was unanimously approved:

- A. Minutes of Meeting of January 14, 2015

Update on IBT Interbasin Transfer

Mick Noland, Chief Operations Officer – Water/Wastewater Systems

Mr. Noland gave an update on the Interbasin Transfer. He attended a hearing in Apex and voiced opposition to the proposal. There was also a hearing in Fayetteville and comments are due by February 6th. The Environment Management Commission plans to make a decision at the March meeting.

Mick Noland noted the City adopted a resolution and the County plans to adopt a resolution on Monday, February 2nd. Mr. Trego stated the Fayetteville Chamber of Commerce also adopted a resolution to oppose the proposed Interbasin Transfer.

Chairman Lallier stated a letter was sent on Tuesday, January 27th to Representative Szoka, Chairman of the Local Delegation detailing our concerns.

Mr. Noland requested for the Commission to adopt PWC Resolution No. PWC2015.01 to Oppose the Proposed Interbasin Transfer Certificate Modification for the Towns of Apex, Cary and Morrisville and Wake County (for RTP South) Alternative 2A – Increase IBT to Meet 2045 Demands.

Upon motion by Commissioner Greene and seconded by Commissioners Rogers PWC Resolution No. PWC2015.01 was unanimously approved. (Please see PWC Resolution No. PWC2015.01 on Page _____ of Minutes).

Review on Preliminary Draft of CIP Budget information being provided to the City Council

Presented by: Steven K. Blanchard, Interim CEO/General Manager

Steven Blanchard, Interim CEO/General Manager, stated the City Manager circulated a budget calendar scheduling CIP information to be submitted in December. The calendar also schedules for PWC to make a presentation to City Council in February.

Mr. Blanchard distributed a summary of FY2016 CIP Budget (initial draft) that he will present to City Council during their Work Session on February 5th.

Mr. Blanchard stated that once staff has reviewed the capital projects, some projects may have to be pushed out. He noted the Hoffer Plant; it will be delayed from the original projection.

The Commissioners directed Mr. Blanchard to refer all questions concerning Phase V to the Commissioners. Mr. Blanchard stated there are two agreements in place concerning Phase V and Transfers. If the City Council and Commissioners come to a consensus, both agreements need to be addressed. Discussion ensued.

Steve Blanchard stated there are 184 projects in the budget and there will not be time to go through all of them. He will highlight several projects. He will focus on answering questions about our Disaster Recovery Hot Site; he also noted Phase V, Projects 16 & 17 are behind due to additional customers being added to the scope of the projects and also because the bids were rejected by City Council. Projects 16 & 17 are expected to be approximately 9

months behind schedule. Projects 18 and 19 are expected to stay on schedule. Discussion ensued.

Commissioner Rogers requested additional narrative to Steve Blanchard's presentation to the City Council. Mr. Blanchard stated this is preliminary information provided to the City Council. Mr. Blanchard stated the format is presented in a format similar to the City's format. Discussion ensued.

Update on the progress being made to eliminate the two deficiencies identified by the external auditor.

Presented by: Dwight Miller, Chief Finance Officer

Dwight Miller, Chief Finance Officer, updated the Commission on the progress to eliminate the two deficiencies identified by the external auditor.

Deficiency 2014-001 relates to the system development lifecycle controls. This is part of the overview of the work order cost recording and closing process and how this process interfaces with the Oracle WAM (Work Order Management Module) and the EBS module (which is the financial accounting package).

Mr. Miller stated our goal in this area is to ensure that costs are accurately recorded in WAM and that work order costs in WAM reconciles to the general ledger. Some points related to this are: timely closing of individual work orders for accuracy and completeness to ensure PWC can distinguish period versus capital expenses captured in the c-whip in WAM and that these costs are properly accounted for; and a timely move or closing of electric work orders from WAM to the Oracle fixed asset module in order to place the asset in service and timely account for depreciation.

Mr. Miller stated their original estimate for time of completion to account for this deficiency was May 31st. The revised completion date is July 15, 2015.

Commissioner Rogers asked why the original date will not be met. Mr. Miller stated the issue is very complex and the original date was one he estimated but the consultants have given an aggressive date of July 15th. Discussion ensued.

Chairman Lallier requested for monthly timelines and milestones to be submitted to the Commission in order to stay abreast of progress on both deficiencies. Commissioner Lallier also requested a letter to be sent to Cherry, Bekaert and Holland to inquire about the status of the deficiency if not completed by June 30, 2015. Discussion ensued.

Deficiency 2014-002 relates to the segregation of duties and system based logical controls access. They are identifying the conflict in Oracle roles, responsibilities and user access against the alignment with our segregation of duty controls and to re-establish its periodic review or access review.

Mr. Miller stated his group identified five risk areas during self-assessment. They are: general ledger and financial reporting; order to cash, including accounts receivable; long lived asset accounting; procurement to payment; and hire to retire.

Dwight Miller stated they also agreed upon these desired levels of segregation of duties and anti-fraud control elements that are needed for effective segregation of duties for each business cycle. Diagnostic queries have been run against the Oracle access and the Oracle user access to align the segregation of duties as part of the anti-fraud program. His team has also completed the following: detected and disabled several consultant accounts that had production access and ability to create, approve and post general journal entries; detected the journal entries are not limiting re-assignment; and captured the current list of authorized approvers and journal entry limits. Management is reviewing the list at this time. Captured a list all the defined journal entry sources or those that are creating journal entries and who should be creating entries, also under management review.

Detected that the application developer allows inadvertent ability to create and approve and post journal entries. They are testing to remove those capabilities. Detect and disable payable responsibility assignments to other PWC staff members who do not need this access to be able to make payments.

The approvals for ACH wire payments also allow access to cutting checks. This is being reviewed by management also.

The estimated completion time for this deficiency was May 31, 2015. Dwight Miller stated he expects for this deficiency to be completed by February 2015, ahead of projection.

Clarify Recommendation to Local Delegation Regarding Fire Flow

Chairman Lallier stated during the Special Commission Meeting on January 6, 2015, his initial recommendation was to include language that Fayetteville PWC is responsible for providing sufficient water pressure to provide a fire flow minimum of 500 gallons per minute in all areas it plans to install water utilities within the city limits. Discussion ensued during the January 6, 2015 Special Meeting and the Commission came to a consensus that the following language would be recommended.

“Fayetteville PWC is responsible for providing sufficient water pressure as called for by the fire code that provides these guidelines in all areas it plans to install water utilities within city limits.”

Chairman Lallier stated incorrect information has been given to the Home Builders Association and subsequently forwarded to the Chief Major. Chairman Lallier will draft a letter to clarify PWC’s position on our recommended changes with the Commission’s approval.

Mr. Blanchard also stated in the existing charter there is no requirement for fire (as it relates to PWC). Specifying in the charter gives the city assurance PWC will design systems for that purpose.

Discuss the NavIgate Review and LGC Correspondence

Chairman Lallier distributed documentation detailing the NavIgate review and correspondence to and from the LGC. Michael Lallier gave an overview of the issues that led to the Commission seeking an audit of the NavIgate project.

The LGC gave official notification that PWC's request to audit the NavIgate project was approved.

On Friday, January 23rd, the review of the NavIgate Project began. On Monday, January 26th, the LGC sent correspondence to PWC stating the City has issues with PWC's authority to conduct the audit and invoices will not be paid or approved until issues are resolved. Commissioner Lallier stated by the time we received the correspondence from the LGC 85 percent of the review was completed. He also restated PWC sought and received approval in regards to the review before the auditor was engaged. Discussion ensued.

General Manager's Report

Mr. Blanchard stated that for the 10th time PWC will be recognized by United Way of NC and receive the Spirit of North Carolina Award. PWC had a very successful United Way Campaign this year. He stated PWC exceeded our goal and 94% of employees participated. PWC raised over \$116,000 and had 35 Marquis Members (employees who contribute \$1,000 or more).

Reports and Information: The Commission acknowledges receipt of the following reports and information:

- A. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - ENCR#17978 – Water Main & Fire Hydrant – SR1593 (Hoke Loop Rd)
- B. Actions by City Council during meeting of January 12, 2015, related to PWC:
 - Approved the following Bid Recommendations:
 - Purchase of Tubular Galvanized Poles
 - Purchase of Bus Breakers and Feeder Breakers
 - Fleet Maintenance Wash Bay Improvements
 - Council moved to Confirm Assessment Roll for Phase 5 Annexation Areas 12 and 13
- C. Financial Statement Recaps for:
 - July 2014
 - August 2014
 - September 2014
 - October 2014

Closed Session as allowed under N.C. General Statutes 143-318.11(a)(3) for Legal Matters

Chairman Lallier entertained a motion to go into closed session for legal matters as allowed under N.C. General Statutes 143-318.11(a)(3).

Upon motion made by Commissioner Rogers and seconded by Commissioner Greene, the Commission unanimously voted to go into closed session at 9:36 a.m. as allowed under N.C. General Statutes 143-318.11(a)(3) for legal matters to discuss PWC's Petition for Declaratory Rulings.

Following discussion on legal matters, upon motion made by Commissioner Fowler and seconded by Commissioner Rogers, the Commission voted to return to open session at 10:35 a.m.

There being no further business, upon motion by Commissioner Fowler, seconded by Commissioner Rogers and unanimously approved, the meeting was adjourned at 10:35 a.m.