

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, APRIL 22, 2015
8:30 A.M.

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

Others Present: Steve Blanchard, Interim CEO/General Manager
Karen McDonald, City Attorney
Kristoff Bauer, Deputy City Manager
Glenn Adams, County Liaison
PWC Staff

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

Chairman Lallier called the meeting of April 22, 2015, to order. Chairman Lallier acknowledged Commissioner Fowler is attending the meeting via telephone.

Approval of Agenda

Commissioner Rogers requested for an addendum to be added to the agenda as Item IV - Request to Approve FY2016 PWC Budget Ordinance and move the Manager's Comments to IV-B.

Upon motion by Commissioner Rogers, seconded by Commissioner Greene, the agenda was unanimously approved as amended.

Consent Items

Upon motion by Commissioner Rogers, seconded by Commissioner Greene, the following Consent Items were unanimously approved.

- A. Approve Minutes of meeting of April 8, 2015
- B. Approve bid recommendation to award bid for purchase of Tubular Galvanized Steel Poles for Country Club Drive and Langdon Street, with option to purchase additional quantities, within a one-year period upon the agreement of both parties to Valmont Newmark, Tulsa, OK, the lowest bidder, in the total amount of \$279,186.00 and forward to City Council for approval.

Please see spreadsheet below, indicating the inventory number, pole size and class, last purchase price and current bid price. With the exception of the custom pole listed, these poles are regularly stocked inventory items that will be charged to the projects as the work is performed. This is part of the annual sub-transmission pole replacement project listed in the 2015 CIP as EL33.

BiddersTotal Cost

Valmont Newmark, Tulsa, OK	\$279,186.00
Transamerican Power Products, Houston, TX	\$279,552.00
WESCO Distribution, Raleigh, NC	\$288,943.00
Trinity Meyer, Memphis, TN	\$313,850.00
ROHN Products, Peoria, IL	\$384,300.00

INVENTORY NO.	POLE SIZE/CLASS	QUANTITY	LAST PURCHASE PRICE	CURRENT BID PRICE
1-220-660	75', CLASS 4.2	38	\$3,806.50	\$3,721.00
1-220-670	80', CLASS 4.2	26	\$4,080.00	\$3,918.00
1-220-680	85', CLASS 4.9	1	\$4,556.00	\$4,570.00
1-220-667	75', CLASS 5.7	5	\$4,471.00	\$4,383.00
1-220-685	85', CLASS 5.7	1	\$5,918.00	\$4,854.00
CUSTOM POLE - NOT INVENTORY	75', CLASS 6.5	1	N/A	\$4,581.00

- C. Approve recommendation to award the contract for the purchase of approximately 65,000 gallons of Magnesium Hydroxide over a one-year period (with the option to extend contract for additional one-year period upon the agreement of both parties) to Premier Magnesia, West Conshohocken, PA, and forward to City Council for approval.

BiddersTotal Cost

Premier Magnesia, West Conshohocken, PA	\$136,500.00
Garrison Minerals, Denver, CO	\$108,062.50

Comments: Bids were solicited from six (6) bidders with two (2) bidders responding. FPWC is currently paying \$2.10 per gallon and the recommended bid price is the same at \$2.10. Please see additional comments below supporting selection of the recommended bidder.

Justification for Recommendation of Premier Magnesia

A key to the Magnesium Hydroxide's effectiveness is the amount of pounds of alkalinity available per gallon of chemical. After comparing the costs/gallon vs. pounds of alkalinity/gallon of the two bidders it has been determined the Garrison Minerals product is approximately 21% cheaper per gallon yet it provides 24% less alkalinity per gallon. This means we will need to feed the Garrison Minerals product at a higher dosage rate in order to equal the available alkalinity in Premier Magnesia's product. As a result, the per gallon savings will be negated by having to use more product.

- D. Approve Amendment to Eastover/NORCRESS Interlocal Sanitary Sewer Agreement that allocates existing gravity sewer capacity to NORCRESS for economic development purposes to support the operation of Kansas City Sausage in Sampson County.

Request from the Fayetteville Housing Authority for Financial and In Kind Services Support for the Grove View Terrace Project

Presented by: Mark Brown, Senior Customer Programs Officer

Mark Brown, Senior Customer Programs Officer presented a request from the Fayetteville Housing Authority for Financial and In Kind Services Support for the Grove View Terrace Project.

Mr. Brown stated the Fayetteville Housing Authority has asked PWC for cash contribution up to \$344,000.00 which will be dedicated to utility infrastructure. The Authority is pursuing a grant and if it is received, the cash contribution from PWC will be reduced. They have also requested for PWC to install the electric underground infrastructure and the street light infrastructure at no cost to the project and to waive the facility investment fees. Mr. Brown stated, this project is in Tier 1 Economic Development and if it were a normal development we would waive the fees anyway.

Commissioner Rogers asked for clarification on the significance of Tier 1 Economic Development to this project. Mr. Brown replied, there are areas of the city that are inside infill development and if new development comes into those areas, we have an economic development policy which states we will not charge development because the infrastructure is already there.

Mr. Brown stated PWC's contribution to this project would be approximately 1.7 million dollars, which include estimated infrastructure costs and FIF fees.

Mr. Blanchard stated the only thing that is different from this project than typical projects is the cash contribution, which will be dedicated to infrastructure. He went on to say, normally in construction, the water and sewer is installed and paid by the developer and given to PWC to own and operate. In this project, PWC will contribute up to \$344,000 toward the infrastructure costs, which will be much more. Discussion ensued.

Following discussion, Commissioner Greene motioned for PWC to fund the Grove Street Terrace project as presented up to \$344,000 cash contribution, motion was seconded by Commissioner Rogers and was unanimously approved.

Request to approve the FY2016 PWC Budget Ordinance as presented and authorize staff to forward the Budget Ordinance to City Council for adoption in their budget. FY2016 Budget Ordinance is attached.

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

Chairman Lallier thanked staff for the budget presentation on April 21st. He asked Mr. Miller to comment on current REPS reserves. Mr. Miller stated as of mid-April REPS reserves is \$6.9 million, some are committed this year for LED lights and purchasing REPS credits. Discussion ensued.

Mr. Miller also stated the Rate Stabilization Fund is projected to be \$30 million by the end of FY2016 and the Water/Wastewater Rate Stabilization fund is projected to be \$6 million by the end of FY2016.

Mr. Blanchard presented highlights of adjustments to the budget based on the Operating Budget discussion of April 21st. The Electric Fund transfer to the City was reduced by \$355,400; personnel services were increased in the Electric Fund by \$436,800; which decreased an appropriation to the net position in the Electric Fund by \$81,400; for the Water/Wastewater Fund, an addition of \$436,800 appropriation from the net position to

cover personnel services. Discussion ensued. Pursuant to discussion, an additional \$385,200 will be appropriated from net position in the Water/Wastewater Fund.

Commissioner Greene motioned for the Budget Ordinance (see page _____ of the Minutes) to be approved, eliminating the \$385,200 transfer from the City of Fayetteville, adjusting the budget appropriations from the W/WW Fund and accompanying the Budget Ordinance with a letter of explanation as to the assumptions. The motion was seconded by Commissioner Rogers and unanimously approved.

Commissioner Rogers thanked staff and the entire team for their efforts in preparing the budget and also requested for future budgets to be submitted with the following information:

- The key assumptions that went into the development of the budget
- The principal risks identified by management
- A discussion of the key trends in financial performance and reasons why numbers are falling or rising.

Discussion ensued.

General Manager Report

Steve Blanchard announced PWC employees will participate in the Dogwood Festival this weekend in downtown Fayetteville.

Mr. Blanchard also requested for Dwight Miller to give an update to the Commission regarding WAM/EBS Deficiency Issues.

Mr. Miller stated he gave a presentation to Council on April 13th regarding PWC's Progress on resolving WAM/EBS Deficiency Issues. The segregation of duties deficiency is complete, other than the periodic access review. His team will test to ensure everything is in place in May and in June. He stated they will ensure the segregation of duties is in order.

Mr. Miller stated the WAM is somewhat more difficult to process through. He stated the team is 98% complete in running the maintenance work orders through production. There are more than 7,000 work orders in this group. The team is also working on capital work orders. By May 15th, 50% of the capital work orders should be complete and by June 15th, 100% should be complete. Mr. Miller stated to-date there are no issues with the system or how the system processes these work orders. There has been human error in processing them and in how the work orders have been put together. Discussion ensued. Pursuant to discussion, Chairman Lallier requested acknowledgement from Scott McKay, Cherry Bekaert confirming our progress with resolving the deficiency issues.

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

Monthly Cash Flow Report

➤ February 2015

➤ March 2015

Recap of Uncollectible Accounts

➤ December 2014

➤ January 2015

Investment Report for March 2015

Position Vacancies

Actions by City Council during meeting of April 7, 2015, related to PWC:

➤ Consensus of Council was to direct staff to stand up the capability for purchasing in-house.

Actions by City Council during the meeting of April 13, 2015, related to PWC:

➤ Approved Reserve Fund Amendment 2015-2 and Capital Project Ordinance 2015-20 to fund Phase V Annexation Areas 18-19 Water and Sewer Installations

➤ Approved Butler-Warner Generation Plant Heater Recovery Steam Generator (HRSG) Life Extension Project

➤ Approved Outfall Rehabilitation – US301 to Research Drive Project

➤ Approved PWC-Phase 5 Annexation Areas 14 and 15 Resolution Declaring Cost

There being no further business, upon motion by Commissioner Rogers, seconded by Commissioner Greene and unanimously approved, the meeting was adjourned at 9:24 a.m.