

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, JULY 23, 2014  
8:30 A.M.

Present: Michael G. Lallier, Chairman  
Wick Smith, Vice Chairman  
Lynne B. Greene, Secretary  
Darsweil L. Rogers, Treasurer

Others Present: Steve Blanchard, CEO/General Manager  
Karen McDonald, City Attorney  
Kristoff Bauer, Deputy City Manager  
PWC Staff  
Media

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

Prior to calling the meeting to order, Chairman Lallier asked for a moment of silence for Donna and Ricky Lopes on the death of their son, Justin Lopes. Donna Lopes is PWC's Budget Manager. Chairman Lallier noted that Justin had previously interned at PWC as part of our summer intern program for college students.

Chairman Lallier called the meeting of July 23, 2014 to order.

Approval of Agenda.

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

Consent Items

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

A. Minutes of meeting of July 9, 2014.

- B. Bid recommendation to award contract for the Rockfish Creek Water Reclamation Facility Aeration Improvements to T.A. Loving Company, Goldsboro, NC, the lowest responsive, responsible bidder in the total amount of \$5,729,000.00 and forward to City Council for approval. This project is a budgeted item (CIP WS 56 FY 2015 - \$5,658,400 and FY 2016 - \$629,000 for a total of \$6,287,400. Contract completion is expected in FY 2016). Bids were received June 26, 2014 as follows:

| <u>Bidders</u>                              | <u>Total Cost</u> |
|---|-------------------|
| T.A. Loving Company, Goldsboro, NC          | \$5,729,000.00    |
| M.B. Kahn Construction, Columbia, SC        | \$6,519,100.00    |
| Crowder Construction Co., Apex, NC          | \$6,882,000.00    |
| State Utility Contractors, Inc., Monroe, NC | \$7,111,000.00    |
| Wharton-Smith, Inc., Sanford, FL            | \$7,214,000.00    |
| Haren Construction Co., Inc., Etowah, TN    | \$7,253,000.00    |

PWC Series 2014 Revenue Bonds

Dwight Miller, Chief Finance Officer reported on this item. For the record, Mr. Miller read PWC Resolution 2014.05 as follows: *“Resolution Approving And Agreeing To The Terms Of A Bond Order Authorizing The Issuance Of Public Works Commission Revenue Bonds, Series 2014 By The City Of Fayetteville, North Carolina, Requesting That The City Council Of Said City Adopt Such Bond Order And Taking Certain Other Actions In Connection With Such Bonds.”* Mr. Miller highlighted information regarding the Series 2014 Bonds. He stated the Resolution stated the Bonds will not exceed \$125,000,000. The bonds will be 25 year bonds and will completely mature in 2039. Mr. Miller stated the bonds will be Serial and Term Bonds, with the majority being Serial Bonds. The Commission was informed that the bonds are excludable from Federal Income Taxes, with the sale of the bonds being by competitive bid, with an expected interest rate of less than 4% all-in TIC (True Interest Cost). Mr. Miller commented PWC’s current bond rating with Moody’s is Aa2/Stable and Standard & Poor’s AA/Stable. He stated for the Series 2014 Revenue Bonds PWC will seek ratings from Moody’s, Standard & Poor’s and Fitch. Meetings with these bond agencies are scheduled for August 6<sup>th</sup> and PWC should receive the ratings on August 12<sup>th</sup>. He stated the City Council will consider approval of the Bond Order during their work session of August

4<sup>th</sup> and the Local Government Commission (LGC) approval is expected on August 5<sup>th</sup>. The Preliminary Official Statement (POS) will be published on August 13<sup>th</sup>, with the Bond Sale scheduled for August 26<sup>th</sup>. Bids will be received until 11:00 a.m. on August 26<sup>th</sup>. He stated the bond closing is set for September 11<sup>th</sup>. Mr. Miller said the 2014 bonds are secured by the net revenues of the system, therefore there are no tax dollars that comes to revenue bonds to help pay. He said the revenues of PWC guarantee these bonds. Mr. Miller discussed the rate covenant contained in the Bond Order. It states PWC to fix rates and fees to be charged to its customers for water, wastewater and electric service and to maintain a Debt Service Coverage Ratio of not less than 110%, a General Obligation (GO) System Debt Service Coverage Ratio of not less than 100% and the Subordinated Indebtedness Debt Service Coverage Ratio of not less than 100%. Mr. Miller presented information to the Commission outlining the debt service coverage ratio.

Mr. Miller highlighted the water and wastewater capital improvement plan. He stated PWC currently anticipates the issuance of approximately \$176 million of debt over the next six years for the water and wastewater funds. He stated this information is outlined in PWC's Capital Improvement Plan (CIP). Mr. Miller discussed in detail the outstanding debt associated with the water and wastewater fund. He stated of the Commission's \$174 million of outstanding debt, approximately \$162 million is attributable to the water and wastewater fund. The water and wastewater fund debt fully matures in 2036. As it relates to the electric system capital improvement plan, Mr. Miller stated PWC anticipates issuing approximately \$65 million over the next six years. This amount includes the electric meters and the LED lighting. He noted of the \$174 million of outstanding debt, \$11.8 million is attributable to the electric fund and the electric fund debt fully matures in 2024.

Mr. Miller provided a breakdown of the uses of funds for the Series 2014 Revenue Bonds which include the annexation fund, other water/sanitary sewer fund and electric fund, as well as the capitalized interest fund, cost of issuance, Underwriter's discount and additional proceeds. Mr. Miller explained the cost of issuance for these bonds and stated by going to a competitive bid instead of negotiated bid, PWC can save money on the cost of issuance of the bonds. Considerable discussion followed surrounding all the factors associated with the issuance of the Series 2014 Revenue Bond, including the debt service structure and the capital projects to be funded with these bonds. Mr. Miller and Mr. Blanchard responded to questions from the Commission.

Following Mr. Miller's presentation, he recommended the Commission adopt Resolution PWC2014.05 and request City Council adopt the Series 2014 Bond Order at their August 4, 2014 meeting. Mr. Miller noted the aggregate principal amount of the bonds will not exceed \$125,000,000 for the purpose of providing funds for the construction of various capital projects to include (1) extension of water and sanitary sewer mains and lines to the various annexed areas of the City, (2) extension, rehabilitation and replacement of water and sanitary sewer mains, lines and manholes, (3) improvements and upgrades to sanitary sewer collection and treatment facilities, (4) improvements and upgrades to the water distribution and treatment facilities, (5) replacement of electric and water meters with advanced smart meters and (6) replacement of streetlights with energy efficient LED lighting.

Upon motion by Commissioner Rogers, seconded by Commissioner Smith, the Commission unanimously approved to adopt Resolution PWC 2014.05 "Resolution Approving And Agreeing To The Terms Of A Bond Order Authorizing The Issuance Of Public Works Commission Revenue Bonds, Series 2014 By The City Of Fayetteville, North Carolina, Requesting That The City Council Of Said City Adopt Such Bond Order And Taking Certain Other Actions In Connection With Such Bonds" and request the City Council adopt the Series 2014 Bond Order. (See Resolution PWC2014.05 on Page \_\_\_\_\_ of the minutes)

*Presentation on PWC's Comprehensive Emergency Management Plan (CEMP)*

Ike Copeland, Legal Services Manager updated the Commission on PWC's Comprehensive Emergency Management Plan (CEMP). Prior to starting his presentation, Mr. Copeland invited the Commissioners to visit PWC's remodeled Emergency Operations Center (EOC) room.

Mr. Copeland stated the purpose of the emergency management plan is to provide a systematic way of handling unplanned events. He stated no one knows exactly how emergencies will impact you and the CEMP gives us the framework to respond to emergencies. Mr. Copeland stated some typical emergencies that PWC has responded to in the past included hurricanes, fires, ice storms, water main breaks, etc., however, in the new age of technology, some new threats we face are cyber risk, internet threats, Facebook, Twitter and disgruntled customers. He stated PWC has addressed all these issues in our

specific response plans. Mr. Copeland stated the four parts to PWC's emergency management program include: prevention, preparedness, response and recovery. He discussed steps PWC has taken to help prevent exposure to some of these emergencies. Mr. Copeland commented the preparedness aspect of the program includes regular training for all employees, to include tabletop exercises for the management group and debriefings. He stated these areas (prevention, preparedness, responses and recovery) are outlined in the CEMP and the individual position notebooks that are given to key personnel. The vulnerability rating chart for emergencies was also reviewed. Mr. Copeland mentioned other factors that are key to PWC's emergency management program such as communications. He stated PWC proactively communicates with the local fire department, police and various regulatory agencies and the Local Emergency Planning Committee (LEPC), which meets quarterly at PWC, in order to share with these agencies what PWC is doing that could impact them. Mr. Copeland also noted PWC stays in contact with the Federal Emergency Management Agency (FEMA) and submits proper filings to get FEMA reimbursement where it is a declared incident.

Mr. Copeland commented the CEMP allows PWC staff a level of confidence that if something happens we will be prepared. Chairman Lallier thanked Mr. Copeland for updating the Commission on PWC's emergency management program.

#### General Manager Report

- Informed the Commission that he received a summons to report for Jury Duty on July 28, 2014.

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

- A. Monthly Incident Summary for June 2014
- B. Position Vacancies
- C. Approved N.C. Department of Transportation Encroachment Agreement(s):
  - Encr. #17467 ó installation of underground electrical facilities and overhead guy wires ó US Highway 301 (north of NC Hwy 24 ó Grove Street)
  - Encr. #17673 ó water main installation ó US 401 Bypass (Skibo Rd)

- Encr. #17799 ó water main installation ó SR 1003 (Camden Rd) & SR 3039 (Wipperwill Dr.)
- Encr. #17800 ó water main and force main installation ó SR 1113 (Waldos Beach Rd)

D. Approved Utility Extension Agreement(s):

- The Shoppes at Park Place, LLC ó water and sewer utilities to serve The Shoppes at Park Place
- Hutton Growth, LLC ó electric, water and sewer utilities to serve Patriot 14 Theater
- Floyd Properties and Development, Inc. ó water utilities to serve Westhaven Subdivision

Comments:

- Commissioner Smith: Inquired if the proposed chicken plant (Sanderson Farms) would be a PWC water customer and if so, could PWC handle the capacity. Mark Brown, Sr. Customer Programs Officer said they would be a PWC water customer. Mick Noland, Chief Operations Officer-Water Resources commented that PWC could handle the water capacity from this proposed chicken plant.

There being no further business, upon motion by Commissioner Greene, seconded by Commissioner Rogers and unanimously approved, the meeting was adjourned at 10:15 a.m.