

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, APRIL 12, 2017  
8:30 A.M.

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

Others Present: David Trego, CEO/General Manager  
Jay Reinstein, Assistant City Manager  
Jeffrey Bradford, Assistant City Attorney  
PWC Staff

Absent: Karen McDonald, City Attorney  
Melissa Adams, Hope Mills Town Manager  
Jim Arp, City Council Liaison  
Michael Boose, County Liaison  
Media

CALL TO ORDER

Chairwoman Shaw called the meeting of Wednesday, April 12, 2017, to order.

APPROVAL OF AGENDA

Upon motion by Commissioner Fowler and seconded by Commissioner Huff, the agenda was amended by reversing the following:

- IV. COMMISSION DISCUSSION – PHASE V PAVING POLICY
- V. GENERAL MANAGER REPORT

TO

- IV. GENERAL MANAGER REPORT
- V. COMMISSION DISCUSSION – PHASE V PAVING POLICY

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

## CONSENT ITEMS

Upon motion by Commissioner Huff and seconded by Commissioner Fowler the Consent Items were unanimously approved.

A. Approve Minutes of meeting of March 22, 2017

END OF CONSENT

## PRESENTATION ON OUTSOURCING OF FLEET PARTS OPERATIONS

*Presented by: Susan Fritzen, Chief Corporate Services Officer*

Ms. Susan Fritzen, Chief Corporate Services Officer stated she began oversight of Fleet Operations in 2012. She stated goals were set for the Operations. They include reduction of costs; improve shop efficiency, by reducing parts purchasing and reduction of parts delivery time. She stated staff is endeavoring to improve shop efficiency. We have approximately 2000 pieces of vehicles and equipment we maintain for PWC and the City. Delivery time of parts is a huge hold-up to getting vehicles back on the road. Some of the larger vehicles (fire trucks and bucket trucks) are the most difficult in regards to purchasing parts as we cannot purchase directly. These issues have a big impact in getting the vehicles back in service, as well as the productivity rate of the techs. Improving these issues improves customer service for PWC, our internal customers and the City of Fayetteville, our customers.

Ms. Fritzen stated she began in 2013 by researching industry Best Practices and benchmarking other utilities. She stated some utilities and municipalities have been slow to start on this. But the trend in the government fleet is going toward this. They have found the efficiencies and the savings are there.

Ms. Fritzen stated in December 2016 PWC released a RFP for Onsite Parts Supply and Management. Prior to accepting bids, Purchasing conducted two pre-bid meetings as well as walk-throughs of the Fleet Building and Parts sections so vendors could see our operations. Commissioner Fowler verified the vendors that were going to bid were able to come in and witness the operations. Mr. Fritzen confirmed yes. She stated pre-bid tours are done when it is a larger project. We gave lists of the parts we have in stock and what we have been using; vendors were able to see the area and how the building is laid out.

Once the proposals were received there was a team to evaluate them. There were 13 different items to review on the proposals. Ms. Fritzen stated the recommended vendor had some specific points which came in head and shoulders above the others. She pointed out areas in which this vendor scored highly. She stated the completeness and quality of the submittal is the avenue we have to hold the selected vendor to the contract.

She thanked Jay Reinstein, Assistant City Manager, for participating on the review team. Each member individually scored the proposals and Purchasing compiled the scores into a summary matrix. She stated she understands the scores were very similar.

Ms. Fritzen stated reference checks were then performed. They brought in the highest scoring vendor and had time to clarify any questions; reiterate PWC's strong points.

Ms. Fritzen stated the team recommends Mancon, LLC, as PWC's Fleet Onsite Parts Supply and Management Vendor.

She detailed PWC's existing costs in years 2015 thru 2017 (2017 is the budgeted cost):

PARTS

FY2015 - \$ 3.6 Million

FY2016 - \$ 3.8 Million

FY2017 - \$ 3.8 Million (budgeted)

LABOR COSTS

6 Staff - \$ 369,178 salaries & benefits

She also detailed the Proposed Plan - Year 1 Costs

PARTS

Expected Costs: \$ 2.5 Million

(Actual cost with 0% markup)

ADMINISTRATION

Labor Costs (6 staff) \$ 341,855

Non-labor Costs: \$ 149,057

\$ 490,912

Commissioner Huff asked "where was the vendor's income in the above figures"? Ms. Fritzen stated the administration costs are within the \$490,912 figure. More discussion ensued. She stated the projected annual savings are \$1.12 Million or 27%. She stated savings to be split between City and PWC based on actual parts ordered. Mr. Trego stated the selected vendor had a list of the parts we purchased in a year and they matched what they would pay for the same parts. Ms. Fritzen stated Mancon offered to purchase our existing parts and some of the other items within the Parts Department.

Cost Benefits

The cost benefits include lower labor costs. They will have a supervisor managing their people and PWC will have one person in our Fleet Operations that will deal with the parts vendor. She elaborated on material costs; inventory holding costs; unusable material disposal and material obsolescence cost avoidance.

The impacts are:

Local Spend:

The vendor will buy locally (as much as possible). They will maintain metrics in place that we will agree on to ensure parts are in house in an acceptable time. They will hire locally as well as offer PWC employees to work for them. Their management is in Virginia Beach, yet they will be here (onsite) on a regular basis.

#### PWC 6 parts positions:

We work to ensure employees have the opportunity for other positions within PWC. One employee will be retained to coordinate with the vendor. Three employees have filled open positions within PWC. One employee is retiring and one employee remains.

#### Contract Conditions:

Ms. Fritzen stated this is a one year contract with the option of four additional 1-year terms. She stated PWC will baseline from the day we begin working with the new vendor to measure cost savings and other metrics. PWC can have the vendor to prioritize using local vendors. There are quality and warranty conditions, which we will set parameters around. PWC will have the ability to cancel or re-negotiate to scale down for PWC fleet only if needed. Ms. Fritzen stated there will be weekly meetings with the local staff as well as monthly or quarterly meetings with executives.

#### Next Steps

Ms. Fritzen stated staff is requesting for the Commission to approve the recommendation to award the Parts Supply and Management Operation to Mancon, LLC. She stated staff is also requesting Commission to authorize the General Manager to execute the contract for \$490,912 (Parts costs estimated to be \$2.5 Million/yr. to be billed monthly) for Year 1 and send to City Council for approval.

Commissioner Huff inquired about the number of finalists. Ms. Fritzen responded we only received two proposals. He also asked if staff was able to confirm the difference in cost savings between Mancon and the other vendor. Ms. Fritzen stated they could not determine the cost savings between the two different vendors because the other vendor's proposal was very vague.

Commission Huff also asked if Mancon and the other vendor priced specific parts. Gloria Wrench, Procurement Manager, responded the other company did price specific parts but their admin fee was built into their price.

Commissioner Huff asked if Mancon is the selected vendor will they purchase parts from the other vendor. Susan Fritzen stated Mancon certainly can and there is nothing preventing them from doing so. Mr. Trego stated the other vendor is one of Mancon's national accounts. Discussion ensued.

Jay Reinstein stated it was night and day between the two proposals. He stated he spent a lot of time reading both. There was really no comparison.

Mr. Trego stated staff completed their due diligence knowing it is the Commission's desire in doing as much as we can locally. He stated though he was not a part of the evaluation team, he also looked at the proposals.

Mr. Trego stated the other vendor came into PWC to check on the status of the project. Ms. Wrench informed them they were not the selected vendor and provided feedback to them.

Commissioner Fowler stated it is incumbent on us (PWC) to let our local vendors know what the proposals need to look like if they want a chance to win a bid. It is also incumbent on the vendor to check with PWC to find out what it needs to look like if they want the opportunity to win a bid. Additional discussion ensued.

Commissioner Shaw asked what is the straight value Mancon will pay PWC for the parts inventory we have in-stock. Ms. Fritzen stated it will be up to \$300,000. Once the contract is finalized it will be determined if it is a credit or direct payment.

Commissioner Shaw also asked what insurance risks are involved. Ike Copeland responded it will be part of the contract negotiations. Typically we will require them to have a statutory workers' compensation; coverage on their activities while they are in our shop (for liability). There are standard insurance policies that will cover this and then we will customize them for the additional exposures. We will analyze what the exposures are and either transfer those risks through the contract or require for them to purchase insurance for the coverage.

Commissioner Fowler motioned to approve the recommendation of staff to outsource the parts supply to Mancon, LLC and send to City Council for approval. Motion was seconded by Commissioner Rogers and unanimously approved.

## GENERAL MANAGER REPORT

### CAPE FEAR RIVER ARTICLE

Mr. Trego noted an article in the paper regarding the Cape Fear River which stated it is an endangered river. He asked Mick Noland to provide his perspective of the article. Mr. Noland stated, as it is with any big issue there are always three to four sides to what is causing the problem. Mr. Noland stated to some extent he believes animal factories are contributing to contamination into the Cape Fear River (at times other than during floods). He stated it is also accurate that large municipalities generate a lot of pollution with the runoff from urban areas. He stated there is a lot of finger pointing. Another category is wastewater treatment plants like PWC's that are very easy to target. Yet, we produce a high quality affluent. It is very expensive for municipalities to retrofit an area to put in systems that do more than just detain the surface water runoff so that it slowly bleeds into the system instead of running through. He mentioned Person Street as an example. This type of project is very expensive

Mr. Noland noted another comment from the newspaper which stated during floods, the animal waste facilities contribute a lot of waste to the rivers if they are flooded. It was contended that they did not have that many problems during the flood, yet PWC did. We

discharged millions of gallons of untreated wastewater during the flood. Yet, we were able to get back into compliance very quickly. He stated here was no way we could have contained all of the water to prevent any overflow during the flood. It was well in excess of a 100 year flood. He stated neither the City, nor PWC can afford to build something that can stand up to a 500 year flood.

Mick Noland stated the USGS has completed studies to determine what is going on at these sites during non-flood conditions. He stated it is more important to determine what is getting into the river when the flood levels are low. The USGS produced a report that shows there was some effect from animal operations. They are using the same fields year after year to put the highly concentrated waste on. There have very effective lobbyist and agriculturist are very effective in North Carolina.

Mr. Noland also commented on Jordan Lake. He stated rules were passed to try to attempt to get municipalities to better control and treat storm water runoff. But the legislature blocked them.

He stated the water quality monitoring we do in the Cape Fear River shows that it is in pretty good shape. It can become stressed in low flow conditions and in rather hot weather.

Mr. Trego stated the low flow conditions go back to the IBT Issue and PWC being involved in making sure there is enough water in the Cape Fear River because it has an impact. More discussion ensued.

Mr. Noland stated we have the Cape River Assembly who tries to advocates for keeping the river clean, but it is not a very robust operation.

## DUKE ENERGY

Mr. Trego stated he and several other Commissioners attended a Duke Energy meeting. He said there were a couple slides in their presentation that he wanted to share with the entire Commission.

Mr. Trego stated Duke's average peak demand is flat. They are not anticipating a lot of growth. Though customers are being added in NC, they are seeing institutional conservation.

He stated their energy sales are also flat with 1% to 0% growth. Mr. Trego stated institutional conservation is the reason for the slow growth in sales also. He mentioned we are seeing this trend across the country because of the higher energy efficiency standards of a lot of equipment.

Mr. Trego also discussed Duke's Energy Mix. He stated some of their purchases are inter-company purchases. He noted in the winter, renewables are only 2%. In the summer it is 7% and 10%. The difference is due to the lower sun levels in the winter and the higher sun levels in the summer. Mr. Trego also stated for planning purposes, both PWC and Duke are winter peaking utilities. Discussion ensued on heating strips and their effectiveness in the winter months.

He stated we will discuss during budget time the possibility of installing Community Solar. We will also consider installing batteries associated with our solar farm so we can store the energy and on the cold days when the peak is high, we can drain the battery and use the power at that time. It is not a technology Duke has used at its solar farms. He stated endorse because we know in the middle of the winter, it will not be sunny when we are at our maximum peak demand.

Mr. Trego also discussed Duke's demand rate. He reminded Commissioners PWC has two components to our rates (demand component and energy component). He stated the energy is the cost of the fuel to generate the electricity. The demand component is the cost to generate and delivery it to us. He stated Duke's demand rate is flat to declining. They are identifying they have some fixed lower O&M cost and A&G costs. These synergies are coming into place due to the merger. In 2019, they will have a new plant on line and the demand rate will go up slightly.

There is a very flat impact on energy rates. The driving factor on this is lower coal prices, lower nuclear fuel prices and lower natural gas prices. Mr. Trego stated PWC was able to get money back in our True-up from Duke in 2016 and we expect to receive money back in 2017. If natural gas prices go up, things may change. Part of Duke's assumption is, in the 2019-2020 timeframe, the Atlantic Coast Pipeline will be built and they will be able to utilize that gas here in NC. Duke projects a slight increase in their rates but it is relatively flat. Yet it is very much dependent on natural gas prices.

Mr. Trego stated PWC will get money back in the True-up and this was part of the justification for giving customers money back through the Wholesale Price Cost Adjustment. On their demand side there was a slight increase in what they estimated prices would be. On the energy side, natural gas prices came in less than they anticipated it would be. He stated PWC will net money back from Duke this year (June or July).

Commissioner Rogers asked does the fact we are a winter company have anything to do with the temperature being hot or colder. Mr. Trego responded it has more to do with the technology being more efficient in the summer time or in the winter time when we have back-up heat in the homes. Additional discussion ensued.

## BUILDING BUSINESS RALLY

Mr. Trego asked Carolyn Justice Hinson to expound on the results of the rally that was held on Thursday, April 6<sup>th</sup>. Ms. Justice Hinson stated twenty nine PWC Departments were represented at the rally with managers representing their respective areas. She also stated there were seven partner agencies in attendance (City of Fayetteville, Cumberland County, Cumberland County Schools, Fayetteville State University and more). The event was held from 4pm to 7pm and there was a continuous flow of vendors throughout.

There were one hundred (100) local vendors in attendance. She stated they surveyed the vendors in attendance. Of those in attendance, 90% were small businesses; 21% were DBE/HUB; and 20 were new registered vendors. Mark Cannady stated we had a variety of new supplier applications. They consisted of flooring, electrical supply and janitorial

services as well as framers. He stated we received the diversity we hoped for. Ms. Justice Hinson stated the Skills Lab was set up to allow the new vendors to submit applications while they were still on-site. We also received applications throughout the weekend.

Ms. Justice Hinson reviewed vendor feedback. Overall 75% stated their overall experience of the rally was excellent. Seventy six percent (76%) strongly agreed the information provided was beneficial to their business. Seventy three percent (73%) strongly agreed that the information provided helped to enhance their ability to do business with PWC.

Ms. Justice Hinson stated staff also provided feedback. They stated they identified new vendors that they were not aware of and anticipate being able to work with.

Staff responded to questions from Commissioners Rogers and Fowler regarding the vendor application process as well as replies to request for feedback from employees.

Commissioner Shaw stated the rally was great. She was pleased to see so many vendors come out. She was able to visit with staff and vendors. She stated she also spent time in the Skills Lab. She verified that the department heads have an updated list of vendors they can pick to buy from. She asked how we send the message to the department heads to use the new vendors. Mr. Cannady outlined the process the Procurement Department uses to ensure new vendors and local vendors are utilized.

Commissioner Rogers inquired about the metrics used to ensure we are sourcing local vendors. Discussion ensued on sourcing local vendors as well as setting a goal for utilizing local vendors.

#### COMMISSION DISCUSSION – PHASE V PAVING POLICY

Commissioner Fowler stated for the new areas in which we will do work, if we meet the City's ordinance regarding repaving and completing overlays, then we should also do it for Phase V. He stated he understands it will cost more money.

He stated the Charter is now updated and it clarifies PWC is an Authority. It still has in its description why PWC exists. It exists to serve the interests of the City of Fayetteville. Commissioner Fowler stated he believes it serves the interest of the City of Fayetteville to complete overlays and not lay patches which make it tougher for economic development. He believes the costs are not that obsessive that we cannot cover the costs. It is part of doing the utility project and it would be part of doing the utility project other than in Phase V. Again, he understands it may cause us to have to increase the rates somewhat.

Commissioner Fowler stated when he speaks to members of the community and asks them if they would prefer to have their streets overlaid and pay a slight increase in rates or have the streets patched and not impact their rates; he gets the overwhelming response to have the streets overlaid. He stated he believes for the remainder of Phase V we should accept the cost of the overlay. It is a way to serve the interest of the City and there is a way to do it without affecting the transfer to the City. He believes it will help us meet our objective which is clearly stated in our Charter.



Commissioner Huff commented he believes the people who have waited so long deserves a better street.

Mr. Trego stated for informational purposes with our existing process we go through, we bid the contract two ways. We bid it with the permanent patch and with the overlay. The City makes the decision to exercise the option to go with the patch or with the overlay. They send their engineer to the area and inspect the street. There have been times the City has made the decision to complete a patch and at other times they decide to complete an overlay. In the times that the City decides to complete the overlay, they only pay the incremental increase and PWC pays the remaining costs. PWC still participates in the cost of the overlay. For example, if it costs \$2M to do a permanent patch and \$3M to do an overlay. The City is only responsible for the incremental charge, which is less than the City would pay if they had to complete the overlay themselves. PWC is participating, though we are not paying 100% of it. We are contributing because we don't have to make a permanent patch, we can make a temporary patch and there is cost sharing when the overlay is decided by the City.

Commissioner Rogers clarified that if PWC decided we will do overlay, based on the conditions the City has decided they want, it is an increased cost to the City. Mr. Trego confirmed, yes. Commissioner Fowler stated it is only in Phase V. Mr. Trego confirmed new projects are under the new ordinance. Phase V was grandfathered. All new projects have to follow the City's new guidelines. Additional discussion ensued.

Commissioner Shaw asked how PWC will propose to address those areas that will not get the permanent patch completed. Commissioner Fowler stated if it is done, it is done. He stated we will go forward and attempt to improve it for our remaining customers. Discussion ensued.

Mr. Trego stated it is currently a \$7M difference in the patch and overlay, based on the most current bids. This is the amount PWC would absorb over the remaining areas.

Commissioner Fowler asked how would a \$7M impact affect the rates and for how long. Rhonda Haskins stated staff has not run the numbers. She stated part of the projects was financed. The costs are incorporated and pushed out farther. Once you raise the rates to the level of what you are spending in a year, the money is there. Yet there would be an additional amount to the future increases you have already seen due to other situations. Additional discussion ensued.

Commissioner Fowler motioned to seek to renegotiate the Phase V Agreement, such that the Utility (PWC) will pick up the overlays following the City of Fayetteville Paving Standards in place in 2008 for the remaining areas of Phase V going forward (areas after area 19) and send to City Council for approval. Motion was seconded by Commissioner Huff and unanimously approved.

*Comments by Commissioners*

Commissioner Huff stated the City Council believes the expense for the extensions in Shaw Heights should be borne by PWC. Mr. Trego stated the actual language of the resolution that was passed does not clearly state that. The earlier version did. Mr. Trego stated Council Member Mohn specifically mentioned in the work session that he wanted to have it in the resolution that PWC pay and that it be in the legislation. The final version of the resolution that was passed stated that PWC would extend sewer within the timeframe as it does in other areas of the city. Mr. Trego stated in other areas of the city, we follow our policy. The resolution as passed did not have what he had proposed. Discussion ensued.

## REPORTS AND INFORMATION

Commission acknowledges receipt of the following reports and information.

- A. Monthly Incident Summary – March 2017
- B. Purchase Orders – February 2017
- C. Position Vacancies
- D. Approved N.C. Department of Transportation Encroachment Agreement(s):
  - Encr# 18481 – temp. sewer byp. main and manhole covers @ SR 2311 & SR1411
  - Encr# 18482 – 6: RJDI fire line,; 4” SDR21 sanitary sewer lateral @ US401 (Ramsey St.)
  - Encr# 18484 – water main, water lateral, fire hydrant, gate valves and blow off on SR 4518 (Dulles Road)
  - Encr# 18268 – installation of electric utilities nr. SR1400 (Cliffdale Road)
- E. Approved Railroad Encroachment Agreement(s):
  - Encr# 18464 – pipeline crossing – Cliffdale and Skibo Rds.
- F. Actions by City Council during meeting of March 27, 2017, related to PWC:
  - Approved Bid Recommendation for a Forestry Track Loader

## ADJOURNMENT

There being no further discussion, upon motion by Commissioner Fowler, seconded by Commissioner Rogers and unanimously approved, the meeting was adjourned at 10:07 a.m.