

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, APRIL 11, 2018
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
Johnny Dawkins, City Council Liaison
Michael Boose, Cumberland County Liaison PWC Staff
Media

Absent: Melissa Adams, Hope Mills Town Manager/Liaison

REGULAR BUSINESS

Chairman Wade R. Fowler, Jr., called the meeting of Wednesday, April 11, 2018, to order.

APPROVAL OF AGENDA

Upon motion by Commissioner Huff and seconded by Commissioner Shaw, 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 March 28, 2018
- B. Approve bid recommendation to award bid for purchase of Tubular Steel Poles for the US 401 (Raeford Road) Widening Project – NCDOT Project U-4405 to Summit Utilities Structures, LLC, Allentown, PA, the lowest responsive, responsible bidder in the total amount of \$957,975.00 and forward to City Council for approval. The Tubular Steel Poles for the US 401 (Raeford Road) Widening Project – NCDOT Project U-4405 is budgeted in FY2018 CIP EL 54 - CPR100244 - NCDOT U4405 Raeford Road Widening. Sufficient funds are available for this purchase.

Bids were received on March 20, 2018, as follows:

<u>Bidders</u>	<u>Total Cost</u>
Summit Utility Structures, LLC, Allentown, PA	\$ 957,975.00
Sabre Industries, Fort Worth, TX	\$1,117,674.00
Trinity Steel Structures of America, Memphis, TN	\$1,165,357.00

Comments: Bids were requested from six (6) bidders with four (4) bidders responding. Valmont Industries, Valley, NE, submitted an alternate bid for concrete poles; however, their bid did not meet the bid specifications and was deemed non-responsive by staff. The purchase is necessary to support the relocation of transmission and distribution facilities along Raeford Road to accommodate the widening of Raeford Road from Hampton Oaks Drive to Fairway Drive. The lowest responsive, responsible bidder is recommended. **SDBE/Local Participation:** Summit Utilities Structures, LLC is not classified as a SDBE or minority owned business. There are no known local suppliers for these poles.

C. Capital Project Fund (CPF) Budget Ordinances

Staff requests approval of the following CPF budget ordinance amendments. Below is a summary explaining the purpose for each.

The following ordinances will be effective upon adoption:

- PWCORD2018-06 & 2018-07 amends the NCDOT Capital Project Fund to close out a completed project and to add additional projects expected to be under agreement with NCDOT over the near term.
- PWCORD2018-08 amends the Series 2016 Revenue Bond CPF to adjust bond proceeds within that fund to the actual value allocated to that fund.
- PWCORD2018-09 & 2018-10 amends the Annexation Areas 16 & 17 CPF to the final actual value and to close out this fund.
- PWCORD2018-11 amends the Annexation Reserve Fund for the actual value transferred to the Annexation Areas 16 & 17 CPF.

END OF CONSENT

FACILITY INVESTMENT FEE (FIF) UPDATE

Presented by: Rhonda Haskins, Interim Chief Financial Officer

Rhonda Haskins, Interim Chief Financial Officer provided an update on Facility Investment Fees. She gave a definition of FIF. It is a system development fee. It encompasses one-time charges assessed to new water and/or wastewater customers, or developers or builders, to recover a proportional share of capital costs incurred to provide service availability and capacity for new customers.

Ms. Haskins stated PWC began collecting FIFs in 1998 and uses FIFs for capital costs of capacity related water and wastewater projects. She stated in the past five years, the annual average collected is \$1.3 million.

NCGS 162A Article 8 was recently passed and signed into law July 20, 2017. It provides uniform authority to implement FIFs for public water and wastewater systems. The law states FIFs must be adopted in accordance with the conditions and limitations of Article 8, and those fees in effect as of October 1, 2017, must conform to the requirements set forth in the Article no later than July 1, 2018. They must be prepared by a financial professional or licensed professional engineer, qualified by experience and training or education.

Ms. Haskins stated Raftelis Financial Consultants, Inc. has been our consultant for FIFs since their conception. They are very experienced and have performed FIF calculations for utilities in NC and across the US since 1993. Up to this point we have followed what they refer to as the 'rational nexus test', which is supported by court cases. Because we have followed this model we don't have to change a lot of what we are doing. We are not impacted as much as some utilities are.

Ms. Haskins stated the requirements of the preparer are:

- ▶ Document in reasonable detail the facts and data used in the analysis and their sufficiency and reliability
- ▶ Employ generally accepted accounting, engineering, and planning methodologies, including the buy-in, incremental cost or marginal cost, and combined cost approaches for each service
- ▶ Document and demonstrate the reliable application of the methodologies to the facts and data
- ▶ Identify all assumptions and limiting conditions affecting the analysis and demonstrate that they do not materially undermine the reliability of conclusions reached
- ▶ Calculate a final fee per service unit and include an equivalency or conversion table for use in determining the fees applicable for various categories of demand. A service unit may be a meter; a home based on number of bedrooms; or a restaurant based on number of seats, etc. Our service unit has been the meter size since our inception. The fee is calculated on our smallest meter size, and then it is escalated up to the largest meter size based on some sort of equivalency or conversion table.
- ▶ Consider a planning horizon of not less than 10 and no more than 20 years.

Key Factors in Calculation:

- ▶ **Adjusted water/sewer assets**
 - Some assets excluded including contributions and assessments
 - Debt outstanding excluded

The biggest part of the calculation is the adjusted water/sewer assets. We take our records, the net book value of our assets and then they are adjusted to a current day replacement value. She stated that was the bulk of the time involved in the calculation because we exclude items we do not pay for, such as anything built or donated by the developer; any contribution or participation in a project, we back that out. In the case of annexation projects, we back out any participation we receive from the City. We also back-out all our debts outstanding because we have not paid for the assets yet.

She stated after you determine the adjusted water/sewer assets to be recovered. It is divided by our capacity in our plants. That gives you a dollar per gallon that is applied. Then you calculate the Gallons per Day.

- ▶ **Gallons per Day (GPD) per Equivalent Dwelling Unit (EDU)**
 - Uses standard residential customers for base FIF calculation for PWC. This is a ¾” water meter
 - Includes factors for peak usage/losses (water) and infiltration (wastewater)
- ▶ **Remaining meter sizes based on the relative meter capacity compared to ¾” meter**
 - For example a 1” meter has a capacity that is 157% greater than ¾” so FIF fee will be 157% greater

Ms. Haskins stated there are options. We have decided to scale our meters rather than using the AWWA guideline on typical meters.

Mr. Trego stated these last two areas are perhaps the two areas where there is discretion within the utility and obviously within the decision of the Commission of what method to use. We have chosen the philosophy of taking a look at our system and what we actually use. If you use the state average for consumption and the AWWA standards for meters, our calculated FIF fees would have been higher than we are actually calculating. He stated we feel we should not use some empirical data in a book that says what a ¾” meter uses, which encompasses an average of all meters. We considered the capacity of our meter. There was a lot of discussion with Raftelis. They are working with a lot of other utilities and having discussions using the same method. Mr. Trego went on to state that Raftelis calculated the fees all different ways. We have determined that the approach we are recommending is that we use our actual data to determine what the FIF fees are. Additional discussion ensued.

Commissioner Shaw asked how will the requirement to have all existing fees conform to the Article by July 1, 2018, impact PWC. Ms. Haskins replied as far as the way we administer and collect the fee, she does not see anything changing. She went on to state PWC does not require advanced payment of the fee. It is due at the point connection is made of the property. She stated the Commission has adopted the fee in the past. The legislation now says it must be adopted by resolution or by ordinance. We may also need to adopt a capital reserve ordinance to account for the fee but it is not conclusive at this time. Additional discussion ensued on the assets we include in the calculation of the fee.

Ms. Haskins stated we need to expand our table, which will now show ¾ inch all the way to a 12 inch meter. Commissioner Huff asked if our FIF fees are paid by the developer or by the builder when the builder buys his permit. Ms. Haskins responded it can be either, but it is not required until we get to the point of the structure being connected to the system. Additional discussion ensued.

Status and Next Steps:

- ▶ Contracted Raftelis in November 2017 to perform FIF update – last update was January 2016
- ▶ Calculation is complete and draft report is in final stages

Upcoming Commission Actions:

- ▶ April 25, 2018 – Set the Public Hearing date

- Raftelis will present the results of the analysis and answer questions
- The legislation requires at least 45 day notice period
- The full report and analysis will be published during this 45 day period
- ▶ June 13, 2018 - Public Hearing
 - Adopt fees by resolution
 - Establish capital reserve fund to account for administration of the fees
- ▶ Perform update no less than every 5 years

Raftelis is located in Charlotte, North Carolina. Mr. Trego stated they are the leading consultant in the State. They also are in contact with the NC School of Government as we are, and they deal with a lot of municipalities. Staff responded to additional questions by Commissioners.

GENERAL MANAGER REPORT

Wholesale Power Cost Adjustment

We have completed our Wholesale Power Cost Adjustment refund to customers. The Commission previously authorized us to give \$5M back to customers and we completed the process in March. This was due to refunds we received from Duke.

New Rates

We have arranged for a lunch meeting with our Key Accounts Customers on Monday (April 16th) to give them a presentation on our new rates.

ElectriCities Public Power Award of Excellence

This award is similar to the APPA RP3 Award. ElectriCities looks at four things. They look at promoting the value of public power in the community; investment in grid modernization; continuous improvement; and workforce development.

Mr. Trego stated we were very happy win this award. One of the things we promoted when applying for the award was the outreach we have done, at the request of Commissioners. He and other members of the senior team have gone out to a number of speaking engagements this year and believe the education has been very beneficial.

Comments by Liaisons:

Regarding outreach, **Commissioner Michael Boose** stated he also saw PWC staff at the Hope Mills Chamber. He stated it was a nice and perfectly timed cadence. The presentation was great. He also mentioned the PWC Expo. The staff was very congenial at nearly closing time.

He also asked about rebates and the solar farm. Mr. Trego stated the solar rates reflect it. He stated Mark Brown can answer questions regarding it. There was additional discussion regarding the NCUC rebate program.

Council Member Dawkins announced the Annual Citywide Clean-up on May 1st (see fayettevillebeautiful.com).

Council Member Dawkins also stated he met with a narcotics detective and was informed that Fayetteville is 15th in the nation in cities over 100,000 citizens. He wanted to know if PWC have plans for opioids disposal. Mr. Noland responded that our guidance to customers is that you do not flush anything down the toilet other than human waste. He stated nothing else should go down into the system. He stated there are guidelines on how opioids how to be disposed of. He suggested citizens speak to law enforcement, health department or solid waste on how to properly deal with medications. Mr. Trego stated that Cape Fear Hospital will take old/no longer needed medication. Carolyn Justice Hinson stated sometimes the police department will sponsor community drop-offs, and whenever we find out about them, we promote them as well. Additional discussion ensued.

Commissioner Comments:

Commissioner Shaw congratulated Mr. Trego and his team for the ElectriCities award. She stated when she came on the board, one of the things she asked Mr. Trego to address more energetically was getting out into the community and being the face of PWC; and have staff be more involved in the community on a broad spectrum. She stated she has seen it and evidently others have seen it by virtue of the award.

Mr. Trego stated we will continue the outreach and will begin to go back to a lot of the same groups he and staff went to last year so we can communicate the rate changes and promoting the value of public power.

Commissioner Rogers announced the Building Business Rally at FTCC on May 22nd. He thanked Mark Cannady, Lexi Hasapis, and Carolyn Justice-Hinson. We are expecting a broad range of attendees (FSU, FTCC, City of Fayetteville, School Board, Cumberland County, Hope Mills, Spring Lake, NCDOT, PWC and others will be there.

Baseball Stadium

Mr. Trego gave an update on PWC's involvement related to the development around the baseball stadium. He stated we are currently continuing design working with the developers in that area. Mr. Noland's group came back after we received more information about the new hotel and the parking garage. He stated we were right on the border line as far as capacity on some of our sewer lines in the area. We will upsize some lines in the area, in case there is further development in the area. It will not delay the project at all. Our work will have minimal impact on the streets in the area.

Mr. Noland stated there were some areas where an eight inch main was tied into a twelve inch main and the mains were old. Mr. Trego stated we are deeming this a system improvement because it will benefit all customers. It is something we will do through our capital budget and will not involve any contribution from the City or developers. Additional discussion ensued.

Council Member Dawkins stated we may need to have a discussion at some point regarding the lights at the Baseball Stadium. Council has approved the high resolution LED lighting and the scoreboard. He stated they will need a lot of electricity. Mr. Trego stated they are

well aware of it. He mentioned the letter from the developer regarding the transformer on the CSX property. We need to move a transformer and have been reaching out to CSX for over six months. Additional discussion ensued.

REPORTS AND INFORMATION

Commissioner acknowledges receipt of the following reports and information.

- A. Personnel Report for March 2018
- B. Position Vacancies
- C. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18507 – 8” SDR-26 sewer main installation @ SR-1112 (Rockfish Rd).
- D. Approved Railroad Encroachment Agreement(s):
 - Encr. 18635A – Installation of 2900 ft. parallel occupancy of a 24-inch ductile iron sewer pipeline and two (2) Underground crossings of a 24-inch pipeline
 - Installation of an underground crossing of a 24-inch ductile iron sewer pipeline
- E. Actions by City Council during meeting of March 26, 2018, related to PWC:
 - Approved Bid Recommendation – Annexation Phase V, Area 20 – Hackney Hills, Lake Point, Robin Hill Estates
 - Approved Bid Recommendation – Annexation Phase V, Area 21 – Arran Lakes West Subdivision

CLOSED SESSION AS ALLOWED UNDER N.C. GENERAL STATUTES 143-318 (A)(3) TO DISCUSS LEGAL MATTERS

Upon motion by Commissioner Rogers, seconded by Commissioner Huff and unanimously approved, the Commission went into closed session to discuss legal matters according to NCGS 143-318(A)(3) at 9:14 a.m.

Upon motion by Commissioner Rogers, seconded by Commissioner Huff and unanimously approved, the Commission returned to open session at 9:34 a.m.

ADJOURNMENT

There being no further business and upon motion by Commissioner Rogers, seconded by Commissioner Shaw and unanimously approved, the meeting was adjourned at 9:35 a.m.