

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, MAY 23, 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
Johnny Dawkins, City Council Liaison
Media
PWC Staff

Absent: Jay Reinstein, Assistant City Manager
Michael Boose, Cumberland County Liaison
Melissa Adams, Hope Mills Town Manager/Liaison

Prior to calling the meeting to order, Chairman Fowler congratulated PWC Commissioners and staff on the success of the Building Business Rally which took place on yesterday. He stated we are charged in the charter to look out for the interests of the City which was evident in our efforts. There were very good comments from the participants. He thanked Commissioner Rogers for spearheading the project. He also thanked Carolyn Justice-Hinson, Lexi Hasapis and Mark Cannady for a job well done.

REGULAR BUSINESS

Chairman Wade R. Fowler, Jr., called the meeting of Wednesday, May 23, 2018, to order.

APPROVAL OF AGENDA

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

CONSENT ITEMS

Upon motion by Commissioner Rogers and seconded by Commissioner Huff, the consent items were unanimously approved.

A. Approve Minutes of meeting of May 9, 2018

B. Adopt PWC Resolution No. PWC2018.05 to declare personal property described as one (1) 1995 Ford L8000 Bucket Truck, VIN #1FDZW82E0SVA78454 and one (1) 2003

Peterbilt 379EXH Truck, VIN #1XP5DB0X83D803086, as surplus and authorize their sale by public auction.

Comments: North Carolina General Statute 160A-270 permits the sale of personal property with an estimated value of \$30,000 or more by public auction upon authorization by the governing board.

C. PWCORD2018-12 - Fleet, Electric and Water/Wastewater Budget Amendment #4

PWCORD2018-12 is a Fleet, Electric and Water/Wastewater Fund FY 2018 amendment increasing the Fleet Maintenance Fund by \$648,400 to \$10,254,700 and decreasing the W/WW Fund \$24,050 to \$110.4 million. The total Electric Fund budget remains unchanged at \$253.9 million.

Fleet Maintenance Fund

- The increase in cost of vehicle repairs and outsourcing to vendors has risen significantly over the FY 2018 budget. The Equipment and Repair Parts account was increased by \$600,400 to cover the added cost. As a result of this change, Administrative Fleet Overhead, being a calculation of total Fleet Expenses, increased by \$48,000. This increased total Fleet Expenditures by a total of \$648,400.
- Fleet Maintenance Revenue increased accordingly. City Revenue increased \$486,300 (75% of total increase) while PWC Revenue increased \$162,100 (25% of total increase) for a total revenue increase of \$648,400.

Electric Fund

- Changes to Fleet revenues and expenditures have an effect on the Electric Fund through G&A – Administrative Fleet Overhead, Fleet Services in the Fleet Maintenance cost center and Vehicle Equipment Clearing. The net of these changes was (\$24,050) with an increase to the Appropriation To Net Position of \$24,050.

W/WW Fund

- Changes to Fleet revenues and expenditures have an effect on the W/WW Fund through G&A – Administrative Fleet Overhead, Fleet Services in the Fleet Maintenance cost center and Vehicle Equipment Clearing. The net of these changes was (\$24,050) with a decrease in Appropriation From Net Position of (\$24,050).

Staff recommends that the Commission adopt the attached budget ordinance amendment.

D. Adopt Resolution PWC2018.06 to retain CDM Smith for engineering services on an emergency basis, and approval of a Task Authorization.

Staff recommends that the Commission adopt Resolution PWC2018.06, based upon the facts and professional opinion set forth in the attached memorandum of Joe Glass, P.E., Manager of Water Resources Engineering, that a special emergency exists in accordance with G.S. 143-64.31(a) sufficient to warrant the immediate retention of CDM Smith to complete engineering plans for an emergency temporary bypass of the 20-inch North Fayetteville Force Main without first undertaking a request for qualifications procedure, and on the same basis, ratify in accordance with G.S. 160A-16 the oral agreement to

retain CDM Smith on April 11, 2018 and compensate CDM Smith \$58,000.00 for services provided on an emergency basis through and including May 22, 2018, and further approve a written task authorization for CDM Smith in the amount of \$31,000.00 into which Staff recommends the Commission enter to complete the engineering plans under the special emergency without first undertaking a request for qualifications procedure, subject to pre-audit review by the interim Chief Financial Officer.

Comments: PWC has determined that Resolution PWC2018.06 should be adopted confirming the existence of a special emergency involving risk to the life, health, property, and welfare of the public that is sufficient to warrant the immediate selection and retention of CDM Smith to provide engineering services relating to the design and implementation of an emergency temporary bypass line.

- E. Approve Audit Contract with RSM US, LLP to audit the financial statements of Fayetteville Public Works Commission.

The Finance Division Fiscal Management Section of the NC Department of State Treasurer and Local Government requires the Governing Board of each Local Government Unit approve the audit contract as defined in NCGS 159-34 prior to approval by the LGC. The auditor may not engage in audit services before approval by the LGC.

Staff recommends that the Commission approve the attached audit contract and supporting arrangement letter.

END OF CONSENT

REVIEW PROPOSED CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET FOR THE FISCAL YEAR 2019-2024

*Presented by: David W. Trego, CEO/General Manager &
PWC Staff*

Mr. Trego stated he will review the CIP Budget. The larger categories describe where we are heading as an organization, which is consistent with the strategic plan the Commission plan has set.

Mr. Trego provided a history of the CIP Budget. He noted there are changes in the budget every year based on the priorities and projects. He stated overall we went from \$117M in FY16; down to \$103 in FY2017; up to \$105M in FY2018; and we are requesting \$118.2M for FY19.

Mr. Trego noted the decrease in Corporate Services for FY17-18 is due to the AMI Project now being completed. Customer Programs' CIP includes new electric and water meters.

Mr. Trego stated last year when staff met with Commission we completed a budget year and five year projection. We believed we would be flat to FY18 at \$104.7M. Every year we have changes, especially with DOT projects. These priorities can change 1 to 3 years. Mr. Trego stated as a general overview the increase is because projects have moved from FY18 to FY19. These have changed not because of PWC staff but because of other issues. He

noted the Raeford Road project. We planned to complete electric relocations this year, but because of delays, changes and expansions we were not able to complete it this year. Even though there is an increase in 2019, it is predominately because of a movement of dollars from FY18 to FY19. Staff responded to questions from Commission.

Mr. Trego provided an overview of the Capital Improvement Project Categories which include: Water Improvements/Expansion (\$27,990,000); Rehabilitation - Water/Wastewater (\$22,670,000); Substations/BWGP/Electric Improvements (\$14,015,000); Phase V Annexation (\$19,918,000); NCDOT-Relocation Projects (\$11,115,000); Hurricane Matthew (\$6,371,000); LED Lighting (\$4,550,000); New Services /Meters-Electric/Water/Sewer (\$4,971,000); City of Fayetteville-Utility projects (\$3,440,000); Building& Improvements (\$1,890,000); Computer Systems (\$1,295,000).

Staff responded to questions/comments from Commissioners regarding the impact to the FY19 CIP budget due to delayed/changed projects and additional discussion ensued.

FY2018 Funding Source Summary:

Mr. Trego stated the CIP Budget is funded by \$18.7M from the Electric Fund; \$22.8M from the Water Fund; \$600,000 from the Fleet Maintenance Fund; \$76.1M from Bonds/State Loans/Reserves, of which \$63.0M of Bond/Loans/Reserve Funding is for water/wastewater and \$13.1M is for electric.

Mr. Trego also stated of the total spend; \$13.9M of CIP expenditures are expected to be offset by revenues from NCDOT reimbursements and recoveries associated with Hurricane Matthew. He stated the LED lighting conversion and other electric sustainability initiatives will have the majority of funding through Renewable Energy Portfolio Standards (REPS) funds.

FY2019 CIP Budget Drivers

Mr. Trego stated the \$13.0M increase in the FY19 CIP is attributable to several factors. Regarding Hurricane Matthew repairs, 3rd party delays caused \$1.9 million of projects planned for FY18 to be moved to FY19. Additional damage was discovered last year and will result in \$1.3 million more in required repairs. It is anticipated that most expenditures associated with damage will be reimbursable through insurance and/or FEMA.

There is a \$4.5 million increase for extension of water/wastewater service into Phase V annexation areas. Mr. Trego stated multiple areas are being worked during FY19. The increase is due to design requirements of the areas where lines are being installed and paving overlays which the Commission agreed to do in all future Phase V areas (\$950,000).

NCDOT Projects increased over FY18 estimates (\$4.7M) to \$11.1M in FY19. He stated delays caused \$2.3 million of electric relocation work planned in FY to be moved into FY19. The Ramsey Road, Cliffdale Road, and Murchison Road projects are accelerated causing \$1.3 million for engineering in FY19 instead of FY21.

He stated in keeping with the Commission's direction to continue to accelerate replacement and rehabilitation of aging infrastructure, staff has proposed a \$4.5 million increase in FY19

to \$22.7 million. He noted there is an increase in FY19 rehabilitation spending as presented last year.

There is a \$1.3 million increase in the Corporate Services CIP. This increase is driven by several factors: a three year plan to replace the roofs at PWC facilities; Electric Outage Management Software which will utilize AMI meter capabilities; and \$.6 million for design of Fleet building upgrade.

Risk Factors to CIP Budget

- Unplanned major equipment/system failure - Events like Hurricane Matthew change priorities and the ability to keep with the plan
- Expansion of water service because of GenX - May cause reprioritization due to limited contractor availability
- NCDOT continues to expand and accelerate projects as part of their Bond program - Accelerated I-295 loop and added Ramsey St. widening
- Increase in Interest Rates could impact future years projects overall costs due to Bond financing

Raeford Road NCDOT Project

The 4+ year project reconstructs 6+ miles of Raeford Road from Highland Country Club to 71st High School. There are significant relocations/replacements of PWC electric, water and wastewater facilities involved. Work is estimated to cost a total of \$34.4 million. Staff estimates increased \$9.7 million from last year. Factors include NCDOT expanded project scope; final design created more utility conflicts that needed to be resolved; and PWC will replace 11,000 ft. of additional cast iron pipe as part of the system replacement

Historically NCDOT will bill PWC for water/wastewater work done on our behalf after project is completed. We estimate over \$19 million payable in FY2022. Staff will build up NCDOT Project Fund over next couple of years in anticipation of payable. Mr. Trego stated once the Raeford Road Project is completed, NCDOT will begin to work on Ramsey Street. Discussion ensued.

Annexation

- \$19.9 million budgeted in FY19
- The neighborhoods include:
 - Areas 18 & 19 near completion – Southgate, Southgate Village & Phase 1 of Arran Lakes West
 - Areas 20 & 21 started May 2018, Completion June 2019 – Hackney Hills, Lake Point, Robinhill Estates and Arran Lakes West Phase II. Strickland Bridge Road and Fisher Road are the main roads for this area.
 - Areas 22 & 23 design underway – Arran Lakes West Phase III, Emerald Garden, Rayconda, Wells Place
 - Completing design of Areas 32 & 34 required because of acceleration of I-295 Outer Loop

Ongoing Electric Reliability Improvements

- Substation Rebuilds – \$4.9 million budgeted - \$2.3 million increase to complete Fenix substation and upgrade main transformer at Murray Fork
- Transmission Pole Replacement – Reduced budget in FY2019 by \$1.25 million
- Replacing poles as part of Raeford Rd. project will keep with plan to replace 100+/- poles annually
- Spike in prices due to 2017 hurricanes
- Underground Cable Replacement – Accelerated efforts in FY18 to replace aging underground equipment, in FY19 continuing this effort with \$3.2 million

Ongoing Water/Wastewater Reliability Improvements

- \$22.7 million for system rehabilitation
 - \$4.5 million increase over FY18 budget
 - Includes major sewer outfall lines, water/sewer mains, water laterals, lift stations and manholes
- \$1 million to replace lines under railroad tracks that are not encased
- \$2.5 million to replace water/wastewater mains that are not candidates for rehabilitation
- \$6.5 million for water/wastewater distribution main improvements and capacity upgrades
- \$3.2 million for lift station upgrades to increase capacity

Other Notable FY 2019 Projects

- Included in water/wastewater system improvements is extension of water/sewer service into North Fayetteville along Rt. 401
 - Extends service north of Goodyear to Elliot Bridge Rd.
 - \$7.6 million included in FY19 budget, \$12.3 million total cost
- Continuing work around the Downtown redevelopment project including baseball stadium
 - Finish \$750,000 upgrade to water/sewer infrastructure to support future expansion
 - Work with City/Barton Malow on electric service to new ballpark
 - Baseball stadium qualifies for Electric Economic Development rate
 - ❖ 10% discount from tariff rates over 3 years
- Continuing LED Streetlight conversion project
 - Conversion scheduled to be completed in FY19
 - Thoroughfare/area light conversions to be completed FY20

Plan Years Notable Projects

- Fleet Expansion
 - Dependent upon what portion (if any) of City Fleet PWC continues to maintain
- Planning for possible multipurpose building/facility. Mr. Trego stated we are running out of space in the building. Ms. Fritzen stated we have a lot of external meetings held here. The multipurpose building will also provide for additional parking. It will be located next to the Water Resources Department.
- New Point of Delivery on horizon for Electric
 - \$20 + Million Project

- Land acquired in FY2018 – Sally Hill Farms /Hwy 301 S site
- NCDOT Ramsey Street widening
 - Could have larger overall scope and impact on PWC than Raeford Rd
- Expansions at PO Hoffer and Rockfish Creek plants

Staff responded to questions from Commissioners regarding the proposed Capital Improvement Plan (CIP). Staff responded to questions regarding the design and cost surrounding the baseball stadium; the disaster recovery center; the plan to replace transmission switches; and the layout of the budget books.

REVIEW FISCAL YEAR 2019 OPERATING BUDGET

*Presented by: David W. Trego, CEO/General Manager
Rhonda Haskins, Interim Chief Financial Officer &
PWC Staff*

Mr. Trego provided a history of the actual budgets for FY17, FY18 as well as highlights of the FY19 Proposed Budget. He noted an increase of 4.3% increase in the Electric Fund (\$264.7M Proposed); 2.4% increase in the Water Fund (\$113.0M Proposed); and 22.7% increase in the Fleet Fund (\$11.8M Proposed). The total budget requested is \$389.5 which reflects a 4.2% increase. He noted all previous years' budget values include all approved amendments and transfers.

Mr. Trego noted some expenditure and revenue drivers in the FY2019 budget which included:

Electric Fund

- Base Wholesale Power Supply (Duke Energy) up \$3.7 million or 2.7% over FY2018
- Coal Ash related Power Supply costs charged by Duke Energy up \$8.2 million or 81.6% over FY2018. Mr. Trego stated reserve fund has been created for this cost.
- Excluding increases in Power Supply, Electric Fund would have been \$252.7 million / 0.4% decrease from FY2018
- Payment in Lieu of Taxes to City of Fayetteville increased \$510,100/ 4.9%
 - Overall funding to the City includes:
 - ❖ Total payment in lieu of taxes is \$10,938,000.00;
 - ❖ Prior to the new charter PWC agreed to help City with economic development activities \$1.2M;
 - ❖ Included in the Communications Budget is FAYPWC (\$85,000.00);
 - ❖ Paving overlay (\$950,000);
 - ❖ Downtown development surrounding the baseball stadium and new hotel (\$750,000.00);
 - ❖ EDC (\$295,000.00); and
 - ❖ Street lights.

Water Fund

- Capital expenditures funded from Water Fund increased \$3.5 million/16.9%
- Total Department level expenses charged to Water Fund increased \$2.6 million/4.3%
- Debt Interest expense decreased \$0.7 million or 9%

- Hope Mills water/wastewater customers refund ended in FY2018 thus \$1.7 million budgeted in FY2018 did not recur in FY2019

Fleet Fund-FY2019 Budget

- Increased number of vehicles require more outsourcing of repairs due to space limitations mostly for City owned specialty vehicles such as Fire & Garbage trucks
- Revenues/expense for City fleet increased by \$1.0 million
- Capital expenses increased \$0.83 million for fuel island upgrades, design work related to upgrading fleet bays

City of Fayetteville FIF Waiver Request

Mr. Trego stated reflected in the FY19 budget are the following FIF Waiver requests from the City of Fayetteville, these are in addition to previous requests.

<u>Project</u>	<u>Total Project Cost</u>	<u>FIF Fees*</u>
Eastern Blvd (Person St. to Brock St.)	\$ 36,948.00	\$ 16,200.00
I-295 Outer Loop	<u>\$890,896.00</u>	<u>\$138,240.00</u>
TOTAL	\$927,844.00	\$154,440.00

Previously the Commission has agreed to waive up to \$168,900 in City Project FIF fees and nearly \$50,000 has been actually waived. If the Commission approves the budget these FIF fees will be in addition to the previous approvals.

* Based on current FIF Fees. If the Commission approves the request, all granted waivers will be automatically adjusted when the new FIF fees are implemented.

Mr. Trego provided a summary of the Operating Expenses for each division.

The Management proposed budget is \$5.10M (-4.0%); the Communications budget is \$1.47M (+2.0%); the Human Resources budget is \$1.77M (+19.8%); Customer Programs budget is \$4.26M (+.8%); the Corporate Services budget is \$19.15M (-6.8%); the Finance budget is \$12.08M (-10.6); the Water/Wastewater budget is \$35.31M (+2.1%); the Electric-non Power Supply budget is \$22.32M (-7.2%). The Total w/o Power Supply \$101.46 (-3.5%); Electric Power Supply is \$161.38 (8.0%); PWC proposed budget is \$262.84 million, which reflects an increase of (+3.3%).

* Unless noted all FY2018 budget values include all approved amendments and transfers

Mr. Trego noted the 'Total w/o Power Supply'. He stated this is the first time we have included this item in the budget. If it were not for the increased power supply costs, the budget would have decreased 3.5% for FY19. He stated operating capital expenses are also down this year.

Main Operating Expense Drivers

- Wholesale Power Supply costs increased \$12.0 million
 - Excluding Power Supply, Division level O&M expenses would have decreased \$3.7 million/3.5%

- Overall Operating Capital reduced \$2.3 million in FY19 reflecting lower required IT equipment and vehicle replacements
- 3.0% targeted salary increase in FY19 - 2.0% structural and 1.0% merit
 - Did not do a structural increase in FY18
- Added new positions in IS and Water Resources
 - IS position to address increased cyber security threats
 - 9 field positions in Water Resources
 - ❖ Added 200 miles of mains since 2008
 - ❖ Added nearly 10,000 customers since 2008
 - ❖ Will add another 100 miles of mains and 5,000 laterals just in Phase V annexation areas in next few years

Each Chief (Senior) Officer provided a summary of their division's budget, detailing major drivers, trends and assumptions. Each officer also explained major budget variances (FY18-FY19) and the risks to budget, along with plans to mitigate. Discussion ensued with each officer regarding their budget, major drivers, trends and assumptions as well as risks to their budget and plans to mitigate.

FY 2019 Budget Summary

Rhonda Haskins highlighted the following:

Major Drivers, Trends & Assumptions

- Coal Ash and Power Supply
- Rates, Coal Ash Rider, and WPCA (There is no WPCA in the FY19 Budget)
- Hurricane Matthew
- Electric appropriation to Net Position
- Water and Wastewater Use of Net Position
- Loan to Water from Electric
- Electric Intergov Exp-Economic Development Year 3 of 5

Ms. Haskins reviewed the trending of the budgets for Electric, Water and Fleet for the past five years. She noted the years the Electric Fund has contributed to the net position. The Water/Wastewater Fund has taken from net position for the past five years. Ms. Haskins stated the net City Transfer/Pilot is \$10.9M for FY19.

She also provided a summary of the G&A expenses. Rhonda Haskins stated this is a cost center though it has no personnel. It captures a lot of the costs that are not managed by the departments. Healthcare is captured in this cost center as well as OPEB which is increasing \$700,000 or 54%. Contingency is decreasing \$1.1M or 29% (Electric FY19 Contingency is \$1.2M and W/WW FY19 Contingency is \$1.4M).

Ms. Haskins provided a summary of the Capital Budget, and the Rate Stabilization Fund for Electric (Estimate \$44.1M); Coal Ash Reserve (Estimate \$17.3M); and Water/Wastewater (Estimate \$0.6 million).

She stated the Recommended Budget Ordinance reflects the amounts staff is requesting for the Commission to approve.

Commissioner Shaw thanked Mr. Trego and staff for the presentation. She also requested for him to consider increasing the budget for Communications/Community Relations and to look closely at telecommuting. Mr. Trego stated we can physically change the budget or funds can be pulled from contingency funds.

Commission Huff complimented staff. He stated it is obvious there has been a lot of work; it is well organized; and it is easy to understand.

Mr. Trego stated he receives information from staff and he passes it along during the year to the Commissioners so there should not be surprises when the budget is presented. Directionally the Commissioners know where we are going. He also stated having the Commissioners engaged in discussions during the year makes it easier to discuss strategic issues.

Commissioner Rogers stated he understands the timing issues, but if there are issues with our system that are nagging and problematic; do not allow a couple hundred thousand dollars to keep us from getting them resolved in any given year.

Chairman Fowler also thanked Mr. Trego and staff for the great budget presentation.

COMMISSION ACTION – SET PUBLIC HEARING DATE FOR JUNE 13, 2018

Upon motion by Commissioner Shaw, seconded by Commissioner Huff and unanimously approved, the Public Hearing for the FY19 Budget was set for June 13, 2018 @ 8:30 a.m.

GENERAL MANAGER REPORT

(Presented before Capital and Operating Budget Presentations)

Mr. Trego stated PWC participated in the NCAMES Rodeo several days ago and two of our linemen placed in competition. Mr. Rynne went on to state Austin Lee and Andrew Albertson placed in the written apprentice test and the ‘sidewalk guy’ event. Austin Lee was also 4th in the Overall Apprentice event.

Comments by Council Member Dawkins:

(Given before Operating Budget Presentation)

Council Member Dawkins stated Jay Reinstein is conducting Fleet interviews today. Liaison Dawkins also thanked PWC for extending the Fleet agreement.

He thanked PWC for the BBR and stated he believes PWC is the best entity to conduct the affair. He thanked PWC for the upgrade to the water/sewer infrastructure to support future expansion around the baseball stadium (\$750,000).

He also thanked PWC for working on the transformer project, coordinating with the City, Barton Malow and the railroad; and for consideration of waiving the fees on the City's parks improvements. Discussion ensued.

He thanked PWC for installing the LED lights in the neighborhoods. Discussion ensued regarding statistics from the Police Department since the LED lights have been installed.

Liaison Dawkins also thanked PWC for the 4th Point of Delivery. He will ensure businesses are made aware of our planned installation. Mr. Rynne also stated PWC has had meetings with Duke regarding the existing POD and they are making substantial improvements to it, which will help PWC with reliability issues. Discussion ensued.

REPORTS AND INFORMATION

Commission acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report for April 2018
- B. Investment Report for April 2018
- C. Purchase Orders – April 2018
- D. Position Vacancies
- E. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18611 - US Hwy 401 North Water Improvements
 - Encr. #18613 – Abandonment of a 2” water service and 6” sewer service on SR-1600
- F. Approved Utility Extension Agreement(s):
 - Manis Ramsey, LLC, Water/Sewer Utility Extension and service to serve The Ramsey Shops at 4251 Ramsey St
 - VFD Real Estate Partners, LLC, Electric Util. Extension and service, Water/Sewer Utility Extension and service to serve One Village Plaza
 - Fayetteville Area Habitat for Humanity, Inc., Electric Util. Extension and service, Water/Sewer Utility Extension and service to serve Oakridge Estates
 - Southwood Investments, LLC, Water/Sewer Utility Extension and Sewer Service to serve Southwood Apartments
- G. Actions by City Council during meeting of May 14, 2018, related to PWC:
 - Approved Resolution Terminating Utility Easement
 - Approved Resolution Authorizing the Conveyance of Tangible Personal Property to FTCC
 - Approved Resolution Authorizing the Conveyance of Right of Way to NCDOT

ADJOURNMENT

There being no further discussion, upon motion by Commissioner Rogers, seconded by Commissioner Shaw and unanimously approved, the meeting was adjourned at 1:37 pm.