

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, FEBRUARY 27, 2019  
8:30 A.M.

Present: Darsweil L. Rogers, Chairman  
Evelyn O. Shaw, Vice-Chairlady  
D. Ralph Huff, III, Secretary  
Wade R. Fowler, Jr., Treasurer (VIA TELECONFERENCE)

Others Present: David W. Trego, CEO/General Manager  
Telly Whitfield, Assistant City Manager  
Kathy Jensen, City Council Liaison  
Melissa Adams, Hope Mills Town Manager/Liaison  
PWC Staff

Absent: Michael Boose, Cumberland County Liaison  
Media

#### REGULAR BUSINESS

Chairman Rogers called the meeting of Wednesday, February 27, 2019, to order.

#### APPROVAL OF AGENDA

Upon motion by Commissioner Huff and seconded by Commissioner Shaw, the Agenda was unanimously approved.

#### PRESENTATIONS

##### United Way Awards Presentation

Presented by: Robert Hines, President, United Way of Cumberland County

Robert Hines, President of United Way of Cumberland County presented to PWC the awards announced at the United Way Annual Meeting yesterday. Mr. Hines stated this year's United Way Meeting was the equivalent of the Oscars. Mr. Hines thanked PWC's staff, management and Commissioners for an excellent campaign. He went on to present the following awards.

- Marquee Award – This award is presented to the organization that has the most employees that give at least \$1,000.00.
- Chairman's Award – This award is presented to organizations (with 500 or more employees) for overall campaign and support.
- Volunteer of the Year Award – This award was presented to Mark Brown, Senior Customer Programs Officer.
- Campaign Manager Award – The PWC (Communications) Team received this award for an excellent campaign.

- Spirit of NC Award - PWC has won this award for the 13<sup>th</sup> time. There were over 30 organizations that were recognized with this award.
- Excellence in Community Spirit Award – Mr. Hines stated PWC is one of only 5 organizations state-wide that earned this award.

## CONSENT ITEMS

- A. Approve Minutes of meeting of February 13, 2019
- B. Approve Resolution No. PWC2019.02

The Proposed Resolution # PWC2019.02 Authorizes PWC to officially designate Ike Copeland, Director of Legal, Risk and Procurement Services and Ray Jackson, Environmental Compliance and Emergency Management Manager as the PWC Applicant Agents for Hurricane Florence Claims (declaration FEMA 4285 DR-NC). This authorization allows each designated Agent to file, request, and authorize acceptance of financial assistance from FEMA for damages related to Hurricane Florence on behalf of PWC. This request is required in order for FEMA to issue reimbursements to PWC for qualifying damages.

## END OF CONSENT

## PRESENTATION ON RECOMMENDED CHANGES TO PWC'S WATER/WASTEWATER RATES AND FEES

Presented by: David W. Trego, CEO/General Manager

Mr. Trego, CEO/General Manager stated the purpose of this presentation is to present to the Commission and the Public, PWC's senior staff recommended action for retail water and wastewater rates and fees for the next 2 years.

He went on to state recommendations are based on our 5 year capital and O&M budget projections. Staff's complete recommendations are included in the Commission's packet and consistent to what was publicly posted as part of the Public Hearing notice. He stated after reviewing staff's recommendation and hearing from the public, staff will request that the Commission vote on the final rate action at a future Commission meeting.

Mr. Trego stated the guiding principles in developing the recommended water/wastewater rates are consistent with the Commission's Strategic Plan, which include the lowest responsible rates, most financially sound utility; strong core business with quality and reliable services; sustainable environmental, economic and community growth. Mr. Trego went on to state these strategic priorities coordinate with regional infrastructure needs to support economic development; rehabilitate aging infrastructure; and ensure cyber and physical security.

Staff also followed the rate philosophy the Commission has used consistently over the years, which are to have rates better mirror the cost structure of our water/wastewater operations. Reflect ongoing fixed costs of operating and maintaining facilities in the Basic Facilities

Charge. Reflect variable costs of operating and maintaining facilities in per gallon usage charges. Minimize, to the greatest extent possible, cross subsidization across rate classes. Have rates that meet the Charter requirement to manage and operate PWC in “the best interest of the City”.

Mr. Trego went on to state operating expenses have been increasing at or below inflation, and capital needs are outpacing inflation.

- ▶ Over the past 7 fiscal years (FY2013 – FY2019) the W/WW operating expense budget increased an average of 2.8% per year, while the capital budget increased an average of just over 6% per year
- ▶ While at same time revenue used for W/WW Capital Projects has remained relatively flat.

Staff recommends increasing level of capital projects funded through revenues to help sustain PWC’s Bond Rating while at the same time, enable PWC to make capital investments that ensure long term reliability of PWC’s W/WW systems.

**Mr. Trego stated the Capital Drivers over the 5 Year Planning Period include:**

- ▶ New infrastructure required for system growth
  - Phase V Annexation, North Fayetteville, I-295 corridor
  - Major trunk-line upgrades and peak flow facilities
  - Continue to address areas where pressure nearing lower limits
    - Add water tanks and pumping facilities
- ▶ Consistent with Commission direction increased budget for rehabilitation
  - \$16.5 million in FY2017 to \$22.7 million in FY2019
    - Includes water lines, sewer lines and manholes
- ▶ Major road projects
  - Three major projects Raeford Rd., Ramsey St. and Camden Rd. are estimated to require nearly \$60 million in capital to relocate water/sewer facilities

**Summary of Recommendations**

Mr. Trego stated In order to meet the long term capital and operational needs of the water and wastewater system Staff recommends the following:

- May 2019: put in place rates that will result in retail water revenues increasing 8.6% and retail wastewater revenues by 4.0% for an overall revenue increase of 6.1%
- May 2020: put in place rates that will result in retail water revenues increasing 6.9% and retail wastewater revenues by 3.4% for an overall revenue increase of 5.0%
- Create a Utility Line Relocation Rider to fund the 3 major road projects (Raeford, Ramsey & Camden) to generate \$4 million +/- annually that will go into a reserve fund for road projects
- Maintain current Outside City differential at 75% in both years
- Increase certain fees that are currently charged below the actual cost to provide
- Close the Temporary Water Service for Residential Construction Rate Schedule – this has only been used once since 2006
- Make changes to Service Regulations to facilitate rate changes, initiate the Major Road Project Rider and make other minor modifications.

Mr. Trego explained the Utility Line Relocation Rider. It will be designed to fund the estimated \$60 million needed for Raeford Road, Ramsey Street and the Camden Road Projects, and it will be designed similar to the Coal Ash Rider in Electric. He mentioned that Raleigh has a similar ‘infrastructure fee’ which was started in 2014. For all residential customers he proposes \$2.00 per month for water and \$1.00 per month for sewer regardless of the meter size. For non-residential it will be scaled based on meter size, using the same ratios as the basic facilities charge (3/4” meter same as residential). He stated the outside City rate differential does not apply to the rider.

### **Recommendations – Facilities Charges**

#### Recommended Water & Wastewater Basic Facilities Charges all Rate Classes - Inside City

	<u>Current</u>	<u>May 2019</u>	<u>May 2020</u>
5/8” & 3/4” Meter	\$13.00	\$ 14.50	\$ 16.00
1” Meter	\$20.80	\$ 23.10	\$ 25.40
1-1/2” Meter	\$35.10	\$ 38.30	\$ 41.50
2” Meter	\$58.50	\$ 63.70	\$ 68.90
2-1/2” Meter	N/A	\$ 96.00	\$ 115.20
3” Meter	\$104.00	\$ 149.10	\$ 194.20
4” Meter	\$169.00	\$ 248.70	\$ 328.40
6” Meter	\$331.50	\$ 444.00	\$ 556.50
8” Meter	\$520.00	\$ 732.10	\$ 944.20
10” Meter	N/A	\$1,335.80	\$1,603.40
12” Meter	N/A	\$2,270.00	\$2,724.00

Mr. Trego noted the Outside City Rates apply the 75% differential to what is shown for Inside City rates. Also, PWC no longer utilizes the 5/8” meters, so they will be removed from the proposed rates.

### **Recommendations – Water Usage Charges**

#### Residential Water per Gallon – Inside City

	<u>Current</u>	<u>May 2019</u>	<u>May 2020</u>
First 2,000 Gallons	\$0.00245	\$0.00258	\$0.00268
Next 3,000 Gallons	\$0.00291	\$0.00307	\$0.00319
Next 5,000 Gallons	\$0.00396	\$0.00417	\$0.00433
Each Additional Gallon	\$0.00473	\$0.00499	\$0.00518

#### Non-Residential Water per Gallon - Inside City

	<u>Current</u>	<u>May 2019</u>	<u>May 2020</u>
All Gallons	\$0.00294	\$0.00310	\$0.00322

#### Large Water User per Gallon - All Users

	<u>Current</u>	<u>May 2019</u>	<u>May 2020</u>
Water All Gallons	\$0.00243	\$0.00259	\$0.00269

Mr. Trego noted Outside City Rates apply the 75% differential to what is shown for Inside City Rates.

## Recommendations – Wastewater Usage Charges

### Residential Wastewater per Gallon – Inside City

	<u>Current</u>	<u>May 2019</u>	<u>May 2020</u>
All Gallons	\$0.00525	\$0.00528	\$0.00528

### Wastewater Monthly Flat Rate – Inside City

	<u>Current</u>	<u>May 2019</u>	<u>May 2020</u>
All Gallons Included \$35.05	\$35.62		\$37.12

### Non-Residential Wastewater per Gallon – Inside City

	<u>Current</u>	<u>May 2019</u>	<u>May 2020</u>
All Gallons	\$0.00525	\$0.00528	\$0.00528

### Large Water User per Gallon – All Users

	<u>Current</u>	<u>May 2019</u>	<u>May 2020</u>
Wastewater All Gallons	\$0.00394	\$0.00396	\$0.00396

Mr. Trego noted Outside City Rates apply the 75% differential to what is shown for Inside City Rates

## Recommended Changes – Fees and Charges

### LATERAL FEES

	<b>Current</b>	<b>Proposed</b>
1" Water	\$2640	\$2755
2" Water	\$2758	\$2924
4" Sewer	\$3424	\$3487
6" sewer	\$3784	\$3842
1"&4" Combo	\$5864	\$6042
2"&4" Combo	\$5982	\$6211
1"&6" Combo	\$6224	\$6397
2"&6" Combo	\$6342	\$6566
1" Split w/ new lateral	\$464	\$643
1" Split w/ exist lateral	\$678	\$731

### SERVICE CHARGES

	<b>Current</b>	<b>Proposed</b>
2" irrigation. tap w/ jumbo meter box	\$3179	\$4208
Consumptive Water Loss app.	355	377
Hydrant Deposit	\$200	\$500
Water Permit Fee	\$360	\$500
Sewer Permit Fee	\$450	\$500
Permit Resubmittal Fee	\$75	\$75
Fire Flow Test	N/A	\$500
Backflow Charge	\$1.60/mo.	\$1.97/mo.

## Typical Customer Impacts - May 2019

Mr. Trego stated the following:

- ▶ Typical residential customer- Inside City rate using 5,000 Gallons/month:
  - Water bill increase \$2.24 in May 2019
  - Wastewater bill increase \$1.65
- ▶ Non residential account- Inside City rate with a 3/4" meter using 10,000 Gallons:
  - Water bill increase \$3.10 in May 2019
  - Wastewater bill increase \$1.80
- ▶ Non residential account - Inside City rate with a 2" meter using 30,000 Gallons:
  - Water bill increase \$10.00 in May 2019
  - Wastewater bill increase \$6.10

#### PWC Rate Comparisons - Residential

Water 5,000 gallons		Wastewater 5,000 gallons	
OWASA-Orange County	\$40.42	Cary	\$54.95
Harnett County	34.25	Hoke County	54.00
Wilmington	33.88	Raleigh	47.16
Raleigh	33.44	OWASA-Orange County	45.29
Hoke County	31.00	Harnett County	41.25
Greenville	29.85	Greenville	41.20
<b>PWC-Proposed</b>	<b>28.87</b>	<b>PWC-Proposed</b>	<b>40.90</b>
Cary	27.45	<b>PWC-Current</b>	<b>39.25</b>
<b>PWC-Current</b>	<b>26.63</b>	Wilmington	37.70
Durham	25.46	Durham	36.16

#### PWC Rate Comparisons – Non-Residential

Water 90,000 gallons		Wastewater 90,000 gallons	
Durham	\$759.03	Cary	\$958.62
OWASA-Orange Co.	623.54	OWASA-Orange Co.	649.69
Cary	515.82	Greenville	645.54
Harnett County	487.00	Raleigh	636.13
Wilmington	472.04	Durham	556.01
Raleigh	466.19	<b>PWC-Proposed</b>	<b>538.90</b>
Hoke County	415.75	Wilmington	533.10
Greenville	356.66	<b>PWC-Current</b>	<b>531.00</b>
<b>PWC-Proposed</b>	<b>342.70</b>	Harnett County	509.50
<b>PWC-Current</b>	<b>323.10</b>	Hoke County	463.00

#### PWC Rate Comparisons - Large User

Water 1,500,000 gallons		Wastewater 1,500,000 gallons	
Durham	\$12,758.54	Cary	\$15,630.26
OWASA-Orange County	9,083.80	OWASA-Orange Co	10,073.39
Cary	8,244.26	Greenville	10,010.57
Harnett County	7,889.50	6 Raleigh	9,548.23
Raleigh	7,093.78	Durham	8,611.07
Hoke County	6,690.25	Harnett County	7,912.00
Wilmington	6,374.50	Hoke County	7,372.00
Greenville	5,094.80	Wilmington	7,308.75

Staff responded to questions from Commission and City Council Liaison. Staff was requested to provide comparisons with Greensboro and Winston Salem.

## PUBLIC HEARING ON PROPOSED WATER/WASTEWATER RATES AND FEES

Chairman Rogers opened the Public Hearing. There was one speaker and one written comment.

Speaker:

Connie Spell, Eastover – voiced concern over the impact of the rate increase on Eastover's interconnect.

Written Comments:

Dara Lawson, 1055 Elm St., Apt. A, Fayetteville, NC 28303

There being no more speakers or written comments, the Public Hearing was closed.

## RC WILLIAMS BUILDING UPDATE

Presented by: Patrick Murray, Grant-Murray Real Estate

Patrick Murray, Grant-Murray Real Estate provided an update regarding the RC Williams Building, located at 201 Hay Street in downtown Fayetteville. He provided highlights of the building which include:

- 57,023 SF Class A office building
- Next to and connects with the downtown parking deck
- Full service leases-includes utilities, janitorial service, etc.
- Proxy card system for after-hours access
- Downtown's historic district

He stated the current occupancy rate is 78%. During the last update on 12/14/16, the occupancy rate was 63%.

Mr. Murray gave an update on the Fayetteville office market and the downtown area in particular. Among other things, Mr. Murray stated the downtown market rent/sf averages \$16.88.

Mr. Murray delineated the strengths and weaknesses of the RC Williams Building.

### Strengths

- Limited Class-A office space within the Fayetteville market
- Iconic “trophy property”
- Noticeable uptick in tenant interest and showings
- Development of the baseball stadium, hotel, condos etc. show emerging market strength

### Weakness

- Higher than average vacancy
- High operating expenses per SF
- Inefficient building layout (i.e. high core factor)
- Expiration of the parking deck agreement with the COF and long term uncertainty

He explained with the expiration of the parking deck agreement in approximately 15-20 years, some uncertainty may be created. There may be an opportunity to discuss/negotiate with the City a longer agreement.

Opportunities for the building include reduction in operating budget; renegotiation of parking deck agreement with the COF for a longer term; increase occupancy rate and average rental rate.

Mr. Murray stated threats for the building include 150,000+ SF of new space coming on the market over the next two years to include an office tower next to the baseball stadium; the possibility of a recession within the next 12-24 months. He stated Cap rates are bottoming out and will begin to rise again. He also stated the Federal Reserve is expected to raise the interest rate which can affect the rental/lease of the office space.

Mr. Murray and staff responded to questions and comments from Commissioners regarding the sale-ability of the building and leasing of office space.

Discussion then began on the possibility of extending the lease on the parking deck. Council Liaison Jensen stated she believes there is a limit on leases to 29 years.

## DISCUSSION ON FAYETTEVILLE/CUMBERLAND COUNTY TIER 1 STRATEGY INITIATIVE

Presented by: Commissioner Darsweil L. Rogers, PWC Chairman

Commissioner Rogers stated he and Mr. Trego attended the latest meeting of the Fayetteville/Cumberland County Tier 1 Strategy Initiative. He stated he believes their decision is to complete a 10 year vision related to a strategic plan for the entire community.

Commissioner Rogers stated he is directing the staff to develop an RFP for a Utility Focused Strategic Plan, one that will have us to look internal to our operation and determine where we want to go in the next 5-10 years. We will then see what unfolds regarding the broad community strategy. He stated we will see if we can get the entire community to think forward so we can do our planning to determine where our growth should be and where the opportunities are related to that growth. He stated he is cautiously optimistic and has a sense of anticipation of good things to come.

He stated the goal is to have a strategic planning session after this fiscal year ends.



## **GENERAL MANAGER REPORT**

### **Key Accounts Breakfast**

Mr. Trego stated our Key Accounts Breakfast was held yesterday. This was for our largest customers that Mark Brown's team invited. Mr. Trego stated participation was very good. He thanked our Chairman for attending. This is part of our ongoing education regarding rate changes that are coming. Most of these customers are part of our large power users, so they will be on the Coincident Peak Rate that the Commissioners approved. We also brought in a couple of people from the industry who have ideas that may help them to lower their coincident peak demand and give them additional tools to help them lower their costs and demand costs. Mr. Trego stated since we are doing this as a pass through, dollar for dollar, we are agnostic if the customers do it from a revenue perspective. It is a win-win.

Mr. Trego stated it was very well received based on the comments from those who attended. They appreciated their Hometown Utility taking the time to meet with them and giving them ideas to think about. They appreciated us meeting with them, and giving full disclosure on the rates and giving them ideas to work with.

### **Power Agreement with Duke**

The Commission previously approved a revision to our power agreement with Duke to get the state aided charges and the materials and supplies. Mr. Trego stated FERC has approved this agreement.

### **PWC Power Tools Brochure**

Mr. Trego stated our Communications Department has published a tri-fold brochure entitled PWC Power Tools. He stated with TOU Rates coming soon, it provides useful information for our customers to save on their utility bills by changing how they use energy. He stated we have also initiated some new programs that our customers can take advantage.

### **Water Treatment Changeover**

On March 1<sup>st</sup>, as required we will change over our water treatment from the ammonia based system to straight chlorine. This will be in effect through March 31<sup>st</sup>.

### **PWC Day**

Mr. Trego stated our next PWC Day is scheduled for Thursday, May 2<sup>nd</sup>. We currently have 20 people signed up for this tour. It provides an opportunity for customers, community leaders, and politicians to see what PWC is.

## **COMMISSIONER/LIAISON COMMENTS**

Commissioner Shaw and Council Liaison Jensen commended staff on the Power Tools brochure.

## **REPORTS AND INFORMATION**

The Commission acknowledges receipt of the following reports and information:

- A. Monthly Cash Flow Report
  - January 2019
- B. Recap of Uncollectible Accounts
  - January 2019
- C. Investment Report
  - January 2019
- D. Purchase Orders
  - December 2018
  - January 2019
- E. Position Vacancies
- F. Approved N.C. Department of Transportation Encroachment Agreement(s):
  - Encr. #18789 – install 8” SDR-26 sewer main & 8” C900 water main @ SR4415 (Farmers Rd) and US401 (Ramsey St.)

## **ADJOURNMENT**

There being no further business, upon motion by Commissioner Huff, seconded by Commissioner Fowler, and unanimously approved, the meeting was adjourned at approximately 9:55 a.m.