

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

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

Others Present: David W. Trego, CEO/General Manager  
Telly Whitfield, Assistant City Manager  
Michael Boose, Cumberland County Liaison  
Melissa Adams, Hope Mills Town Manager/Liaison  
PWC Staff

Absent: Kathy Jensen, City Council Liaison  
Media

REGULAR BUSINESS

Chairman Rogers called the meeting of Wednesday, May 8, 2019, to order.

APPROVAL OF AGENDA

Upon motion by Commissioner Fowler, seconded by Commissioner Shaw, the agenda was unanimously approved.

CONSENT ITEMS

Upon motion by Commissioner Shaw, seconded by Commissioner Fowler, the Consent Items were unanimously approved.

A. Approve Minutes of meeting of April 24, 2019

END OF CONSENT

REVIEW PROPOSED CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET FOR  
THE FISCAL YEAR 2020-2025

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

Mr. Trego thanked the budget staff for their hard work in putting the budget together. They did an excellent job.

Mr. Trego also stated he will provide a review of the Capital Improvement Plan (CIP) Budget. This is a review of Capital items that are over \$100,000 and has over a ten year life. If it does not meet these criteria, it goes into the Operational Budget, which will be reviewed separately.

He stated he will begin to review the CIP Expenditures by Division and then CIP Expenditures by Category. He will review the revenues that will fund the capital and the risk factors of the CIP Budget as well as the significant projects, especially those projects the Commissioners have shown a strategic interest in, both in the current year and the plan years.

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 \$102.9M in FY17; up to \$105.2M in FY18; up to \$118.2M in FY19; and we are requesting \$142.1M for FY20.

He stated for FY20, the CIP Budget request is 20% (\$23.9M) more than what was approved in FY19. He stated there a lot of projects we planned to complete in FY19 we were not able to do, and we will have to complete in FY20, so there is basically a shift.

FY2019 CIP Budget Drivers

The \$23.9 million increased in the proposed FY20 CIP Budget includes the following factors.

Mr. Trego stated we initially planned a \$3.9M increase as presented in the FY19 CIP budget. The biggest impact on the FY19 and FY20 Budget is the NCDOT Raeford Road project. Originally we thought we would spend \$6.5M in FY19, now we expect to spend \$4.5M because of the delay in the start of the project. He also stated the final design changes significantly expanded the electric infrastructure relocations and increased the planned FY20 spend by \$10.9M. Mr. Trego noted PWC will receive a 90% reimbursement from NCDOT for all electric relocations associated with the Raeford Rd. project.

He stated we were unable to complete all water/wastewater repairs caused by Hurricane Matthew. Some of the delays were caused by other's delays; and some by the impacts of Hurricane Florence. \$3.4 million of Hurricane Florence repairs will be completed in FY2020. Staff anticipates reimbursement of these costs through insurance or from FEMA

Relating to the Phase V Annexation, increased unit costs, paving overlays and the extending of water service to roughly 50 properties in next areas resulted in a \$4.1 million increase in FY2020.

FY2020 Overview

Mr. Trego provided a summary by category, with the projects grouped by 'type'. He commented on the drivers affecting their decrease/increase.

Water Improvements/Expansion	\$22,419,000
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Rehabilitation – Water/Wastewater	\$28,850,000
Substations/BWGP/Elect. Improvements	\$19,255,000
Phase V Annexation	\$24,032,000
NCDOT – Relocation Projects	\$23,091,000
Hurricane Matthew	\$ 3,390,000
LED Lighting	\$ 1,800,000
New Svc/Meters-Electric/Water/Sewer	\$ 5,508,000
City of Fayetteville-Utility projects	\$ 2,992,000
Building & Improvements	\$10,360,000
Computer Systems	\$ 400,000

#### FY 2020 Funding Source Summary

Mr. Trego stated the following describes where we will get the funding for the FY2020 Budget.

Electric Fund	\$24.9 Million
Water Fund	\$22.9 Million
Fleet Maintenance Fund	\$ 8.4 Million
Bonds/State Loans/Reserves*	\$85.9 Million

He also noted we expect to receive \$16.2M back through reimbursements.

Mr. Trego stated of the total spend in FY 2020, approximately \$16.2M of CIP expenditures are expected to be offset by revenues from NCDOT reimbursements and recoveries associated with Hurricane Matthew.

\$67.8 million of Bond/Loans/Reserve funding is for water/wastewater and \$18.1 million is for electric. Mr. Trego stated Reserves typically are contained in Capital Project Funds approved by the Commission.

#### Risk Factors to CIP Budget

- Unplanned major equipment/system failure
  - Event like a Hurricane changes priorities and ability to keep with plan
- Third party impacts
  - As we saw this year, a change in schedule and scope with the Raeford Rd. project by NCDOT had a major impact (\$10.9 million) in the CIP for FY 2020. Have Ramsey St. and Camden Rd. projects in the future.
  - Changes in others' schedules impacted some of the planned Hurricane Matthew repair work.

- Increase in interest rates could impact future years' projects' overall costs due to Bond financing

#### Annexation

- \$24.0 million budgeted in FY20
- The neighborhoods include:
  - Areas 20 & 21 near completion - Hackney Hills, Lake Point, Robinhill Estates and 2<sup>nd</sup> phase of Arran Lakes West
  - Areas 22 & 23 start fall 2019 - 3<sup>rd</sup> phase Arran Lakes, Emerald Garden, Rayconda, Wells Place
  - Design of Areas 24 & 25 has started and continue in FY 2020 - Cliffdale Estates, Village Hills, Kings Mill/ Lake Rim Estates
  - Design continues on Areas 32 & 34 - accelerated because of I-295 Outer Loop project.
    - Because of the extent of the road work a small portion of Area 32 will start construction in late FY 2020 making sewer available to 138 properties and water to 56.
    - Wendover Place, Hickory Run, Pine Crest Park, Pine Ridge Acres

#### Ongoing Electric Reliability Improvements

- Substation Rebuilds - \$6.3 million in FY2020 -\$1.4 million increase over FY2019. Includes rebuild of Bordeaux substation, upgrading POD III relays and purchasing a 66kV Power Transformer
- BWGP Replacements & Upgrades - \$2.0 million budgeted and includes upgrading a heat exchanger, replacing a major circuit breaker and updating plant operation software.
- Replace aging underground cable - To ensure reliability, increased budget from \$1.2 million in FY 2019 to \$2.5 million in FY 2020
- Steel sub-transmission poles - Last year, deferred all but \$250,000 for replacement of poles because of price spike in steel poles following 2018 Hurricanes, going back to our planned annual spend of \$1.5 million

#### Ongoing W/WW Reliability Improvements

- Continuing to increase water/wastewater rehabilitation
  - Includes a planned increase of \$6.2 million to \$28.9 million, encompassing major sewer outfall lines, water & sewer mains, water laterals, lift stations and manholes.
- North Fayetteville - Plan to complete the \$15.6 million design/build project to replace the 20" sewer force main \$4.0 million budgeted in FY 2020
- Aging Water Mains - \$3.9 million budgeted to replace 14,000 ft. of aging water mains in Cottonade and Scottsdale areas
- Water Line Replacement - Ongoing project, \$880,000 budgeted to replace lines under railroad tracks that are not encased

#### Other Notable FY 2020 Projects

- Renovate and upgrade the Fleet Maintenance facility - \$8.4 million budgeted; includes adding several “high bays” to safely accommodate our larger heavy duty vehicles.
- Backup Emergency Operations Center - \$660,000 budget to repurpose a building at BWGP.
- Complete North Fayetteville line - \$1.1 million budgeted and will serve Broadwell development.
- Install automated electric distribution controls - \$750,000 budgeted in FY2020. Will react to outages and automatically do switching to isolate. Part of an overall 5+ year, \$8.0 million reliability project.

#### Plan Years Notable Projects

- NCDOT Ramsey Street widening - Could have similar overall scope and impact on PWC as Raeford Rd. Early estimate of over \$13 million to relocate electric, water and wastewater facilities
- Expansions at PO Hoffer and Rockfish Creek plants still on horizon
  - \$11 million multi-year water pressure project - Improve water pressure in areas in West Fayetteville by installing new tank and pumping station. Engineering planned to start in FY 2021
- \$2.3 million for Phase II of the Bragg Blvd. Gateway Project - Will convert additional overhead facilities to underground and improve lighting in area from Stamper Rd. to Carol St.

Mr. Trego and staff responded to questions from Commissioners regarding the proposed Capital Improvement Plan (CIP); the TEXFI site contamination and remediation; and monitoring for contaminants.

#### REVIEW FISCAL YEAR 2020 OPERATING BUDGET

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

Mr. Trego provided a history of the actual budgets for FY18 and FY19 as well as highlights of the FY20 Proposed Budget. He noted a decrease of 4.0% in the Electric Fund (\$270.6M); 9.3% increase in the Water Fund (\$130.6M); 16.6% increase in the Fleet Fund (\$13.9M). The total budget requested is \$415.2M which reflects a decrease of .5%. Mr. Trego stated the Fleet Fund will continue through the FY2020. It will not be continued into FY2021.

#### Notes on Fund History

Mr. Trego noted the FY 2019 Total Fund amendments approved by the Commission are currently \$23.7 million or 6.1% more than the original budget. Historically, the variance from original budget caused by amendments has not been as great. Amended budgets in FY 2018 were 0.1% less. In FY2017, they were 2.6% more compared to the original approved budget.

Contributing to FY 2019 amendments:

- \$3.2+ million increased Power Supply expenses due to paying anticipated true-up expenses in FY 2019 to avoid interest charges
- \$3.8 million increase in Electric appropriations to cover credits from Duke Energy for FERC Order on Material & Supplies. Amounts to be held in reserve due to Duke appeal of FERC Order
- \$2.0 million from Electric Fund for Community Solar project originally scheduled to start in FY 2018 but was delayed into FY 2019
- \$3.7 million for LED conversions from revenues rather than Bond proceeds.
- Over \$4.6 million in amendments for increased expenses because of Hurricane Florence. \$2.0 million Electric and \$2.6 million in W/WW.

## FY2020 Fund Drivers

### Electric Fund

- Net Revenues from retail electric sale decreasing \$7.2 million (3.4%) reflecting anticipated conservation due to TOU rate structure.
  - Wholesale Power costs \$6.7 million less in FY 2020 due to lower purchases because of conservation, lower Coal Ash expenses and State ADIT credit settlement.
- Anticipate \$2.8 million in Insurance and FEMA reimbursements, included as revenue, in FY 2020 for storm related damage.
- Capital expenditures funded through the Electric Fund in FY 2020 total \$27.2 million, 4.6% increase over FY 2019.
  - Above does not include \$4.4 million transfer to the Fleet Fund for Capital Projects including the fleet bay expansion CIP project.
- Payment in Lieu of Taxes (PILOT) to the City of Fayetteville increased by \$159,800 or 1.5%.
  - One time restatement of Other Post-Employment Benefits (OPEB) required by GASB 75 impacted payment to the City by \$196,700. Without increase in the PILOT would have been 3.3%.

### Water/Wastewater Fund

- Total W/WW Revenues from retail sales increased \$11.6 million (12.9%) from FY 2019.
  - Majority of increase from water and wastewater rate increases including \$3.4 million generated in FY 2020 from the Relocation Rider.
  - Anticipate \$5.2 million in Insurance and FEMA reimbursements, included as revenue, in FY 2020 for storm related damage.
- Capital expenditures funded from the W/WW fund increasing \$3.3 million or 13.6%.
  - Above does not include a \$4.4 million transfer to the Fleet Fund for Capital Projects including the fleet bay expansion CIP project.
- \$16.3 million in Debt related payments included in FY 2020 budget a 3% decrease over FY 2019.

### Fleet Fund

- Effective July 1, 2019, City of Fayetteville fleet service will no longer be performed by PWC.
  - PWC now responsible for all overhead and fixed costs of Fleet operations. Costs were split approx. 75% City and 25% FPWC in FY 2019.
- Operating Budget @ \$5.1 million is 51% less than FY 2019 reflecting reduction from no longer doing the City fleet.
- Total Fleet Fund Budget includes \$8.4 million for the fleet bay expansion project.
  - Funding for Fleet capital comes from equal transfers from the Electric and Water/Wastewater Funds.

#### City of Fayetteville FIF Waiver Request

Mr. Trego stated the FY 2020 budget does not include additional FIF Waiver requests from the City of Fayetteville. Previously, Commission has agreed to waive up to \$323,340 for City projects. Over \$77,000 of this has already been waived

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

The Management proposed budget is \$6.34M (25.0%); the Communications proposed budget is \$1.48M (-.3%); the Human Resources proposed budget is \$1.76M (-1%); Customer Programs proposed budget is \$4.23M (-5.3%); the Corporate Services proposed budget is \$12.63M (+92.7%); the Finance proposed budget is \$11.30M (+1.1); the Water/Wastewater proposed budget is \$39.56M (+1.9%); the Electric-non Power Supply proposed budget is \$25.15M (+2.2%). The Total FPWC w/o Power Supply \$115.50M (+8.0%); Electric Power Supply is \$157.82M (-4.1%); PWC proposed budget is \$273.32 million, which reflects an increase of (+.7%).

\* Unless noted all FY2019 budget values include all approved amendments and transfers

#### Main Operating Expense Drivers

- Wholesale Power Supply costs decreasing \$6.7 million in FY 2020
  - Reflects slight increase in Duke Wholesale Power unit costs offset by conservation due to TOU rates, ADIT credit and lower Coal Ash expenses
- Information Technology group now at Management Division level
- 70% (\$6.1 million) of the FY 2020 increase in non-power supply expenses is in Corporate Services Division
  - All fixed costs and overheads now included in Fleet Maintenance rather than being split with City of Fayetteville. This was main driver in the \$2.7 million increase in FPWC fleet expenses
  - \$2.04 million (non-CIP capital and expenses) for major upgrades to various system software
- 3.0% targeted salary increase in FY2020. 2.0% structural and 1.0% merit
  - No major changes to PWC benefits planned
    - Total Medical expense in G&A budgeted to be \$658,200 less in FY 2020 compared to FY 2019 budget

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 (FY19-FY20) and the risks to the budget, also 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 2020 Budget Summary

Ms. Haskins provided a summary of the G&A Expenses Budget. Healthcare is captured in this cost center as well as OPEB. She noted the following:

- OPEB decreasing \$853k or 43%
- Healthcare fairly consistent (provider under evaluation)
- Contingency increasing \$173k or 7%
  - FY20 Electric Contingency \$1.2 million
  - FY20 W/WW Contingency \$1.6 million

Ms. Haskins provided a summary for the Electric Rate Stabilization Fund for the last three fiscal years. They include FYE 2017- \$43.6 million; FYE 2018 - \$48.8 million; FYE 2019 estimate - \$48.2 million (Part A based on Power Costs \$14.2 million & Part B \$34.0 million).

She provided a summary of the Coal Ash Reserve Balance; they include FYE 2017 - \$27.3 million; FYE 2018 - \$18.8 million & FYE 2019 Estimate - \$2.6 million.

She also provided a summary of the Water/Wastewater Rate Stabilization Fund Balance for the last three fiscal years. They include FYE 2017 - \$0.3 million; FYE 2018 - \$0.6 million; FYE 2019 estimate - \$0.8 million.

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

The Budget Public Hearing is May 22, 2019, with the Proposed Adoption on June 5, 2019.

Commission thanked staff for the comprehensive budget presentation.

## GENERAL MANAGER REPORT

### NCAMES Rodeo

Mr. Trego reminded the Commission the NCAMES Rodeo will be next Thursday, May 16<sup>th</sup>.

## COMMISSIONER/LIAISON COMMENTS

No Comments

## REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.



- A. Monthly Cash Flow Report - March 2019
- B. Recap of Uncollectible Accounts – March 2019
- C. Investment Report – March 2019
- D. Purchase Orders
  - February 2019
  - March 2019
  - April 2019
- E. Personnel Report – April 2019
- F. Approved N.C. Department of Transportation Encroachment Agreement(s):
  - Encr. # 18806 – install. of fire line @ McArthur Road and Ramsey Street
- G. Approved Utility Extension Agreement(s):
  - Water & sewer to serve Georgetown Estates Phase II, located at McKinnon Farm Rd & Fisher Rd
  - Water & sewer to serve Dirtbag Brewery, located at 5435 Corporation Dr.
  - Water & sewer to serve Cypress Lakes Phase 10, located at Man-O-War Drive and Cypress Lakes Rd
  - Electric, water and sewer to serve City of Fayetteville Fire Station #12, located at 911 Hope Mills Rd
- H. Actions by City Council during the meeting of April 23, 2019, related to PWC:
  - Approved Bid Recommendation – Prefabricated Relay Control Houses for College Lakes and Hogan Street Substations

CLOSED SESSION PURSUANT TO G.S. 143-318.10(E), 143-318.11(C), 143-318.11(A)(1), 143-318.11(A)(3), AND 133-33 IN ORDER TO REVIEW AND APPROVE CLOSED SESSION MINUTES FROM COMMISSION MEETINGS ON THE FOLLOWING DATES: AUGUST 8, 2018, JANUARY 23, 2019, AND APRIL 24, 2019

Commissioner Fowler motioned to go into Closed Session pursuant to G.S. 143-318.10(e), 143-318.11(c), 143-318.11(a)(1), 143-318.11(a)(3), and 133-33 in order to review and approve closed session minutes from Commission meetings on the following dates: August 8, 2018, January 23, 2019, and April 24, 2019. Motion was seconded by Commissioner Huff and unanimously approved at 1:06 pm.

Commissioner Fowler motioned to return to open session. Motion was seconded by Commissioner Huff and unanimously approved at 1:09 p.m.

## ADJOURNMENT

There being no further business, upon motion by Commissioner Fowler, seconded by Commissioner Huff, and unanimously approved, the meeting was adjourned at 1:10 p.m.