

D-R-A-F-T

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY, MAY 22, 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  
Kathy Jensen, City Council Liaison  
PWC Staff

Absent: Michael Boose, Cumberland County Liaison  
Melissa Adams, Hope Mills Town Manager/Liaison  
Media

REGULAR BUSINESS

Chairman Rogers called the meeting of Wednesday, May 22, 2019, to order.

APPROVAL OF AGENDA

Upon motion by Commissioner Huff, seconded by Commissioner Fowler, 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 May 8, 2019
- B. Approve bid recommendation to award contract for the Fayetteville Annexation Phase V Project X - Area 22 – Emerald Gardens & Arran Lakes West Subdivisions to TA Loving Company, Goldsboro, NC, the lowest responsible, responsive bidder in the total amount of \$3,035,750.00, and forward to City Council for approval.

This project will provide for construction of the proposed sanitary sewer improvements to consist of approximately 37 manholes, 71 sanitary sewer laterals, and 6,460 linear feet of 8-inch sanitary sewer improvements with associated appurtenances.

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The Fayetteville Annexation Phase V Project X – Area 22 – Emerald Gardens & Arran Lakes West Subdivisions Project is a budgeted item and will be funded from WS-63 Phase V Annexation (CPR10000130)

Bids were received on May 8, 2019, as follows:

<u>Bidders</u>	<u>Total Cost</u>
T.A. Loving Company, Goldsboro, NC	\$3,035,750.00
Billy Bill Grading Co., Inc., Fayetteville, NC	\$3,217,662.40
T2 Contracting, Inc., Fuquay Varina, NC	\$3,995,652.00

COMMENTS: Notice of the bid was advertised through our normal channels on April 8, 2019 with a bid opening date of May 8, 2019. Addendum No. 1 was issued on May 3, 2019, the addendum was issued to make revisions to contract document and provide answers to questions. **SDBE** - The Bidder intends to subcontract with Fill Er Up TruckN, Riegelwood, NC for hauling needs for an estimated amount of \$50,000.00. **Local:** The bidder intends to subcontract with Forrest Landscaping, Fayetteville, NC for sod for an estimated amount of \$78,000.

C. Approve Resolution PWC2019.04 – Resolution Directing Periodic Review of Sealed Minutes and General Accounts by the General Counsel

END OF CONSENT

FY2020 RECOMMENDED BUDGET SUMMARY

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

David W. Trego, CEO/General Manager provided a brief summary of the recommended FY2020 PWC Operating Budget and Capital Improvement Plan (CIP) as presented to the Commission on May 8, 2019, and made available for public inspection in compliance with North Carolina General Statute 159-12.

He stated the Fiscal Year 2020 (FY2020) overall PWC budget recommendation to the Commission for PWC is \$415.2 million. This represents a 0.5% decrease compared to the FY 2019 budget. This total is for the Electric, Water/Wastewater and Fleet Funds.

The recommended budget includes the following:

- A \$7.2 million reduction in Electric Revenues from retail sales due to anticipated conservation as a result of the implementation of TOU rates and a corresponding \$6.7 million reduction in Power Supply expenses
- A Payment in Lieu of Taxes (PILOT) to the City of Fayetteville of \$11.1 million
  - Not included in the above is the \$1.2 million contribution in support of the City's economic development activities (4<sup>th</sup> of 5 years)
- A \$11.6 million increase in water/wastewater revenues from retail sales
- \$2 million for major computer system upgrades
- A targeted 3% salary increase for employees

He stated for FY2020, the recommendation is for \$142.1 million budget for the Capital Improvement Plan (CIP) which includes;

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- \$28.9 million for water/wastewater system rehabilitation and \$22.4 million for system improvements and expansions
- \$19.3 million for electric system replacements and upgrades
- \$23.1 million for relocations associated with NCDOT road projects
  - Including \$13.7 million for electric relocations on Raeford Rd. which PWC will receive 90% reimbursement from NCDOT
- \$24.0 million for design/construction work in Phase V Annexation areas
- \$10.4 million for building improvements, which includes:
  - \$8.4 million for the Fleet Bay expansion project
  - \$0.7 million for a back-up Emergency Operations Center (EOC) repurposing a building at the BWGP

The \$142.1 million is funded 40% from operating revenues and 60% from bonds, low interest state loans and capital reserve funds

Mr. Trego stated the budget is consistent with all the Commission's strategic goals. The FY2020 budget also meets all the PWC Charter requirements including, but not limited to, compliance with State Statutes, having a 120 day targeted cash reserve and operating in the interest of the City of Fayetteville. It also meets the requirements of various state loan requirements and Bond Orders.

#### PUBLIC HEARING ON THE PWC FY2020 OPERATING BUDGET AND CAPITAL IMPROVEMENT PLAN (CIP)

Chairman Rogers opened the Public Hearing.

The Clerk to the Board informed the Commission there were no written comments or speakers present.

The Public Hearing was closed by the Chairman.

#### 3<sup>rd</sup> QUARTER FINANCIAL RECAP (THRU MARCH 2019) – (Goal #1)

Presented by: Rhonda Haskins, Chief Financial Officer &  
Brenda Brown, Controller

Ms. Haskins, Chief Financial Officer noted the common theme in the presentation will be the YTD information has the effects of what happened with Hurricane Florence. She stated on the Electric side and the Water side the Commission may see delays in projects as well as increased expenses over the storm related activities. Most of the costs are FEMA reimbursed.

Ms. Haskins went on to give the 3<sup>rd</sup> Quarter Financial Recap. She stated Electric Purchased Power (MWh) was 1,622, a decrease of 1.0%. The cost per MWh was \$69.55, a 3.3% increase. Electric Sales are up 2.4% over the prior year. Electric Power Supply and Maintenance expenses were up 2.7%. Coal Ash expenses were up 156.5%; G&A Expenses increased by 4.6%; Electric Other Operating Expenses increased by 9.6%; and Electric Payment in Lieu of Taxes (PILOT) increased by 4.4%.

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Water Sales increased by 5.6%, compared to last year. Wastewater Sales increased by 5.0%, compared to last year; Water/WW G&A Expenses decreased by 1.5%; Water/WW Other Operating Expenses increased by 10.9%; Water/WW Aid, Grants, FIF, Transfers increased by 37.3%; and the Net Bad Debts are less than .6%. The Days Cash Reserve is 157 days.

Electric - Total Operating Revenues were \$184.0M. Power Supply and Maintenance Expenses were \$112.8M; Coal Ash Expenses were \$13.5M; G&A Expenses were \$13.0M; Other Operating Expenses were \$40.2; Aid to Construction & Grants were \$136K; City PILOT (Payment in Lieu of Taxes) and ED (Economic Development) expenses were \$9.1M. The Change to Net Position was \$8.6M.

The Total Power Costs were \$114.8M for the 3<sup>rd</sup> quarter.

Regarding Electric Purchased Power in the 3<sup>rd</sup> Quarter, Ms. Haskins stated the megawatt hour comparison is up 1.0% from the previous year and 2.6% above what it was in 2015. Our cost per megawatt hour is up 3.3% from the previous year, and it is less than it was in 2015 by 6.1%.

Ms. Brown, PWC Controller, noted the largest expenditures in the Electric Fund, excluding Purchased Power and Maintenance, are Personnel Services at \$21.2M, followed by Appropriations (\$15.2M); Capital Outlay (\$14.3M); Transfer to the City (\$9.1M); Other Operating Expenses (\$5.2M); and Debt Related Payments (\$2.3M).

Water Sales are \$32.2M, up 5.6% over this time last year. Ms. Haskins noted this is mostly due to growth in customers and decrease in volumes. Wastewater Sales are \$35.9M, up 5.0% more than last year. G&A Expense were \$11.6M, a decline of 1.5% compared to last year. Other Operating Expenses were \$49.7M, an increase of 10.9% compared to the previous fiscal year. Aid, Grants, FIF XFRs were \$10.9M, an increase of 37.3%.

Water Volume Sales were down 2.6% over the prior year (FY18). Wastewater Volume Sales are up 2.1% over the prior year (FY18).

Total Operating Revenues were above budget at \$71.7M. Total Operating Expenses were below budget at \$61.4M. The Change in Net Position was \$21.2M.

The largest expenditures in the Water Fund is Personnel Services (excluding Debt Related Payments) are Personnel Services at \$22.3M, followed by Other Operating Expenses (\$10.3M); Capital Outlay (\$9.9M); Contractual Services (\$4.2M); and Appropriations (\$3.7M).

Electric Margin increased from 29.3% in 2015 to 34.5% as a Percent of Total Sales. The Water Margin has remained basically consistent since 2015, with the margin at 82.4% as a Percent of Total Sales.

Ms. Brown discussed Capital Expenditures and Debt Service for Electric, Water and Fleet. She explained the differences in the budget and actual figures.

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For the Fleet Maintenance Fund, she stated City Sales are \$4.44M, and PWC Sales are \$1.62M; the ratio is 73.2% to 26.8%. Operating Expenses are \$6.35M, a decrease of 3.6%. Ms. Brown noted the decrease in City Sales and PWC Sales were a result of the outsourcing program with CES. She stated we also had a decrease in repair services to the City because of the preventive maintenance and lubing for the City's heavy duty vehicles being contracted out. Operating Expenses are down for the same reasons. City Sales also decreased because our fuel island was down in October.

Ms. Brown noted Fleet revenue was below budget and below last year totals at \$6.07M. Fleet revenue fell short of last year due to the decline in the City fuel sales, equipment and repair parts. Fleet expenditures were higher than the prior year (FY18) primarily due to increased capital spending offset by a decline in outsourcing, and repair parts and fuel purchases.

## GENERAL MANAGER REPORT

### FLEET TRANSITION

Mr. Trego stated we continue the transition with the City going to Vector. We had the second meeting with the City and there is one more planned. Ms. Fritzen stated there is a cut-off date scheduled for June 15<sup>th</sup>. Staff has scheduled a meeting for the following week to ensure all components are completed. Mr. Trego stated the coordination between PWC, the City and Vector has gone very well.

### NCAMES

Mr. Trego thanked the Commissioners and staff for their participation in the NCAMES Rodeo and Conference. He also congratulated all the PWC Linemen who participated in the games, as well as those who won and placed in their respective competitions.

Team Members: Chris Johnson (Coach), Steve Rivers (Alternate), Nick Graham, Tyler Brayboy, Cameron Phipps, Matthew McLeod, Garret Locklear, and Jeremy Hatem.

Nick Graham – 1<sup>st</sup> Place – Apprentice Hurtman  
Cameron Phipps – 3<sup>rd</sup> Place Three Phase Fuse Replacement  
Nick Graham – 4<sup>th</sup> Place - 3 Phase Fuse Replacement  
Cameron Phipps - 5<sup>th</sup> Place - Apprentice Overall  
Cameron Phipps - Top 5 Apprentice Written Exam

### PWC Retirees & 2019 NCAMES Hall of Fame Inductees:

Jerry Comstock (*ret. Jan. 1, 2011*)

Rick Nunnery (*ret. Aug. 1, 2014*).

Mr. Trego noted the 82<sup>nd</sup> Airborne Golden Knights jumped in; and the PWC Linemen and Retired Linemen climbed the poll to hang flags during the opening ceremony. They included Dale Carteret (retiree), Duane Stalnaker (retiree and former Rodeo champion), Stacy MacFadden (retiree), and Chase MacFadden (current employee and his son).

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### RAEFORD ROAD

Mr. Trego stated we have begun the electrical relocation on Raeford Road (near 71<sup>st</sup> High School). He stated we have to maintain two lanes of traffic. In this first part we do not expect to directly impact the traffic as our trucks will be on the shoulders.

### LIGHTS OUT

Mr. Trego explained the outage on yesterday for nearly 10,000 customers. He stated a snake climbed onto a line and caused the outage. He stated a lot of these issues are out of our control. Nationally, animals are the 3<sup>rd</sup> or 4<sup>th</sup> reason for electrical outages, based on the region.

### HIGH TEMPERATURES

Mr. Trego stated we are anticipating high temperatures next week as high as 102 degrees. He stated this level of hot weather is very early in the season. We will get message out to customers reminding them of the expected high temperatures. And with the TOU Rates, how they can impact their bills.

### COMMISSIONER/LIAISON COMMENTS

#### *Commissioner Rogers*

TIER 1 - Mr. Trego and Chairman Rogers are participating in the Tier 1 Strategy meetings with the City. We have been designated as a Tier 1 County, which means we are in the bottom 40% on a number of economic measures compared to other counties within the State.

Commissioner Rogers stated we have agreement to attempt to create a comprehensive strategic view of what we want to the community to look like ten years forward. He stated there were representatives from FT. Bragg, PWC, Cape Fear Valley, City of Fayetteville, Cumberland County, FTCC, FSU, Cumberland County Schools, EDC, Dept. of Commerce and the Workforce Development Board.

He stated they came up with an aspirational vision for the community to become within 10 years. The points included:

Become a Tier 3 County; and a regional hub; have an educated, productive and motivated workforce; have a commitment to continued improvement; and become smart risk takers.

Building Business Rally - Commissioner Rogers stated the next BBR will be January 30<sup>th</sup>. It will be held at the Ramada Inn Convention Center. The Chamber and PTAC (Procurement Technical Assistance Center) has agreed to be our partners in this endeavor. He stated our ultimate goal is to step away from being the driver for this program.

Commissioner Rogers stated he asked for Mr. Trego to check into an incentive program for non-profits and institutions related to energy and water savings just to see what is possible in moving our conservation down the road.

***Commissioner Huff***

Commissioner Huff stated he had a conversation with an individual and was informed Costco was almost ready to come to Cumberland County until the announcement concerning our county becoming a Tier 1 county.

***Commissioner Fowler***

Commissioner Fowler asked if staff has touched base with Goldie regarding TOU. Commissioner Fowler wanted to ensure Goldie understands that the entire bill will not be reduced by 30%, but only the portion affected by the TOU. Mr. Trego stated due to the high temperatures toward the end of the month; customers will use more kilowatt hours. The additional kilowatt hours will affect their bills, but not necessarily the TOU. He stated we need get the message to our customers.

**REPORTS AND INFORMATION**

The Commission acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report - April 2019
- B. Recap of Uncollectible Accounts – April 2019
- C. Investment Report – April 2019
- D. Monthly Incident Summary – April 2019
- E. Position Vacancies
- F. Approved N.C. Department of Transportation Encroachment Agreement(s):
  - Encr. #18788 – install of 16” RJDJ water main, & 6” RJDJ water lateral for fire hydrant @ SR2252 (Chicken Foot Rd. & SR2334 (Corporation Dr.)
- G. Letter from RSM Regarding FPWC Audit for the Year Ending June 30, 2019
- H. Actions by City Council during the meeting of May 13, 2019, related to PWC:
  - Approved Phase 5 Annexation Areas 18 and 19 – Resolution Confirming Assessment Roll and Levying Assessments

**ADJOURNMENT**

There being no further business, upon motion by Commissioner Shaw, seconded by Commissioner Fowler, and unanimously approved, the meeting was adjourned at 9:34 a.m.