

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, OCTOBER 9, 2019
8:30 AM

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

Others Present: David W. Trego, CEO/General Manager
Mitch Colvin, City of Fayetteville Mayor
Michael Boose, Cumberland County Commissioner/Liaison
Melissa Adams, Hope Mills City Manager/Liaison
Joseph Staton, City Construction Manager
PWC Staff

Absent: Telly Whitfield, Assistant City Manager
Kathy Jensen, City Council Liaison
Media

ADMINISTER OATH OF OFFICE:

- ❖ Mayor Mitch Colvin administered the Oath of Office to Evelyn O. Shaw, as Commissioner of the Fayetteville Public Works Commission. Commissioner Shaw was appointed to a second term by the Fayetteville City Council on Monday, September 9, 2019. Commissioner Shaw's second term will extend thru September 30, 2023.

REGULAR BUSINESS

Chairman Darsweil Rogers called the meeting of Wednesday, October 9, 2019, to order.

ELECTION OF OFFICERS FOR FISCAL YEAR 2019-2020

Commissioner Wade Fowler submitted the following slate of officers for FY2019-2020.

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

The motion was seconded by Commissioner Huff and unanimously approved. Chairman Shaw thanked her fellow Commissioners for their support.

APPROVAL OF AGENDA

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

CONSENT ITEMS

Upon motion by Commissioner Rogers and seconded by Commissioner Huff, Consent Items were unanimously approved.

- A. Approve Minutes of meeting of September 25, 2019
- B. Approve to Hold a Ribbon Cutting Ceremony for the PWC Community Solar Farm and Battery Installation on the Grounds of the Butler Warner Generation Plant on Wednesday, October 23, 2019, at 9:00 a.m.
- C. Approve to Change the PWC Commission Board Meeting Location and Time for October 23, 2019, to the Butler Warner Generation Plant's Conference Room at 9:30 a.m. or Immediately Following the Ribbon Cutting Ceremony
- D. Approve Capital Project Fund (CPF) Budget Ordinances – PWCORD2019-23 thru PWC2019-26
 - PWCORD2019-23 – Amends the Annexation Phase V Reserve to update various transfers.
 - PWCORD2019-24 – Annexation Phase V, Areas 18 & 19 CPF Amendment #5 closes this fund.
 - PWCORD2019-25 – Establishes a \$17.1 Million Annexation Phase V, Areas 26-27 Capital Project Fund for a project to be funded with bond proceeds and transfers from the Annexation Phase V Reserve. This fund is needed now to establish budgets in support of executing engineering task authorizations and Right-of-Way activity.
 - PWCORD2019-26 – Amends the Series 2018 Water and Wastewater CPF to adjust the bond proceeds from the original estimate to the actual proceeds received.

END OF CONSENT

PRESENTATION OF FINANCIAL HIGHLIGHTS AND ANNUAL AUDIT REPORT FOR FISCAL YEAR 2019 PREPARED BY RSM AUDITORS *(PWC STRATEGIC GOAL #1)*

Presented by: Rhonda Haskins, CPA, Chief Financial Officer
Brenda Brown, CPA, Controller
Robert Bittner, III, CPA, MBA – RSM Auditors

Rhonda Haskins, Chief Financial Officer, presented Robert Bittner, Senior Manager for RSM. Mr. Bittner stated he and Mr. Willie Cooper thanks PWC for the opportunity to serve the Commission. Mr. Bittner stated the audit was very smooth, and they received all the information requested in a timely manner.

Mr. Bittner stated regarding the audit, PWC received a Clean Opinion or Unmodified Opinion. This is the highest level of assurance they can provide. This means on a reasonable basis, they believe everything is stated appropriately as required in GAAP.

Mr. Bittner stated they are required to issue a report regarding compliance with laws, regulations and internal controls. In the past couple of years, RSM has reported a couple material weaknesses in internal controls. He stated he is happy to report there were not material weaknesses in internal controls this year.

Mr. Bittner stated the auditors are also required to issue the AUC260 Letter. This is a required communication for auditors to those charged with governance. He explained the purpose and the contents of this document. He also noted the most significant implementation was GASB88, which are just a few additional disclosures related to debt.

He stated there were no audit adjustments this year. There was just one uncorrected misstatement related to diesel fuel. There were no difficulties or disagreements with management.

Mr. Bittner stated GASB Statement 87 is coming and it will require a complete rework of how leases are recorded. It will not need to be implemented until 2021 or any year beginning after December 15, 2019. Discussion ensued on the implications of this change.

Ms. Haskins acknowledged and thanked the Accounting and Financial Planning staff. She stated those present included; Carla Supples, Lisa Buffaloe, Marsha Krings, Rhonda Graham, Jason Alban, Jason Briggs, Jill Parker, Sabrina King, and Brenda Brown.

	2015	2016	2017	2018	2019
Operating Revenues	\$ 300.5	\$ 302.4	\$ 313.5	\$ 325.1	\$ 338.2
Power Supply and Generation	157.2	141.1	141.8	155.6	163.3
Other Expenses	143.2	161.3	171.8	169.5	174.9
Payment in Lieu of Taxes	12.5	9.5	10.0	10.4	10.9
Change in Net Position	21.9	22.3	39.7	43.0	49.2
Unrestricted Cash and Investments	92.0	109.6	109.6	119.4	126.3
Total Assets	1,184.3	1,265.8	1,279.1	1,306.5	1,406.8
Total Net Position	\$ 851.6	\$ 873.9	\$ 913.5	\$ 939.0	\$ 988.5

Ms. Haskins stated Operating Revenues increased 4% over the prior year and 12.5% over the 5-year period which equates to approximately 2.5% annual increase. This is a \$13.1 million increase over last year with most of the increase in sales across all 3 utilities (Electric \$5.4M, Water \$2.9M, WW \$2.6M).

Power Supply and Generation is up \$7.7M over prior year and \$6.1M over 5 years; Other Expenses are up \$5.4M over the prior year (3.2% increase). There is an upward trend in change in net position

Total assets are up \$222.5 million in 5 years, \$100.3 million over the prior year to 1.41B. The Net position at June 30, 2019, is \$988.5M.

Key Performance Indicators: Days Cash is 143; Debt Coverage Ratio is 3.15, excluding inter-governmental expenses, and 2.73 including intergovernmental expenses (City transfer). Leverage is 40.2% (Total Debt/Net Book Value), which is a healthy range. Ms. Haskins also reviewed the Age of Systems.

Key financial ratios exceeded the standard of 2.1 for FY2019. The Current Ratio is 3.89, and the Quick Ratio is 3.57.

Electric Revenues were \$239.8M, exceeding the prior year (\$232.3M) and is in line with the budget @ \$239.3M. Water Revenues were \$98.4M, exceeding the prior year (\$92.8M), and is in line with the budget @ \$94.6M. Wastewater Revenues were \$8.5M, compared to the prior year @ \$8.9M, and is just below budget \$9.8M. Discussion ensued.

Ms. Haskins stated for Electric, the residential class is our largest customer group @ 50%.

She noted the following are our largest Electric customers; Cape Fear Valley Medical Center, Cargill, Fayetteville State University, Fayetteville Tech Comm College, Goodyear, Mann+Hummel, Momentive Specialty Chemical, Nitta Gelatin, V A Medical Center, and Walmart. The aggregate sum of the ten electric customers' revenues received compared to the total electric sales revenue is 11.25%. No individual customer comprises 4.65% or more of total electric sales.

Electric sales were \$214M, up from 2018 @ \$208M; volume sales were down 2.8% from the previous year at 1,989 MWs.

Water and Wastewater revenues continue to increase with rate adjustments, despite little sales growth. Annexation is a key factor for Wastewater. Ms. Haskins stated the Water and Wastewater Residential is approximately 70% of sales revenue. Water residential increased 7.5%, \$29.8M in FY19, compared to \$27.7M in FY18; non-residential and large user water increased 5.5%, \$11.8M in FY19, compared to \$10.7M in FY18. Wastewater residential increased 5%, \$34.5M in FY19, compared to \$32.8M in FY18; non-residential and large user wastewater revenue increased 3%, \$13.4M in FY19, compared to 13.0M in FY18.

The top ten water users were: Aqua Water, Cape Fear Valley Medical Center, Cargill, Carolina By Products, Dak America, Ft Bragg Military Base. Goodyear, Hoke County, Momentive Specialty Chemicals, and Town of Spring Lake. This group is approximately 10% of our total sales revenue.

The top ten wastewater users were: Cape Fear Valley Medical Center, Cargill, Carolina By Products, Eastover Sanitary District, Fayetteville State University, Mann+Hummel, Momentive Specialty Chemicals, Nitta Gelatin, Norcross District, and Town of Stedman.

Water sales were up 6.9% at \$45M, up from FY18 at \$42M; water volume sales were slightly down .6%, at 8,000 million gallons, compared to 8,054 million gallons in FY18.

Wastewater sales were up 5.1% over the prior year at \$49M, compared to FY18 at \$46M; wastewater volume sales were up 2.8% over the prior year at 6,169 MGD, compared to FY18 at 6,004 MGD. Discussion ensued on the Wastewater peak flows.

Electric Power Cost excluding Coal Ash, slightly increased .9% from 2018 to 2019; \$147,634M in FY19, compared to 146,281M in FY18. Increase due to increased DEP prices; higher average CP demand; and lower kWh purchases.

Ms. Brown stated the largest expenditure in the Electric Fund, excluding Power Supply, were Personnel Services at \$28.2M; Capital Outlay was \$22.0M; Appropriations were \$19.7M; Transfer to the City was \$12.1M; Other Operating Expenses were \$8.3M; and Debt Related Payments were \$2.5M.

The largest expenditure in the Water Fund were Personnel Services at \$29.5M; Debt Related Payments were \$26.1M; Capital Outlay was \$17.3M; Other Operating Expenses were \$16.2M; Contractual Services were \$8.9M; and Appropriations were \$5.3M.

PWC's PILOT (Payment In-Lieu of Taxes) & Services to the City of Fayetteville, including Economic Development for FY19 totaled \$16M. Ms. Brown noted over the last 5 years, PWC's total impact to the City's General Fund was \$72.4 Million. We have agreed to contribute \$1.2M each year for five years for Economic Development. We are in year 3 of the agreement.

Electric & Water Bad Debt as a Percent of Sales remains under 1% at .42%, compared to .31% in FY18. Discussion ensued.

Ms. Brown stated the Water/Wastewater Fund has 70.5% of PWC's Capital Assets; Electric has 29.2%; Fleet has .3%. She reviewed PWC's Debt Service and Coverage.

The balance in the Electric System Rate Stabilization Fund at the end of FY19 was \$51.2M. The balance in the Coal Ash Reserve Fund was \$2.6M at the end of FY19. The balance in the Water/Wastewater Rate Stabilization Fund was \$843,292.00.

Hurricanes Reimbursement History: FEMA Reimbursements for Hurricane Matthew in FY19 total \$.6M; FEMA Reimbursements for Hurricane Florence in FY19 total \$32K.

The Fleet Maintenance Fund was established on July 1, 2005. The purpose of the fund was to account for the accumulation and allocation of costs associated with the City of Fayetteville and the Public Works Commission's fleet maintenance activities. As of July 1, 2019, the City began outsourcing its vehicle maintenance to a third-party vendor. She stated the revenues decreased last year, with the largest decline in City Services. The expenditures were Higher than Prior Year primarily due to increased Capital spending offset by a decline in Outsourcing and Repair Parts and Fuel Purchases.

Commissioner Shaw thanked the staff for the clarity of the financial report. Commissioner Fowler motioned to accept the financial report as presented. Commissioner Huff seconded and the motion was unanimously approved.

GENERAL MANAGER REPORT

Public Power Week

Mr. Trego stated this is Public Power Week. Governor Roy Cooper signed a proclamation in recognition of all Public Power in North Carolina. Mr. Trego read the proclamation to the Commission.

Transfer of Land to FSU

Mr. Trego stated previously the Commission approved the transfer of land to the FSU Endowment Fund. We understand they have voted to accept our gift of the parcel. Mr. West explained the details of the transfer and the parties involved in the transfer.

Public Power Communities Help to the Navajo Nation

Mr. Trego stated the Commissioners who attended the APPA National Conference heard about the effort of the Public Power communities to help the Navajo Nation, who is a Public Power entity and a member of the APPA. Mr. Trego stated the Navajo Nation does not have electricity for half of its residents. Some of the Public Power entities have been volunteering their crews to help get electricity to its citizens. PWC is looking to assist in this effort as well. We are looking to go in April, and the commitment will last until June.

COMMISSIONER/LIAISON COMMENTS

Commissioner Shaw

Commissioner Shaw stated she appreciates the fact that the senior management team, 99% of the time can answer the questions presented.

REPORTS AND INFORMATION

- A. Monthly Incident Summary - September 2019
- B. Personnel Report – September 2019
- C. Position Vacancies
- D. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18789 – Install. of water main and sewer main on SR 4415 (Farmers Road).
- E. Actions by City Council during the meeting of September 23, 2019 related to PWC:
 - Approved Bid Recommendation – Inventory Steel Poles
 - Approved Bid Recommendation – Three (3) 4X4 Pick-ups
 - Approved Bid Recommendation – Two (2) Cab and Chassis Equipped w/HD150ABDW Service Body and PTO Mounted Compressors

CLOSED SESSION PURSUANT TO NORTH CAROLINA GENERAL STATUTES 143-318.10(E), 143-318.11(C), 143-318.11(A)(1), 143-318.11(A)(3), AND 143-318.11(A)(6), IN ORDER TO REVIEW AND APPROVE CLOSED SESSION MINUTES FROM COMMISSION MEETINGS ON THE FOLLOWING DATES: JUNE 26, 2019, JULY 24, 2019, AND SEPTEMBER 25, 2019

Commissioner Fowler motioned to go into closed session pursuant to NCGS 143-318.10(e), 143.318.11(c), 143-318.11(a)(1), 143-318.11(a)(3), and 143-318.11(a)(6) in order to review and approve closed session minutes from Commission meetings on the following dates: June 26, 2019, July 24, 2019, and September 25, 2019. Motion was seconded by Commissioner Huff and unanimously approved at 9:55 am.

Following the discussion, Commissioner Fowler motioned, and Commissioner Rogers seconded to return to open session. Motion was unanimously approved at 10:01 a.m.

CLOSED SESSION PURSUANT TO NORTH CAROLINA GENERAL STATUTES 143-318.11(1) AND 143-318.11(A)(3) TO PREVENT THE DISCLOSURE OF INFORMATION THAT IS PRIVILEGED OR CONFIDENTIAL PURSUANT TO THE LAWS OF NORTH CAROLINA OR THE UNITED STATES AND TO CONSULT WITH LEGAL COUNSEL. THIS CLOSED SESSION IS BEING CALLED UNDER THE RULES SET BY THE COMMISSION UNDER RESOLUTION PWC2017-13 CONSISTENT WITH NORTH CAROLINA GENERAL STATUTE 133-33 WHICH ALLOWS FOR COST ESTIMATES AND BIDDERS LISTS ASSOCIATED WITH THE LETTING OF PUBLIC CONTRACTS TO BE KEPT CONFIDENTIAL.

Commissioner Fowler motioned to go into closed session pursuant to North Carolina General Statutes 143-318.11(1) and 143-318.11(a)(3) to prevent the disclosure of information that is privileged or confidential pursuant to the laws of North Carolina or the United States and to consult with legal counsel. This closed session is being called under the rules set by the Commission under Resolution PWC2017-13 consistent with North Carolina General Statute 133-33 which allows for cost estimates and bidders lists associated with the letting of public contracts to be kept confidential. Motioned was seconded by Commissioner Rogers, and unanimously approved at 10:02 a.m.

Following discussion, Commissioner Fowler motioned to return to open session. Motion was seconded by Commissioner Huff and unanimously approved at 10:23 a.m.

ADJOURNMENT

There being no further business, upon motion by Commissioner Rogers, seconded by Fowler, and unanimously approved, the meeting was adjourned at 10:24 a.m.