

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY, APRIL 22, 2020
VIA VIDEOCONFERENCE
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
Christopher Davis, City Council Liaison
PWC Staff
Media

Absent: Melissa Adams, Hope Mills Town Manager/Liaison

REGULAR BUSINESS

Chairwoman Evelyn Shaw called the meeting of Wednesday, April 22, 2020, to order.

APPROVAL OF AGENDA

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

CONSENT ITEMS

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

- A. Approve Minutes of meeting of April 22, 2020
- B. Approve 10th Amended Power Supply Coordination Agreement (PSCA)

The 10th Amended PSCA addresses the settlement of the Federal Excess Deferred Income Taxes issue (EDIT) with Duke Energy Progress by adjusting the formula rate template to allow for the 20 year amortization of the return or collection of the taxes to DEP customers. In addition, the amended PSCA includes changes to the following items; Capacity rate template changes on page 5 to reference DEP's decommissioning rate schedule and include Asheville as an Early Retired Plant, and updates to Exhibit D for the final NC excess Accumulated Deferred Income Tax (ADIT) discount rates based on Duke's filed 2018 NC state tax return.

- C. Approve Water Resources Additional Five Years – CIP Planning Summary

As part of the NC Division of Water Infrastructure (DWI) evaluation process for projects requesting loan funding through the State Revolving Fund Program, DWI is now requesting that applicants provide a 10-year Capital Improvement Program (CIP) plan for water/wastewater projects. For FY20, consistent with the Budget and Fiscal Control Act (and specifically 159-13 (a)), the Commission only approved current year's expenditures in the Budget Ordinance. As part of the budget presentation and discussion with the Commission, staff did include a 5-year CIP plan, but did not include a 10-year plan. Beginning with the FY21 Budget, it will include a 10-year CIP. Based upon the Commission approved Strategic Plan however, we do include a 10-year projection of expenditures, including CIP items and projected funding, within the water/wastewater rate analysis presented to the Commissioners as part of their Charter designated responsibilities in approving water/wastewater rates.

In order to improve PWC's standing in the evaluation process under the State Revolving Fund Program, approval of this list (attached) is needed to submit PWC's loan applications for the April 30 deadline.

D. Approve Resolution No. PWC2020.05 – Directing the Filing of a State Revolving Loan Application

The attached is a resolution directing the filing of a State Revolving Loan application for the Buckhead Creek Sewer Relocation project currently estimated at approximately \$1.3 Million. There is high confidence that this project should qualify under the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (ASADRA) program and include the 25% principal forgiveness under the program.

Staff recommends the Commission adopt the attached resolution directing Staff to file a State Revolving Loan Application for the Buckhead Creek Sewer Relocation project.

END OF CONSENT

REVIEW PROJECTED FINANCIAL IMPACTS OF COVID-19 ON PWC

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

Mr. Trego stated the primary purpose of this presentation is to provide the Commissioners with an early assessment of the financial impacts of COVID-19 on PWC. He stated while we have data and statistics which to base our projections, we are still early in the crisis and there are many unknowns, such as will there be a second wave of COVID-19 in the fall? Will there be another round(s) of federal relief? How quickly does the local economy recover?

Mr. Trego stated PWC has been and continues to be in a strong financial position. We have consistently maintained or slightly exceeded the legislative target in our Charter of 120 days of cash. We have adjusted rates on a proactive basis. We do this using 5 and 10 year planning horizons when we look at rates. He stated Commission approved use of various reserves to smooth out rate impacts of long term obligations like Coal Ash, DOT Projects like Ramsey Street and Phase 5 Annexation Projects.

He stated PWC effectively uses Bond/Loan financing primarily for water/wastewater. While PWC is a non-profit Public Authority the Commissioners and Senior Staff have a business approach and mindset to operating PWC. Mr. Trego went on to state because of COVID-19 there will be some short and medium term impacts on cash flows which must be considered and closely monitored

Areas Impact by COVID-19

- ▶ Revenue impacts due to Governor Cooper's Executive Order 121 – Stay at Home
- ▶ Revenue impacts and Cash Flow impacts due to Governor Cooper's Executive Order 124 – Restricting Residential Utility Shut-offs, basically giving customers a six-month, interest free loan.
- ▶ Other impacts
 - Direct impacts responding to COVID-19 as a critical infrastructure
 - Work from Home, sanitizing work-spaces, sequestration of key personnel. The purpose of this is to spread the risk around.
 - Deferral of some work due to COVID-19
 - Unknown impacts – too early to determine
 - The Governor may extend, modify or possibly extension of Executive Orders
 - Impacts on PWC supply chain
 - Short and long term economic and growth impact on Fayetteville area

Impacts of Stay at Home Order

- ▶ Overall loss of non-residential revenue due to businesses being temporarily shut down or significantly curtailed
 - Unknown how quickly revenues in this sector will recover
 - Virus, the government and people will determine the recovery timeframe by sector
 - Depending on duration some businesses may not fully recover or reopen
 - New businesses may emerge as a result of the virus
- ▶ Residential usage increased due to Stay at Home Order
 - Temporary increase impacting water/wastewater initially more than electric – could shift to more electric impact if extended into summer months
- ▶ Large Commercial/Industrial customers
 - Key Accounts in contact with these customers
 - Revised Coincident Peak rate structure for Large Power Customers minimizes impact on operating revenues if we see a slight downturn in Large Power Customers.

Impacts of Executive Order 124

- ▶ Order restricted residential shut-offs for non-payment
 - 60 Day moratorium starting April 1st
 - Customers allowed to repay these balances over 6 month period
 - No late payment or interest charges allowed on these balances
- ▶ PWC ahead of Order restricted all non-payment shut-offs starting March 16th
 - Since then adapted residential processes to comply with Order 124

- While we will still provide some extra flexibility to non-residential customers, we will restart collection process
- ▶ Have seen a significant decrease in payments made by customers – Largest impact on Days Cash going forward is Executive Order 124
- ▶ Unknowns....
 - Impact of 6 month deferral period
 - Potential of extending or modifying the Executive Order

Other Impacts

- ▶ Increased expenses directly related to COVID-19
 - Some may be recoverable through FEMA. We have separate accounting for the expenses.
- ▶ Reduced expenses because some work is deferred and some increased costs
 - PWC deferred some work, like those that would have a planned interruption of service in residential areas (Stay at Home)
 - Other work deferred because of reducing employee/customer exposure risks
 - Other work deferred because of others
- ▶ Commission’s decision to postpone water and wastewater rate increase
- ▶ Unknown impacts
 - 2019 Duke Power Supply True-up and COVID impact on 2020 costs
 - Supply Chain impacts on key supplies and materials
 - If Governor takes further action to modify/extend Orders

Ms. Haskins continued the presentation by providing additional financial data.

Days Cash on Hand

- ▶ Cash Reserves
 - 1 Day Equates to ~ \$1million
 - Days Available
 - As of December 2019, we were @ 142 days
 - As of March 2020, we were @ 136 days
 - May 1st Electric Revenue Decrease and FY2021 ERSF Funded Capital (BWGP Tube Replacement) forecast the use of 14 days to end FY 2021 at 122 days.

June Projected Loss

▶ Revenue Losses	
• Electric	\$ 2,540,000
• Water	\$ 1,188,000
• Cash Impact	<u>\$ 7,290,000*</u>
• Total	\$ 11,018,000
▶ Expenditures	
• Projected Total	\$ 3,946,000
Total Impact	\$ 14,964,000

Mr. Trego stated the cash impact is primarily the impact of Governor Cooper’s Order 124 allowing customers to not pay their bill.

*Could Partially Recover *Detail on Cash Flow Slide

Ms. Haskins went on to explain each line item above, detailing the Revenue Losses for Electric (Sales, Fees and Interest Income) and Water (Sales, Fees, Rate Delay and Interest Income).

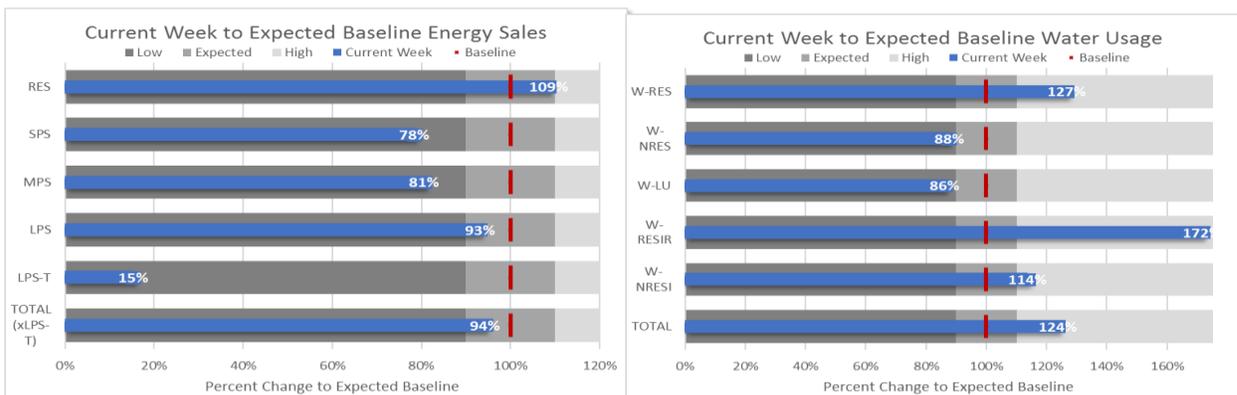
The June Net Sales Impact is estimated to be -\$814,761. The Net Sales Impact through July is estimated to be -\$1,192,674.

System Impact Estimates						
Estimated Reduction in Revenues						
System Revenues	March	April	May	June	July	Total
Electric	-\$177,139	-\$1,325,750	-\$1,605,007	-\$1,698,321	-\$1,679,367	-\$6,485,585
Water	\$30,668	\$75,687	\$49,004	\$50,835	\$55,667	\$261,860
Waste Water	\$85,510	\$69,575	\$48,329	\$40,985	\$47,470	\$291,870
Total Reduction in Revenues	-\$60,962	-\$1,180,487	-\$1,507,675	-\$1,606,502	-\$1,576,230	-\$5,931,855

Estimated Change in Variable Costs						
System Costs	March	April	May	June	July	Total
Electric	-\$154,720	-\$967,648	-\$1,297,487	-\$1,298,831	-\$1,221,368	-\$4,940,053
Water	\$18,330	\$24,050	\$11,539	\$8,928	\$10,784	\$73,632
Waste Water	\$54,820	\$35,839	\$16,009	\$8,306	\$12,266	\$127,240
Total Reduction in Costs	-\$81,569	-\$907,759	-\$1,269,938	-\$1,281,597	-\$1,198,317	-\$4,739,181

Estimated Net Impact						
System Net Impact	March	April	May	June	July	Total
Electric	-\$22,420	-\$358,102	-\$307,521	-\$399,491	-\$458,000	-\$1,545,532
Water	\$12,338	\$51,637	\$37,465	\$41,906	\$44,883	\$188,229
Waste Water	\$30,689	\$33,737	\$32,320	\$32,680	\$35,204	\$164,629
Net Impact	\$20,608	-\$272,728	-\$237,737	-\$324,905	-\$377,913	-\$1,192,674

Below are the Usage Trends by Customer Class. This graph measures our customers' usage back to 2017, with an expected baseline in energy and water sales. It indicates most classes are falling below the expected usage.



The Cash Flow is down 9%. Ms. Haskins provided a cash analysis for the March 5 thru April 20 period (comparing 2019 to 2020). The Cash Flow is being monitored daily.

	2019		2020		Difference
	Rolling Avg		Rolling Avg		
Mail	\$ 5,527,825	\$	4,716,459	\$	(811,366)
Customer Service Center	\$ 4,360,160	\$	4,118,725	\$	(241,435)
Kiosk	\$ -	\$	71,229	\$	71,229
Bank Drafts	\$ 3,114,849	\$	3,461,148	\$	346,299
Bill 2 Pay	\$ 8,921,841	\$	7,709,318	\$	(1,212,524)
Western Union	\$ 813,179	\$	483,435	\$	(329,744)
Online Banking	\$ 2,238,248	\$	1,903,947	\$	(334,302)
Wire Payments	\$ 2,297,626	\$	2,384,205	\$	86,579
	\$ 27,273,728	\$	24,848,465	\$	(2,425,263)

The Estimated June Expense Summary is as follows:

Ms. Haskins provided a detailed explanation of each expense below.

▶ Estimated Expenses	
• Sequestered Wages	\$1,575,000
• Deferred Work	\$1,075,000
• Sanitation	\$ 550,000
• Sequestered Supplies	\$ 500,000
• IT Equipment/Services	\$ 436,000
• Miscellaneous	\$ 35,000
• Cancelled Travel	<u>(\$ 225,000)</u>
Current Total	\$ 3,946,000

Though PWC is not disconnecting residential accounts, Ms. Haskins stated thru April 20th, 7,319 customers have not paid their bill and would be on active severance. This amounts to an estimated \$1,546,493 or \$211.30 (averaged) per customer.

Ms. Haskin stated, comparing March 1 thru March 17 with April, present day, the payment totals are down 10%.

	Mar-20	Apr-20	Difference	Percent Change
Bill2Pay WEB	17,138	18,922	1,784	10%
Mail	15,229	12,799	(2,430)	-16%
Bank Draft	13,697	14,013	316	2%
Bill2Pay IVR	11,475	9,728	(1,747)	-15%
Online Banking	7,379	6,921	(458)	-6%
Walk Ins	5,358	0	(5,358)	-100%
Drive Thru	2,457	3,206	749	30%
Western Union	2,208	1,777	(431)	-20%
Depository	579	402	(177)	-31%
Kiosk	177	375	198	112%
	75,697	68,143	(7,554)	-10%

Call volumes have also decreased by 41%. April calls have decreased to approximately 1,000 per day starting 4/7/20.

Ms. Haskins provided an explanation of each bullet item below.

Summary Days Cash Impact

▶ Starting Days Cash FY21	122
▶ Covid19 Impact through June	<u>(15)</u>
▶ Remaining Days Cash	107
▶ Potential EO Extension 1 month	<u>(5)</u>
▶ COVID19 Impact through July	102

Discussion ensued regarding the presentation, and staff responded to questions from Commissioners. Commissioner Rogers requested for staff to clarify some language on the slides. Commissioner Fowler inquired about the reduction in calls in the Call Center. Mr. Trego stated representatives are completing other tasks as the calls are lower. He anticipates call volumes to increase once the economy is reopened.

Council Member Davis asked if PWC has realized, investigated or found any FEMA recovery funds that may be on the horizon to help to mitigate any hardships as a result of the COVID-19. Mr. Trego responded it is somewhat unknown, the guidelines are not clear, but we anticipate applying for everything we possibly can. Like a hurricane we basically know what is recoverable and what is not recoverable. He also stated with the different recovery bills considered at the federal level, while they have discussed making some funds available to states and cities, they have not mentioned municipal utilities. Mr. Trego also responded to additional questions regarding residential customers not paying past due balances once the moratorium has expired. Additional discussion ensued.

Commissioner Fowler asked if PWC has reviewed past hurricanes and how they affected our Days Cash on Hand. Mr. Trego responded staff we are currently at the end of the budget year. As we go into the new fiscal year, there are more options to review. We have contingency funds for hurricanes but depending on the situation it can obviously have an impact on the Days Cash. Mr. Trego offered to provide a comparison/summary based on a previous hurricane and how it may affect our Days Cash.

Chairwoman Shaw stated the Commission has received two communications from the City requesting assistance. The specific use list was received late last evening but has not been reviewed by the Commission. She stated we have been in a waiting posture so we can respond to the City. She asked for Mr. Trego to share with the Commissioners, the impact of Days Cash if they were to consider the request at 50%, 75% and 100%, half contribution and half loan in each scenario. She asked for this information to be provided before the first meeting in May. She also stated this issue will be on the agenda to allow the Commissioners to have an initial discussion. Commissioner Shaw requested for Mr. Trego or Ms. Durant to ensure the Commissioners have received the last communication from the City.

GENERAL MANAGER REPORT

COVID-19 Update

Mr. Trego stated PWC has begun to provide temperature screening for all employees reporting to the plants or at the Campus to ensure healthy.

We have over half of the staff who are either Working from Home or Reporting from Home to allow social distancing in the office.

Mr. Trego also stated we have begun to sequester employees. It is a best practice, especially on the water side of the house. We have a limited number of people who are certified to operate our water and wastewater plants. It is a very specific skill. If we lose a couple of those people, we will be in a dire situation. We have rented several RV trailers, so when the employees are finished with their normal shifts, they reside in the RV trailers. He stated the employees are 110% for this effort. We are not the only municipal who is doing this. He stated we are continuing to keep safe and do social distancing.

Mr. Trego stated we have begun to build up inventories as we normally do to be in preparation for hurricanes. We have not seen supply chain disruptions. Additional discussion ensued.

Commissioner Shaw inquired about the status of the Locks and Dams. Mr. West stated PWC is continuing to work with the local delegations. We have requested for them to sign a letter to be submitted to the Governor, stating PWC is the ideal entity to take ownership of the Locks and Dams. He stated we have also submitted a letter of intent to the Corps of Engineers confirming we want to take ownership and we have shared the letter with Federal Congressional and Senatorial staff. We have also spoken with them regarding our desire to take ownership of the Locks and Dams. They will take up legislation this summer to determine how to handle disposition of the Locks and Dams if they decide to deauthorize them. Commissioner Shaw asked if the COVID-19 issue has delayed action on this issue. Mr. West confirmed it has delayed action. Additional discussion then ensued.

Mr. Trego stated at the next Commission meeting, according to the budget schedule, staff plans to make their proposed budget presentation to the Commissioners. He requested for the Commission to provide additional time, yet staff plans to abbreviate their presentation as much as feasible.

COMMISSIONER/LIAISON COMMENTS

Council Member Davis stated, regarding the Lock and Dams, the City Council has unanimously moved it from general conversation to Consent. He expects it has been approved or will be approved in the next meeting. They are in full support of the Lock and Dams project being assigned to PWC. Chairwoman Shaw thanked Council Member Davis and City Council for their support.

REPORTS AND INFORMATION

- A. Monthly Cash Flow Report – March 2020
- B. Recap of Uncollectible Accounts – March 2020

- C. Investment Report – March 2020
- D. Purchase Orders – March 2020
- E. Monthly Incident Summary – March 2020
- F. Position Vacancies
- G. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18836 – install watermain on SR1003 (Camden Rd) & NC59 (Hope Mills Rd.
 - Encr. #18839 – install RJDI fire line @ SR1343 (Gillespie St.) & SR2988 Trailwood Dr.
 - Encr. #18850 – install RJDI fire line @ US401 Bypass (Skibo Rd) & SR1400 Cliffdale Rd.
 - Encr. #18855 – install sanitary sewer lateral @ SR1810 (Godwin Falcon Rd. & SR1859 (Leitha Lane)
- H. Financial Statement Recaps – February 2020
 - Electric
 - Fleet Maintenance Service Fund
 - Water/Wastewater
- I. Actions by City Council during the meeting of April 14, 2020, related to PWC:
 - Approved Bid Recommendation – Bingham Drive Aerial Water & Sewer Main Creek Crossing
 - Approved Phase 5 Annexation Area 21 Resolution Declaring Costs, Ordering Preparation of Preliminary Assessment Role, and Setting Time and Place for Public hearing on Preliminary Assessment Role

ADJOURNMENT

There being no further business, upon motion by Commissioner Fowler, seconded by Commissioner Rogers, and unanimously approved, the meeting was adjourned at 9:40 a.m.