

PUBLIC WORKS COMMISSION  
MEETING OF WEDNESDAY FEBRUARY 24, 2021  
9:30 AM

Present: Wade R. Fowler, Jr., Chairman  
Darsweil L. Rogers, Secretary  
Evelyn Shaw, Treasurer

Others Present: Elaina L. Ball, CEO/General Manager  
Christopher Davis, City Council Liaison

Absent: D. Ralph Huff, III, Vice Chairman  
Telly Whitfield, Assistant City Manager  
Michael Boose, Cumberland County Commissioner, Liaison  
Melissa Adams, Hope Mills Town Manager/Liaison  
Media

REGULAR BUSINESS

Chairman Wade Fowler called the meeting of Wednesday, February 24, 2021, to order.

APPROVAL OF AGENDA

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

CONSENT ITEMS

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

- A. Approve Minutes of meeting of February 10, 2021
- B. Approve PWC Resolution #PWC2021.07 – Delegating Construction Contract Execution Authority to the CEO/General Manager

Staff recommends that the Commissioners delegate authority to the CEO/General Manager to award and execute contracts and other legal documents necessary for the construction or repair work requiring the estimated expenditure of public money in an amount equal to or more than five hundred thousand dollars (\$500,000) in compliance with G.S. 143-129 if such contracts are first approved by a majority vote of the City Council of the City of Fayetteville, which contracts shall be in the name of the City of Fayetteville, by and through PWC.

END OF CONSENT

UPDATE ON RC WILLIAMS BUSINESS CENTER

Presented by: Susan Fritzen, Chief Corporate Services Officer  
Patrick Murray, Grant Murray Real Estate

Elaina Ball, PWC CEO/GM introduced Patrick Murray of Grant Murray Real Estate.

Mr. Murray stated we will discuss the status and health of the building, as well as the market conditions, both local and state-wide. We will also discuss the strengths and weaknesses of selling the building.

The RC Williams Building is a 57,023 SF Class A office building on Hay Street. All the leases are full service and includes utilities, janitorial services, etc. It is next to and connects with the downtown parking deck and we have a proxy card system for after-hours access. Tenants have access to the parking deck based on square footage of lease. PWC has a total of 99 parking spaces and they are allocated to our tenants.

We currently have 12 tenants in the building, with a 96% occupancy rate (during last update in Feb. 2019, the occupancy rate was 78%). By floor, our occupancy is 1<sup>st</sup> floor – 5; 2<sup>nd</sup> floor – 2; 3<sup>rd</sup> floor – 4; and 4<sup>th</sup> floor - 1.

Currently, Suite 101-D (2,030 SF) is available; Suite 102 is pending landlord signature and Suite 402 is pending full execution of the lease amendment. The average rental rate is \$18.28.

Compared to other Class-A, the RC Williams office space is on the lower end of the range. Other Class-A buildings have amenities that this one does not have. Discussion ensued on the market rates in the downtown area.

#### Office Market Update - Fayetteville

- Market Avg. Rent/SF \$18.63
- Vacancy Rate 6.2%
- Vacant SF 479,000
- Availability Rate 8.9%
- Available SF 701,000
- Sublet SF 9,600
- Months on Market 20.9
- 12 Month Net Absorb. 40,600
- 6 Month Lease Prob. 32.4%

#### Office Market Update – Downtown Submarket

- Market Avg. Rent/SF \$19.17
- Vacancy Rate 11.2%
- Vacant SF 176,000
- Availability Rate 17.7%
- Available SF 296,000
- Sublet SF 0
- Months on Market 22.2
- 12 Month Net Absorb. (4,000)
- 6 Month Lease Prob. 27.6%

#### Office Market Update – Sales

- 12 Months Properties Sold: 44
- Market Sale Price/SF: \$158
- Average Market Sale Price: \$1.2M
- 12 Month Sales Volume: \$23.6M
- Market Cap Rate: 8.4%
- Significant Sales in 2020:
  - 3401 Village Dr; 6.5% cap rate: \$336/SF
  - 324 Person St; 9.7% cap rate; \$145/SF
  - 934 Cambridge St; \$166/SF

- 3419 Melrose Rd; \$110/SF

Commission and staff discussed the long-term impacts of COVID to office space.

Mr. Murray discussed a migration study which shows there is a growth in North Carolina and the positive trends driving the growth. He also discussed the office market nationwide.

Mr. Murray discussed the strengths, weaknesses, opportunities, and threats to selling the building. He noted the strikeouts are the differences based on two years ago, when he presented this information.

Considerations for the sale of RCWBC

#### 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

#### Opportunities

- Reduce operating budget
- Renegotiate parking deck agreement with the COF for longer term
- Leasing remaining vacancy and increase average rental rate

#### Threats

- ~~150,000+ SF new space coming on the market over next two years to include office tower next to the baseball stadium~~
- Possibility of a recession within the next 12-24 months
- Cap rates are bottoming out and will begin to rise again
- Federal Reserve interest rate hike

Commission and staff discussed the ‘weaknesses of the expiration of the parking deck agreement’. Staff is in the process of beginning discussions with City.

## STRATEGIC PLANNING UPDATE

Presented by: Elaina Ball, CEO/General Manager

Ms. Ball stated during this presentation we will:

- Review Progress to Date
- Review and discuss Vision, Mission and Values
- Discuss Updated Strategic Priorities
- Finalize Strategic Priorities
- Next Steps

Progress to Date:

(The italicized items in gray were previously discussed)

1. *Established the organization’s Vision statement*
2. *Updated the organization’s Mission statement*

3. *Worked collaboratively with employees to select the organization's key Values*
4. *Segmented customers*
5. *Obtained Community Advisory Group input*
6. *Conducted business unit SWOT analyses*
7. Reviewed & obtained feedback on Vision, Mission, Values at Commission Meeting– January 27, 2021

Over the next quarter, the PWC and Commission need to:

1. Affirm the work to date
2. Define our Values – Ms. Ball would like to have a working group of employees to help define values with feedback and adjustments from Commission and Officers.
3. Select and Define Strategic Priorities
4. Identify Goals (Key Performance Indicators) for the Strategic Priorities – The Officers are in the process of developing the KPIs.
5. Identify Initiatives to accomplish the Goals
6. Implement, monitor progress periodically (suggest quarterly)

Vision, Mission and Values

*(Previously discussed are in gray. Updated are in blue)*

- **Vision**

*To continually be recognized by our community and the nation as the best municipal utility in the country.*

*We aspire to be recognized as the best public power, water & wastewater utility in the United States.*

- **Mission**

*PWC, Fayetteville's Hometown Utility, provides industry leading essential services to our communities with a team of dedicated, innovative employees, focused on our customers.*

*We deliver safe, reliable, and affordable electricity, water and wastewater services to our customers that reside in Fayetteville and many surrounding areas in Cumberland County, North Carolina.*

- **Values**

<i>Customer Focus</i>	<i>Dedicated Workforce</i>	<i>Caring Excellence</i>	
<i>Sustainable</i>	<i>Fiscal Responsibility</i>	<i>Safety</i>	<i>Transparent</i>
<i>Customer Focused</i>	<i>Dedicated to Service</i>	<i>Caring &amp; Inclusive</i>	<i>Safety Focused</i>
<i>Innovative</i>	<i>Fiscally Responsibility</i>	<i>Committed to Excellence</i>	<i>Transparent</i>

**Strategic Priority Descriptions**

Ms. Ball stated Officers began discussions on the priorities below. She wants to ensure these are the priorities PWC should focus on, and if there are any categories that should be added. Commission and staff discussed each priority.

**Community Engagement**

*We aspire to be exceptional corporate citizens. We are active civically and support causes that lift up the citizens and important causes to our region. We seek opportunities to have the greatest impact to our region to grow the vibrancy and livability of our community.*

**Economic Development**

We encourage growth of economic opportunities for our region and actively participate in recruiting new businesses to our region. We maintain competitive and attractive utility services to encourage economic investment in our region. We actively seek out opportunities to partner with regional suppliers to accomplish the work of the utility.

#### Customer Satisfaction

We have our customers at the heart of our decision making and our service delivery. We aspire to achieve industry leading performance in customer experience. We meet our customers where they want to be served. Our goal is to deliver products, options and services to our customers that are offered in retail competitive regions.

#### Operational Excellence

Our utility services deliver safe and reliable electricity, water, and waste-water supply. We strive to have top quartile safety, quality, and reliability metrics for our utility services.

#### Conservation

We understand the impact of our operations and the consumption of utilities have on our region's natural resources. We seek to continually improve our operations to minimize waste and deliver programs to help customers conserve as well as programs that enable us to preserve resources and habitat in the region in which we operate and serve.

#### Financial Health

Maintaining a financially healthy utility is essential to keeping our cost of borrowing low and keeping our customers' bills affordable. Our financial health is also key to supporting the City of Fayetteville through our transfer which goes to support important city services such as fire and police. We strive to maintain investment grade bond ratings, sufficient reserves to weather downturns and to maintain safe and reliable utility service delivery.

#### Engaged Employees

Our strategic plan and the excellent service we aspire to deliver are accomplished solely through the dedicated service by our employees. We seek to attract, retain, and grow an engaged workforce that is equipped with the capabilities to deliver excellence.

Commission and staff discussed the definition of engaged employees, and how to determine employees' level of engagement; the causes of non-engaged employees; and how to effectively increase their capabilities.

Ms. Ball stated staff is working on alignment to the "Can Do" regional branding campaign, so some descriptions may be updated with this focus.

She also provided a sample Strategy Priority Plan, with the Vision, Mission, Strategic Priorities, Key Performance Indicators, and Initiatives.

#### Next Steps

- Strategic Priority finalization/verbiage update (Can Do)
- Define Values
- Establish Goals (Key Performance Indicators) for each Strategic Priority
- Baseline KPIs and establish stretch goals (benchmark where possible)
- Identify Strategic Initiatives to achieve goals
- Resource Strategic Initiatives (budgeting process)
- Written Strategic Plan development
- Communicate to organization and stakeholders

- Implement and monitor progress quarterly
- Review and adjust as needed

Staff thanked Ms. Ball for quickly moving forward with the Strategic Plan. Commission also discussed their views on the ‘Can Do’ regional branding.

## GENERAL MANAGER REPORT

### **NCORR Hope**

Ms. Ball stated staff continues to work with funds through the NCORR Hope Grant, which will aid a section of our customers. We received \$567,000.00. We are coming to end of our payment arrangements for COVID matters. As of this week, we have approximately 13,500 customers on payment arrangements with an outstanding balance of about \$1.1M. Additionally, the City has been granted funds from the State for rental and utility assistance. The City is currently going through an RFP process for an administrator for the funds and plans to have that person on board by mid-March. Carolyn and the team are preparing communications and the customer teams are working on a plan to best help customers.

### **Metronet**

Metronet has commenced since our last Commission meeting. As of last week, we received over 900 applications. We are working through a few beginning hiccups. When we hit the hiccups, we will work with the City and Metronet’s identified government and public affairs contact.

### **Public Power Awards of Excellence**

We have been notified we have received four Public Power Awards of Excellence. Roy Jones of ElectriCities will attend (virtually) on March 10<sup>th</sup> to present PWC with the awards.

### **United Way**

We have been notified we have been awarded the Spirit of North Carolina Award from the United Way of NC for the 15<sup>th</sup> year. We will be recognized March 3<sup>rd</sup> through a virtual ceremony.

### **Mutual Assistance to High Point**

Ms. Ball recognized the six employees who provided mutual aid to High Point. They were: Cameron Bass, Steve Rivers, Marshall Jackson, Nick Graham, Lee Heflin, and Andrew Albertson. We really appreciate them for weathering the conditions, leaving their homes and families, and aiding our neighbors during an ice storm.

### **Coal Combustion Residuals Settlement Agreement**

The settlement agreement has been reached. The details are not public, but we believe it will be advantageous to our customers in the coming months.

### **Big Rockfish Outfall Loan**

PWC received notice from the DEQ that the State Water Infrastructure Authority has approved our Big Rockfish Outfall Loan for an additional \$10M. This is important to us, as this outfall supports annexation efforts.

### **iSupplier**

Our new electronic supplier system is now live (iSupplier). We are working with a few suppliers to pilot the system to work out any kinks. This system will eliminate a lot of the manual paper-based processes we have with invoicing, as well as just communications with suppliers. We are excited this will become our single place to engage with our supplier base.

### **Policy and Procedures Team**

Paula Shambach is our lead and has done a terrific job in kicking off this team. We have 131 policies and procedures, in a 616 page document. 86% of them have not been touched in 4 years; 56% have not been touched in over 8 years. Paula Shambach also analyzed them using the Flesh Kincaid Grade Level Analysis. She ran all our policies through them, and they scored 13.6 level, which is equivalent to reading Stephen Hawking, A Brief History of Time. This project strikes at the culture of our organization. It comes down to we have ‘proceduralized’ basic judgement. We do not want to do that. We want our people to think.

The goal of this team is to have fewer policies and to push decision making to the lowest level in the organization and to challenge management to not hold on to the past, just because we are familiar with it. In the next few months, the Commission will see updated policies come through for their approval, and a request to eliminate policies.

### **Annual Water Treatment Change Over**

The change over will take place March 1<sup>st</sup> thru March 31<sup>st</sup>. Communications to customers will begin this week.

### **COMMISSIONER/LIAISON COMMENTS**

#### **Commissioner Fowler**

Commissioner Fowler stated Kingdom Community Development Center has funds to assist citizens within Cumberland County.

He also commented on the Policy and Procedures Team, and the advantages of empowering employees to make decisions, which can have a positive effect in increasing employee engagement.

#### **Commissioner Shaw**

Commissioner Shaw inquired about the new iSupplier application. She asked if this is part of the Oracle System. Ms. Ball replied it connects into Oracle. Any decision we are making or looking at for technology we are by default having the Oracle solution as a part of the evaluation. We are doing the same now with WAM and HCM. Ms. Fritzen stated this is something that was available to us when we originally put in the Oracle System, but it was one of the many things people stated “we can’t do this now”.

#### **Council Member Davis**

Council Member Davis stated we had a meeting with our legislative representatives. Several of them made comments about water east of I-95 (Grays Creek), he would like to receive an update. Ms. Ball stated she met with Amy Cannon about a week ago. They visited about the history, and how we got to where we are. Ms. Ball stated the team is re-evaluating the costs around two scenarios for Grays Creek. Once they are accomplished, she intends to discuss it with Ms. Cannon. She understands there is a desire to service the entire area, and that will be a nine figure proposition. So, we are looking at a possible phased approach. She stated staff would be happy to visit with Council Member Davis regarding it.

Ms. Ball stated she understands TEXFI was also discussed. Mick Noland's team is in the process of getting updated quotes on a pilot to look at a different way to remediate. Though the property does not belong to PWC, but to the City, we want to be partners and identify technologies that are less costly than thermal oxidation to address the trichloroethylene. We are updating the quote and will be presenting it with the City. Ideally, we have tried and will continue to try to get help from the State on the pilot, but we have an agreement with the City to split the cost of the pilot. The full remediation, the utility can't bear, it is not our property, but she does see it as risk remediation. Additional discussion ensued.

## REPORTS AND INFORMATION

Commission acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report - January 2021
- B. Payment Analysis – January 2021
- C. Recap of Uncollectible Accounts – January 2021
- D. Investment Report – January 2021
- E. Position Vacancies
- F. Approved Utility Extension Agreement(s):
  - Encr. #19162 – Install. of 17 LF of 8” D.I. Water Main SR1109 (Dundle Road)
- G. Actions by City Council during the meeting of February 8, 2021, related to PWC:
  - Approved Resolution Accepting a State Loan Offer Under the NC Water Revolving Loan and Grant Act of 1987
  - Approved Bid Recommendation – Purchase of One (1) Forestry Track Cutter
  - Approved Bid Recommendation – Purchase of Eighteen (18) 27kV Class 1200 Amp Vacuum Circuit Breakers Magnetically Operated
  - Approved Bid Recommendation – Annual Transmission Construction Contract
  - Approved Bid Recommendation – Bid Rockfish Creek Outfall – Contract 1 and Resolution

## CLOSED SESSION PURSUANT TO NORTH CAROLINA GENERAL STATUTES 143-318.1(A)(6) FOR PERSONNEL MATTERS

Commissioner Rogers motioned to go into closed session pursuant to North Carolina General Statutes 143-3118.1(A)(6) for Personnel Matters. Motion was seconded by Commissioner Shaw, and unanimously approved at 10:48 a.m.

There being no further discussion, upon motion by Commissioner Rogers, seconded by Commissioner Shaw, the meeting returned to open session at approximately 11:15 a.m.



## ADJOURNMENT

There being no further business, upon motion by Commissioner Rogers, seconded by Commissioner Shaw, and unanimously approved, the meeting was adjourned at approximately 11:16 a.m.