

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY APRIL 28, 2021
8:30 AM

Present: Wade R. Fowler, Jr., Chairman
Evelyn O. Shaw, Vice Chairwoman
Darsweil L. Rogers, Secretary
Ronna Rowe Garrett, Treasurer

Others Present: Elaina L. Ball, CEO/General Manager
Mitch Colvin, Mayor, City of Fayetteville
Kathy Jensen, Mayor Pro-Tem , City of Fayetteville
Telly Whitfield, Assistant City Manager
Bill Zell, Interim Hope Mills Town Manager/Liaison
Media

Absent: Chris Davis, City Council Liaison
Michael Boose, Cumberland County Commissioner, Liaison

ADMINISTER OATH OF OFFICE:

- ❖ Mayor Mitch Colvin Administered the Oath of Office to Ronna Rowe Garrett as Commissioner of the Fayetteville Public Works Commission. Commissioner Garrett was appointed Commissioner of the Public Works Commission by the Fayetteville City Council on Monday, April 12, 2021.

REGULAR BUSINESS

Chairman Wade Fowler called the meeting of Wednesday, April 28, 2021, to order.

APPROVAL OF AGENDA

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

Election of Officers for Fiscal Year 2020-2021

Commissioner Darsweil Rogers submitted the following slate of Officers for FY2020-2021

- ❖ Vice Chairwoman – Evelyn O. Shaw
- ❖ Treasurer – Ronna Rowe Garrett

The motion was seconded by Commissioner Shaw and unanimously approved.

CONSENT ITEMS

- A. Approve Minutes of meeting of April 14, 2021
- B. Approve bid recommendation to award contract for Buckhead Creek Sewer Relocation NCDOT Project U-4405C to T.A. Loving Company, Goldsboro, NC, the lowest responsive, responsible bidder in the total amount of \$1,139,215.00 and forward to City Council for approval.

This project will construct approximately 300 feet of 16-inch diameter, 360 feet of 8-inch diameter, and 200 feet of 12-inch diameter sewer relocation/replacement, and 165 linear feet of 30-inch steel encasement by guided bore and jack, and bypass pumping with associated appurtenances.

The Buckhead Creek Sewer Relocation NCDOT Project U-4405C Project is funded from WS-103 (CPR1000268) in the amount of \$330,000.00 in FY21 and \$1,450,000.00 is budgeted in FY22.

Bids were received April 9, 2021, as follows:

<u>Bidders</u>	<u>Total Cost</u>
T. A. Loving Company, Goldsboro, NC	\$1,139,215.00
State Utility Contractors, Inc., Monroe, NC	\$2,215,530.00

COMMENTS: Notice of the bid was advertised through our normal channels on March 2, 2021, with an original bid opening date of March 30, 2021. Addendum No. 1 was issued on March 5, 2021, to provide an extension for the Mandatory Pre-Bid Meeting from March 9, 2021, to March 11, 2021. Addendum No. 2 was issued on March 16, 2021, to provide Contract Document Revisions and a list of attendees of the Mandatory Pre-Bid Meeting. Addendum No. 3 was issued on March 22, 2021 to provide Contract Document Revisions. Addendum No. 4 was issued on March 26, 2021, to provide responses and clarifications for questions received from prospective bidders and Contract Document Revisions. Addendum No. 5 was issued on March 31, 2021 to Re-Advertised the project with a new bid opening date of April 9, 2021, as the originally scheduled bid opening failed to produce three (3) bids. The bids were evaluated by Water Resources Engineering. **SDBE/Local Participation:** T. A. Loving Company is a firm based in Goldsboro, NC, that also has a local office in Fayetteville, NC. The firm pays Cumberland County taxes T.A. Loving Company is not a SDBE, minority or woman-owned business. They anticipate ^4,000.00 in SDBE spend with Crowder Trucking, Fayetteville, NC, for hauling needs.

- C. Adopt PWC Resolution – PWC2021.15 – Resolution Rescinding Policies

Staff recommends the Commissioners adopt the above resolution rescinding additional policies from the PWC Policy and Procedure Manual. PWC is currently undertaking a comprehensive review of the entire Policy and Procedure Manual, engaging many employees from across all divisions. Additional resolutions and information will be shared as the effort progresses.

- D. Adopt PWC Resolution – PWC2021.14 – Resolution Approving Service Area Agreement and Load Banking Agreement

Staff recommends approval of the Service Area Agreement and Load Banking Agreement and referral of this matter to City Council for concurrence in accordance with Section 502 of the Bond Order for the reasons set forth in the Resolution enclosed herewith.

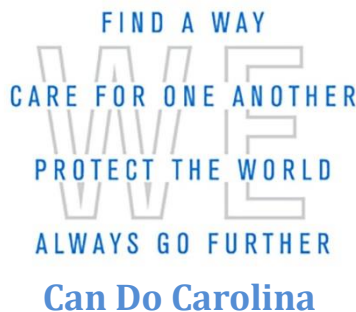
Comments: PWC has determined that the Service Area Agreement and Load Banking Agreement are in PWC’s economic interest.

END OF CONSENT

COMMUNITY BRANDING INITIATIVE UPDATE

Presented by: Carolyn Justice-Hinson, Communications-Community Relations Officer

Ms. Justice Hinson provided a background of the current PWC brand. She also updated the Commission on the community-wide branding initiative, which has the following common wording, a common color palette, as well as common elements.



Ms. Justice-Hinson provided the Commission with the Partner Logos, highlighting their variations, and common elements.

She stated the next steps are:

- Review options for the PWC Logo using brand elements
- Review options for using Can Do pillars in PWC messaging
- Identify PWC examples that tell the community Can Do story, such as:
 - ❖ Emergency/Storm Response
 - ❖ Community Support
 - ❖ RP3- Highest Reliability Designation
 - ❖ Partnership for Safe Drinking Water/Director's Award

Additional discussion ensued.

GENERAL MANAGER REPORT

Solar Sunday

Elaina Ball, PWC General Manager stated we had a successful Solar Sunday. We are appreciative of all our subscribers/customers to our solar project for turning out. We are fully subscribed now. As we work through our strategic plan, an area we will discuss is the future expansion of community solar. She stated we will do a lot of groundwork to ensure we have a market appetite out there. We were excited to showcase the community solar project. She thanked Carolyn Justice-Hinson's team, Communications/Community Relations for all their hard work to make this project a success.

W/WW Cost of Service

Ms. Ball stated continue to work on our water and waste water cost of service. We have completed our cost of service and we are in rate design now. We are looking at allocations and benchmarking of rates. She went on to state we are also looking at fee options to support economic development. The changes are likely to be effective later in the year.

Budget

We continue to work on our Capital and O&M Budget for the upcoming year. With water, cost continues to outpace our revenues. Our revenues grow very modestly, typically less than ½ percent a year. So, we have some work to do. We intend to begin our bond issuance soon, with the goal of going to market in October.

Ms. Ball stated one of our recent bid activities, one of our more significant W/WW projects came in significantly above planned budget. It came in 43% over the plan. It is likely we may reject the bid. We have found there is a global supply shortage for manufactured pipe, and in particular PVC pipe. The global constraint is essentially tied to a lack of resin needed to manufacture the material that is ultimately extruded into the pipe. It is not just impacting North Carolina and the United States, it is a global issue. We are finding longer lead times, and project unavailability. We are learning that pipe diameter larger than 12” is not being produced. The pipe producers are focused on commercial and residential development to ensure they can help with the much needed expansion in those areas. It is likely it will cause issues with pipe availability, not only expansions, but also repairs. We expect the issue will readjust. Ms. Ball stated it always does. It does not look like manufacturing will be resolved until the resin and production issues associated with raw materials are addressed. We don’t know when this will occur, but we will continue to monitor it.

She stated this could potentially result in adjustments to our plan. Not only for budget purposes, but also for projects that are part of our bond package. Ms. Ball went on to state when we issue bonds, we have to go with projects bid are hand, 70% of our planned spend with price certain bids. We are in the tough position where we are going through the bidding activity to obtain those certain bids, however they are coming in higher than planned, and we may have to slow down some projects.

Mr. Noland stated this is a supply and demand problem. He stated it is related to the unprecedented polar vortex they had in Texas, as well as somewhat related to the unprecedented active hurricane season they had in the Gulf Coast. The petroleum industry that is in that area has been impacted. He went on to state it is thought things may come back around by this fall. But in the meantime, we are not really in the position to pay premium prices to get these projects completed if we could wait and hope the bidding environment improves.

Mr. Noland also stated, one of the other concerns we had is with the Big Rockfish Creek Outfall that we have a state loan to complete. It appears we will be okay with the pipe to complete the project. We are hearing that suppliers are declaring force majeure. They are not honoring prices on materials they gave people when they were putting their bids together, and they are not putting a price on the materials until they ship, because the prices are varying so wildly from day to day, and certainly from week to week. He stated we are also keeping an eye on our supplies and coordinating with the Warehouse.

Ms. Ball stated we believe all the utilities in North Carolina that provide water and wastewater services are going to be in this situation, and the notion you want bid certainty on 70% of the projects, she believes the spirit of that for the LGC is to ensure you are helping to manage costs for customers. We in this tough spot that we can get bid certainty, but we do not believe the bids are in the best interest of our customers. We will hold a call with the LGC later today. We are probably one of the first utilities with this supply chain issue that are going to market. What it may mean is an adjustment to plan and even with the prepared budget we have, adjusting throughout the year. Additional discussion ensued.

Commissioner Rogers asked about our expectations when we speak to the LGC regarding our bond offering. Ms. Ball explained we are seeking to let the LGC know we are making good faith estimates. Discussion ensued.

Commission and staff also discussed the issue of force majeure regarding the suppliers.

Recent Media Coverage

Ms. Ball stated the N&O published stories about a company, Bernhard Capital, and a proposed concession deal with PWC, and several other utilities in NC. There have been discussions that have begun publicly. Ms. Ball learned Friday that Bernhard representatives were guests on a radio show in the morning. And they were sharing their overview of how such a deal would benefit Fayetteville.

PWC is currently under an NDA with Bernhard. It has afforded both parties the ability to provide each other with information to fully evaluate such a major decision. But unfortunately, it does not allow PWC to openly discuss with our community and stakeholders the details of the potential offer.

Ms. Ball stated she was happy to hear from Bernhard in their radio interview they were committed to having open and transparent communications around the proposed offer. We have been getting a lot of questions, about what is private equity. She stated private equity is an alternative asset class in the financing world. In the utility space private equity has been active in buying distressed utility assets as an alternative to allow for investment in systems that can't raise capital for investment on their own, due to deteriorating financials.

She reminded the Commission of our water system and how our water system revenues are growing modestly. In a smaller system or distressed system, that can result in insolvency. In those types of situations private equity is a great alternative to help those organizations.

Ms. Ball stated she has been reading several publications, and there have been several publications by consumer advocacy groups that have been monitoring bills and rates between public and private water systems. They have found differences as much as 44-59% in rates. The financial health of those systems is being helped by private equity underpin the differences, but also the expected rate of return for private equity are also in play. Investors accept higher risk in exchange for a higher rate of return.

She stated she also wanted to state it is noteworthy, both PWC and the City of Fayetteville have strong bond ratings and we have great access to credit. PWC remains open to all ideas and alternatives, but we ask the fundamental financial principles and expected costs be involved in driving decisions including the one that is being discussed in the media. The financial implications for the community and customers of PWC, both within the City and outside the City can last for decades. PWC is very open to any and all alternatives on how we can best service our customers in this region.

After Bernhard recently began discussing publicly commercial matters that Bernhard had previously prohibited PWC from disclosing, PWC formally noticed the company to be relieved of our restrictions under the NDA, and to be able to share fully the information in the proposed transaction. The basis of our request is very simple, disclosing only part of the proposal by only one party results in an incomplete picture of long term costs, benefits, and risks of such a substantial transaction.

We are heartened that on the air the representative of Bernhard indicated their support of full transparency. We look for the full release of the information that underpins the concession offer. This release is the only way to have a full transparent conversation with our community about the full concept of the concession offer and the impact it will have on essential electric and water services of the customers of PWC.

Strategic Priorities

Ms. Ball stated in one of our last commission meetings we worked through an exercise to help prioritize our seven strategic categories. Ms. Ball explained the chart below. She stated in the last column are the Proposed Weights we have for the Commission's consideration. Ms. Ball stated we have attempted to merge the input

of the executive team and the Commission. And for ease of communicating to employees we have rounded to '5'. Discussion ensued.

PWC Priorities	Exec Team Relative Weights	Commission Relative Weights	Proposed Weights
Community Engagement	6%	6%	5%
Economic Development	5%	5%	5%
Customer Satisfaction	14%	13%	15%
Operational Excellence	30%	22%	25%
Conservation	3%	8%	5%
Financial Health	23%	28%	25%
Engaged Employees	19%	18%	20%
	1.00	1.00	1.00

Commissioner Garrett discussed the values that have been assigned to the Proposed Weights. She noted the values were higher on Customer Satisfaction and Engaged Employees in the Proposed Weights than either team gave. Discussion ensued.

Commissioner Rogers discussed the need for the leadership to be in the community, to be customer focused and to think differently than in the past. He stated the priorities somewhat communicate the desire of the Commission, but the fact that he is articulating it is a further emphasis they are changing the direction the organization is going. Additional discussion ensued.

Commissioner Fowler stated he is satisfied with the Proposed Weights. He stated this is a good balance. The idea is there, we know we must operate with excellence, and it is part of driving our financial health. The other goals are important too.

Ms. Ball stated we are continuing to build out the strategic plan and the succession plan. All our high potential employees who have been identified in the succession plan with this group a couple years ago, have all completed the TTI measurement tool and received their results. Also, each of the high potential employees who have been identified in the succession plan are being mentored by an Officer. Ms. Ball thanked the Officers for mentoring one or more of the high potential employees.

Upcoming Topics and Actions

- May 12th Present FY22 Budget
Request Commission to Set the Public Hearing for the FY22 Budget
- May 26th Conduct Public Hearing for FY22 Budget
Present the Budget Ordinance

- June 9th Set Public Hearing for W/WW Rates
Present FY22 Budget for Adoption
W/WW Public Hearing
W/WW Rates Presentation
- June 16th Approve W/WW Rates/Fees (effective August 1st or as the Commission desires)
- June 23rd Plan to Cancel due to APPA

COMMISSIONER/LIAISON COMMENTS

None

REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report – March 2021
- B. Payment Analysis – March 2021
- C. Recap of Uncollectible Accounts – March 2021
- D. Investment Report – March 2021
- E. Purchase Orders – March 2021
- F. Position Vacancies
- G. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. # 19168 – install PVC and RJDIP water man on SR3569 (Old Raeford Rd.)
- H. Financial Statement Recaps
 - Electric – March 2021
 - Water/Wastewater – March 2021
- I. Actions by City Council during the meeting of April 12, 2021 related to PWC:
 - Approved Bid Recommendation – BWGP Battery Energy Storage System (BESS)
 - Approved Bid Recommendation – Freedom Town Center Sewer Main Repl.
 - Approved Assessment Appeal for 2002 Strickland Bridge Rd (PIN 9496-70-5769)

CLOSED SESSION PURSUANT TO NORTH CAROLINA GENERAL STATUTES 143-318.11(A)(3) FOR LEGAL MATTERS

Commissioner Rogers motioned to go into Closed Session pursuant to North Carolina General Statutes 143-318.11(a)(3) for Legal Matters. Motion was seconded by Commissioner Shaw and unanimously approved at 9:11 am.

There being no further discussion, the Commission returned to open session at 10:11 am.

ADJOURNMENT

There being no further business, upon motion by Commissioner Rogers, seconded by Commissioner Shaw, and unanimously approved, the meeting was adjourned at 10:11 a.m.