

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY MAY 12, 2021
8:30 AM

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

Others Present: Elaina L. Ball, CEO/General Manager
Telly Whitfield, Assistant City Manager (VIA WEBEX)
Chris Davis, City Council Liaison

Absent: Michael Boose, Cumberland County Commissioner, Liaison
Bill Zell, Interim Hope Mills Town Manager/Liaison
Media

REGULAR BUSINESS

Vice Chairwoman Evelyn Shaw called the meeting of Wednesday, May 12, 2021, to order.

APPROVAL OF AGENDA

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

CONSENT ITEMS

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

- A. Approve Minutes of meeting of April 28, 2021
- B. Approve to Set the Public Hearing for the FY2022 Budget for May 26, 2021
- C. Approve Cancellation of June 23, 2021 Commission Meeting due to National APPA Conference in Orlando, FL
- D. Approve PBMares Audit Contract and Supporting Arrangement Letter

The Finance Division Fiscal Management Section of the NC Department of State Treasurer and Local Government requires the Governing Board of each Local Government Unit approve the audit contract as defined in NCGS 159-34 prior to approval by the LGC. The auditor may not engage in audit services before approval by the LGC.

- E. Approve PWC Resolution – PWC2021.16 – Resolution Rescinding Policies

Staff recommends the Commissioners adopt a 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.

F. Approve PWC Resolution – PWC2021.17 – Resolution Approving Coverage

Staff believes the adoption of the Resolution Approving Coverage is reasonably necessary and appropriate and consistent with applicable law and recommends adoption of the Resolution Approving Coverage for the additional reasons set forth in the Resolution enclosed herewith.

G. Approve CPF Ordinances - PWCORD2021-08 thru PWCORD2021-15

Below is an explanation of each.

- PWCORD2021-08 creates the Annexation Phase V, Asphalt Overlay CPF to fund the asphalt overlay in Annexation Phase V areas.
- PWCORD2021-09 amends the Annexation Phase V Reserve to cover increased costs for the Annexation Phase V, Areas 22-23 CPF and to fund the establishment of the Asphalt Overlay CPF as well as Annexation Phase V, Areas 28 & 29 CPF.
- PWCORD2021-10 amends the Annexation Phase V, Areas 22 & 23 CPF to account for increased construction costs for these areas and the removal of the asphalt overlay costs which will now be accounted for in a separate CPF.
- PWCORD2021-11 amends the Annexation Phase V, Areas 24 & 25 CPF to account for revised construction estimates for these areas and the removal of the asphalt overlay costs which will now be accounted for in a separate CPF.
- PWCORD2021-12 amends the Annexation Phase V, Areas 26 & 27 CPF to account for revised construction estimates for these areas and the removal of the asphalt overlay costs which will now be accounted for in a separate CPF.
- PWCORD2021-13 creates the Annexation Phase V, Areas 28 & 29 CPF to fund the water and sewer installations in these areas. This fund needs to be established now because engineering will be starting soon.
- PWCORD2021-14 amends the Annexation Phase V, Areas 32-34 CPF to account for revised construction estimates for these areas and the removal of the asphalt overlay costs which will now be accounted for in a separate CPF.
- PWCORD2021-15 amends the Big Rockfish Sanitary Sewer Outfall CPF to revise the construction costs which will be financed with additional state loan proceeds. PWC previously applied for additional funding and received notification of the approval of the additional loan proceeds on March 1, 2021.

The above ordinances will be effective upon adoption.


END OF CONSENT

REVIEW PROPOSED CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET AND OPERATING BUDGET FOR FISCAL YEAR 2021-2022

Presented by: Elaina L. Ball, CEO/General Manager
Rhonda Haskins, Chief Financial Officer
Chief Operating Officers &
PWC Staff

Ms. Elaina Ball stated today will be the first of three discussions related to the FY2022 budget. She stated today Commissioners will receive a presentation of the proposed 2022 budget related to PWC, including the fund summaries for Electric Systems and Water Resources, as well as a breakdown of the Operating and Capital budget. On May 26th, we ask the Commission to conduct a public hearing for the FY2022 Budget and present a budget ordinance for adoption with the objective of finalizing and adopting the budget on June 9, 2021.

Ms. Ball stated staff plans to summarize a snapshot of the utility; walk thru key budget assumptions; and share some detailed information on the 2022 budget, including some key trends, forecasts, and information on the budget proposal.




Financial

- Annual Operating Budget: \$401.9 Million
- Total Assets: \$1.44 Billion
- Bond Rating: Aa2 (Moody's), AA (Standard and Poor), (Fitch) AA
- Annual Local Purchases: \$25 Million
- Annual Payroll: \$67.3 million
- Operations & Maintenance Expenses per Customer: \$379 (\$544 National Median)
- Annual Contributions to City of Fayetteville in Lieu of Taxes: \$11.4 Million
- Annual Streetlight Services: \$3.9 million

Customers

- In Operation since 1905 (115 years)
- Provide Electric, Water and Wastewater Services
- Total Customers: 118,069
- Number of Services: 271,047
- Annual Customer Turnover: 20-25%



Customers by Service

- Electric: 81,608
- Water: 89,577
- Wastewater: 88,713

Customers with 2+ Services: 75%


Water/Wastewater Operations

- Population Served: 205,383
- Drinking Water Treated: 10.2 Billion Gallons/Year
- 100% Compliant for all EPA Drinking Water Standards
- Daily Water Treatment Capacity: 57.5 Million Gallons
- Daily Wastewater Treatment Capacity: 46 Million Gallons
- Water/Wastewater Infrastructure: 2,700 miles
- Hydrants: 8,300
- Sanitary Sewer Lift Stations: 82



Electric System

- Purchase Wholesale Power from Duke Energy
- Only NC municipal system to own/operate a generation plant (Dispatched for use by Duke Energy)
- Generation Capacity: 268 MW
- Annual MWH Sold: 2.2 Million
- System Peak: 499 MW (Feb 9, 2015)
- Reliability Rate: 99.9906%
- Electric Distribution Substations: 32
- Distribution Lines: 1,300 miles
- Transmission Lines: 142 miles
- Streetlights/Area Lights: 37,000



Key Assumptions in Budget Development:

Ms. Ball discussed the following key budget development assumptions.

- Electric system growth – assumed .7% customer electric growth, with a decrease in volume metric sales of 1.3%
- Water/wastewater system growth – assumed .2% growth rate, with a decrease in volume metric sales of 2.5%. We have continued to see the reduction in volume metric sales. Discussion ensued.
- Material & contractual escalations
- Cost of service/rate support
- Compensation & Benefits – staff is proposing a 2% average increase for employees for FY22. Benefits are largely remaining flat. We are not reducing any benefits. We have had discussions with our providers around some potential changes, and they were able to extend us some continuation of benefits that we currently have. We have a proposal for five new FTE. Medical expenses are projected at \$7.6M, which is about \$962,000 less than FY21 for active employees.
- Financing timelines
- Normalized weather
- No major system/equipment unplanned failures
- Amendments for unplanned events
- Contingency – Ms. Ball stated she carries corporate contingency. When we see overruns or unplanned events, that is how we address contingency, rather than baking it in at the individual project or division level. Corporate contingency for electric is set at \$1.4M for the coming year. The basis of that is 1.5% of non-power supply revenue. On the water side we take 1.5% of total revenue, which \$1.75M contingency for water. Discussion ensued.

Commissioner Garrett asked how the departments develop the budget. Ms. Haskins responded, every department has access to our budgeting software. They see the prior information, current budget information and where they are today. The departments key-in what they believe they need for FY22 based on what is going in their areas. Once the departmental budget entry is closed it rolls up to where the budget team takes it, puts it into this format and they feed it back to the officers in the departments so they can review it. Elaina then reviews it; and she as well as Finance meet with all the Officers individually. Finance takes on high level organization issues. Electric (Jon) works with the Rates team on the purchased power side, with Duke and their pricing. Everyone has input. It is not top down as this time.

Ms. Ball reiterated it is not top down. The purpose of more of this preamble is to begin a discussion about the financial forecast. She is more accustomed to setting up a five year forecast with markers. Then building a business/strategic plan in the budgets to support the five year forecast. She stated we have not had those discussion in the budget process.

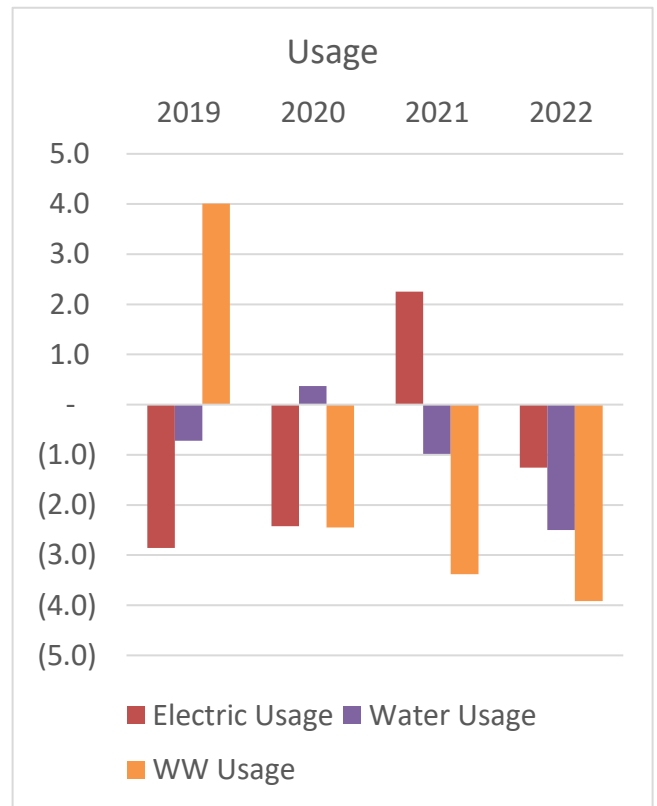
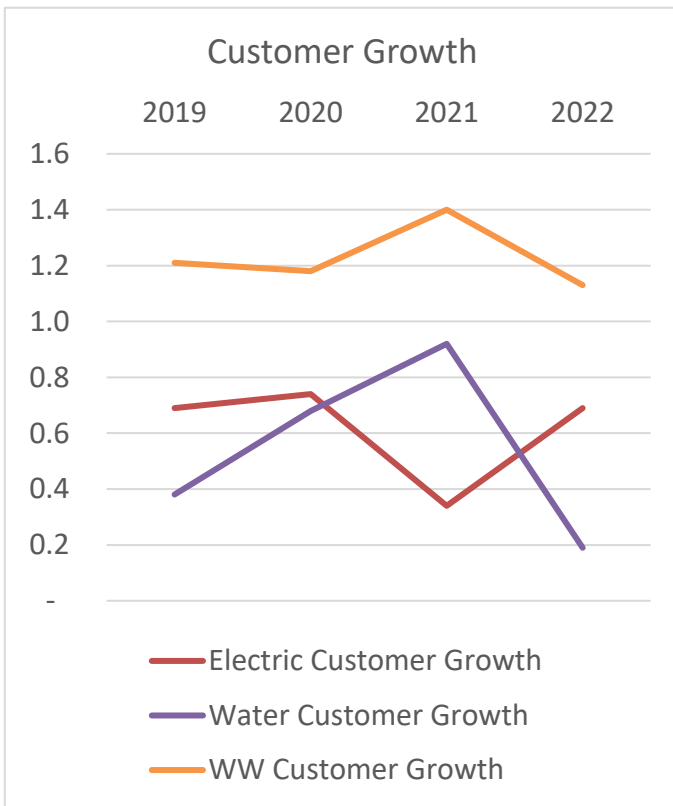
Ms. Ball stated next year she would like to see in the budget identifying the primary and secondary drivers. We do not do it now, but that is the intent to see what percentage of our capital is going to specific strategic initiatives and we can get a sense of we are effectuating the desire of the Commissioners to focus in these areas. She stated, speaking candidly, most of our spend will go into Operational Excellence and Customers. That is just the nature of who we are, but we have not approached it in that manner. Ms. Ball stated staff very much welcomes suggestions.

Commissioner Garrett stated you are hitting it on the head from a strategic point of view. We have gone through strategic priorities and it would be nice to see that next year linked to what projects you will do for customer engagement and defend it, and metrics to see if it was worthy off the resource. Additional discussion ensued.

Ms. Ball stated we are recommending a \$405.3M overall budget for FY22 (Electric Fund - \$264.7M and Water fund - \$140.6M)

Ms. Ball stated like any business when you begin to set your budget you want to know what your revenue will look like. We've used the three year averaging mechanism to establish this year's upcoming forecast for usage. It is also important to note that for water/wastewater, customer growth was established in October 2020 as part of our cost of service study. This is important because we are seeing modest customer growth across all three of our services. We are not seeing bullish customer growth. Since the usage is trending down and has been year over year, we need to be mindful of this. She went on to state, it is most pronounced on the water/wastewater side. This is important because costs are already outpacing revenues. When you look at the revenue growth it is only .5% per year, but costs with basic salaries increasing 2% are outpacing them. Couple it with declining usage, it is important we think about these things in concert. Though our discussion is not about rates you will see in our recommendation on rate design to continue to move costs to a fixed recovery mechanism as opposed to the volume metric recovery.

Ms. Ball, Ms. Haskins and Commissioner Rogers discussed Customer Growth for FY2021. Additional discussion ensued regarding customer growth as well as customer usage.



Below is a five year forecast for Electric Systems and Water Resources.

	FY21	FY22	FY23	FY24	FY25
Electric Sales Revenue	\$201.0	\$200.9	\$201.4	\$202.1	\$203.4
Operating Revenues	\$27.2	\$27.9	\$26.0	\$26.2	\$15.5

Operating Expenses	(\$199.4)	(\$200.5)	(\$195.4)	(\$198.5)	(\$161.7)
PILOT	(\$11.5)	(\$11.9)	(\$11.8)	(\$11.8)	(\$11.6)
Capital	(\$43.0)	(\$42.3)	(\$45.3)	(\$22.7)	(\$31.6)
Transfer to Annexation Reserve Fund	(\$4.1)	(\$4.9)	(\$5.2)	(\$5.6)	(\$5.9)
Draw from Reserves	(\$17.6)	(\$10.3)	(\$4.3)	\$1.4	\$10.2

Ms. Ball and Mr. Noland noted we continue to bring down the Annexation Reserve Fund. Ms. Ball asked when will the fund come down to \$00.00. Ms. Haskins responded in 2025-2026. Additional discussed ensued regarding the Annexation Reserve Fund.

	FY21	FY22	FY23	FY24	FY25
Water & Wastewater Sales Revenue	\$103.5	\$109.1	\$115.6	\$122.3	\$129.5
Operating Revenues	\$7.3	\$7.4	\$7.6	\$7.6	\$7.7
Contributions/Intergovernmental Rev	\$6.8	\$5.1	\$5.3	\$5.4	\$5.1
Operating Expenses	(\$66.3)	(\$72.0)	(\$70.0)	(\$72.0)	(\$74.1)
Debt Related Payments	(\$24.9)	(\$23.7)	(\$23.9)	(\$25.3)	(\$29.2)
Capital	(\$97.4)	(\$107.4)	(\$102.9)	(\$134.7)	(\$116.9)
Transfer to Annexation Reserve Fund	(\$4.5)	(\$4.6)	(\$5.5)	(\$5.7)	(\$5.4)
Draw from Reserves	(\$19.3)	(\$5.5)	\$5.5	\$3.5	\$1.6

Key Financial Metrics

Below are several of the metrics we monitor. Ms. Haskins discussed the below ratings. She stated we have had an AA Bond Rating for some time. We are rated by Fitch, S&P and Moody's. Our target Days Cash is 120, per the Charter.

	2019	2020	2021	2022	Target
Bond Rating	AA	AA	AA	AA	AA
Liquidity (DCOH)	143	130	125	115	120
Debt Service Coverage	3.15	3.42	3.00	2.96	2.50
Debt to Capitalization	25%	23%	23%	28%	<40%

Staff discussed the sources of revenue as well as the application of the revenue for FY22 for Electric Systems and Water Resources
 Electric Sources of Revenue

	FY19	FY20	FY21	FY22	% Change
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Electric Sales	\$213.7	\$202.5	\$201.6	\$200.9	(0.3%)
Other Op Rev	\$25.2	\$24.6	\$27.2	\$27.9	2.6%
Reserves	\$28.1	\$23.9	\$36.9	\$31.2	(15.5%)
All Other Rev	\$5.4	\$6.8	\$6.9	\$4.7	(32.9%)
Total	\$272.4	\$257.9	\$272.6	\$264.7	(2.9%)

Electric Uses of Revenue

	FY19	FY20	FY21	FY22
Operating Expenses	\$75.7	\$ 87.6	\$109.2	\$112.4
Power Supply Expenses	\$158.7	\$144.6	\$141.9	\$136.6
Debt Service	\$2.1	\$2.7	\$2.1	\$1.9
Reserves	\$35.9	\$23.0	\$19.4	\$13.8
Total	\$272.4	\$257.9	\$272.6	\$264.7

Water Sources of Revenue

	FY19	FY20	FY21	FY22	% Change
Water Sales	\$44.7	\$48.3	\$51.3	\$52.1	1.6%
Sewer Sales	\$49.0	\$50.5	\$52.1	\$57.0	9.3%
Fees/Misc.	\$4.6	\$7.2	\$7.3	\$7.4	1.7%
All Other Rev	\$25.2	\$19.1	\$32.4	\$24.1	(25.6%)
Total	\$123.5	\$125.1	\$143.1	\$140.6	(1.8%)

Water Uses of Revenue

	FY19	FY20	FY21	FY22
Operating Expenses	\$70.3	\$87.8	\$110.5	\$106.3
Debt Service	\$27.0	\$27.0	\$22.4	\$23.4
Reserves	\$26.2	\$10.3	\$10.2	\$10.9
Total	\$123.5	\$125.1	\$143.1	\$140.6

Key Fund Drivers – Electric

Ms. Ball discussed the following.

- Power Supply (-3.7%)
- PSCA amendment
- DEP regulatory settlements
- Non-Power Supply Expenses (-2.7%)
 - G&A
 - Electric Distribution (pole attachment expenses)
 - Depreciation
- Capital Outlay (-0.2%)
- Reserves
- Payment in Lieu of Taxes (+3.5%)
 - Increase in Net Position
 - 24.9% increase from 2016 Charter Change)

Ms. Ball stated staff expects the Payment in Lieu of Taxes to increase by 3.5% in the FY22 Proposed Budget. We are continuing to see an increase in Net Position which is the basis for the transfer. She went on to state since 2016 the Payment in Lieu of Taxes has increased 24.9%.

She discussed an ElectricCities Comparison Report of its member utilities, which is based on the EIA 861 Report. She pulled out the electric utilities that had electric operating revenues in excess of \$75M. We are by far the largest municipal utility in ElectricCities with electric operating revenues just below \$240M in 2019. She stated the purpose of sharing this information is inform a discussion around the PILOT.

2019 ElectricCities Performance Indicators												
	Financial Statistical Information FY Ending 2019 (State and Local Government Finance Division) EIA-861					System Energy Data Calendar Year 2019 (EIA-861)			System Performance Indicators			
	Operating Revenues (000's)	Power cost percentage	Power Cost (000's)	Transfer to General Fund (% of Fixed Assets)	Days Sales in Receivables	Customers	Purchased (MWh)	Sold (MWh)	Gross Distribution Cost (cent/kWh)	CP (NCEMPA) OP (NCMPA1) NCP (Non-PA) Load Factor (%)	Annual Avg. kW CP (NCEMPA) OP (NCMPA1)	Annual Peak NCP kW EC Data
NCEMPA Participants												
Rocky Mount	\$76,876	69.3%	\$53,275	2.6%	45.3	28,331	724,671	699,987	3.26	76.4%	108,986	153,988
Wilson	\$126,910	66.1%	\$83,888	1.3%	40.1	34,908	1,305,132	1,243,394	3.30	97.3%	154,779	244,685
GUC	\$177,934	72.8%	\$129,536	1.6%	44.0	68,815	1,826,943	1,776,178	2.65	74.6%	280,898	376,855
NCMPA1 Participants												
Gastonia	\$78,949	71.1%	\$56,133	1.8%	48.6	28,220	749,785	719,019	3.04	69.4%	125,273	158,676
High Point	\$130,559	70.0%	\$91,392	1.4%	44.0	43,251	1,187,781	1,165,307	3.30	65.9%	207,262	250,132
Non-PA Participants												
Concord	\$85,832	50.5%	\$43,345	0.4%	84.6	31,957	970,686	925,514	4.38	-		
Fayetteville PWC	\$239,785	68.1%	\$163,294	-	59.9	85,342	2,095,399	1,993,902	3.65	-		
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Sales: Sales may include energy consumed or furnished without charge for some cities.												
Losses: Energy losses percentages may also include energy consumed or furnished without charge for some cities.												

She stated the second largest utility is GUC, with \$178M in Operating Revenues within this period. She pointed out the “Transfer to General Fund”, which is their transfer to their cities. With these comparators you see that the utilities are transferring anywhere from .4% to 2.6%, but please note the transfer is based on fixed assets, and not on position. Ms. Ball stated we back enveloped it and we believe if you would take our 2.45% of net position and apply it based on fixed assets, we would be around 2%. So, we are in the pack, and

at the upper end of the pack relative to the amount of funds we transfer to the City of Fayetteville compared to these ElectriCities NC Utilities. Additional discussion ensued on why PWC uses net position.

Ms. Ball stated we estimate we will have an \$11.8M PILOT in FY2022. Below are additional items PWC customers help to fund. Commission and staff discussed sharing this information with the City Council.

	FY22
Annexation (Trf. From Annex Reserve to GF)	\$ 4,777,500
Metronet (Non Reimb. Expenditures)	\$ 1,000,000
Inside Street Lighting	\$ 4,050,200
Street and Pedestrian Lighting Improvements	\$ 2,750,000
Underground Conversions and Gateway Improvements	\$ 650,000
City of Fayetteville Storm Drainage Improvement	\$ 520,000
Community Economic Development Support	\$ 325,000
City of Fayetteville Public Access Television Channel	\$ 85,000
Parking Deck (Shared Costs – Operating and Capital Reserve)	\$ 64,000
Total	\$14,221,700

Key Fund Drivers – Water/Wastewater

Ms. Ball discussed the following.

- Expenses (+5.6%)
 - G&A
 - Water Resources Division
- Reserves
- Capital Outlay (-19.7%)
- Debt Service \$22.9M
- Annexation Summary
 - \$28.2M for FY22
 - Down \$5.6m from FY21
 - 61% Complete

Regarding Annexation we are seeing bids come in considerably higher than we have budgeted for Annexation. Ms. Ball stated we held a meeting with the LGC around some dispensation for bids which are causing a blip because of the supply chain disruptions and our ability to submit those for bonding purposes. We received word yesterday they will not allow that. We are going to have a decision point on timing related to some of the projects that have commercially unreasonable escalations due to these supply chain issues. Commissioner Rogers stated we normally go to market twice, every other year. Is it just a situation we will have to go this year and again next year? Ms. Ball confirmed.

Reserves – ERSF & Coal Ash

Ms. Haskins discussed PWC’s Electric Rate Stabilization Fund, and Coal Ash.

	FY21	FY22	FY23	FY24	FY25
Elec Rate Stabilization Fund*	\$28.0	\$20.7	\$11.0	\$0.0	\$3.1
*Amt over 10% Purch Pwr Reserve					
Coal Ash Deficit (to C.A. Rider)	(\$5.6)	(\$4.3)	(\$4.2)	(\$2.6)	(\$0.6)

She also discussed the target days published by the ratings agencies of where they see AA rated entities. Ms. Haskins stated this is not the only indicator that will get you to an AA rating. She discussed the differing indicators.

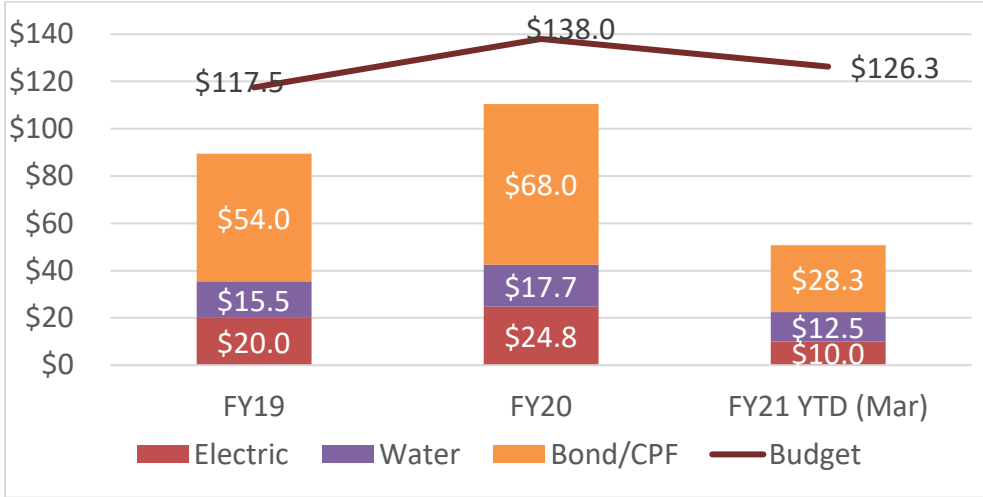
AA Bond Rating (Scorecard Implied Rating)	Target
Moody’s (Adjusted Days Liquidity on Hand)	150-250 Days
Standard and Poor’s (Liquidity and Reserves)	150-270 Days
Fitch (DCOH; Minimum Non-Adverse)	120+ Days

Overview – Operating Budget

Division	FY19	FY20	FY21	FY22	% Change
Management	\$5.1	\$6.3	\$6.2	\$6.8	8.5%
Communications	\$1.5	\$1.5	\$1.5	\$1.5	1.8%
Legal	\$0	\$0	\$0	\$0.3	100%
Human Resources	\$1.8	\$1.9	\$2.0	\$2.2	11.4%
Customer Programs	\$3.8	\$4.2	\$4.1	\$5.8	40.5%
Corporate Services	\$7.0	\$12.9	\$16.6	\$19.1	15.3%
Information Technology	\$12.0	\$12.4	\$13.7	\$13.5	(1.6%)
Finance	\$11.0	\$13.3	\$12.8	\$13.3	4.2%
Water/Wastewater	\$39.7	\$43.7	\$44.5	\$47.6	6.9%
Elec Non-Power Supply	\$25.3	\$27.7	\$32.9	\$35.4	7.6%
Total PWC w/o Power Supply	\$107.2	\$123.9	\$134.3	\$145.5	8.3%
Electric Power Supply	\$163.8	\$150.3	\$141.9	\$136.6	(3.7%)
Total PWC	\$271.0	\$274.2	\$276.3	\$282.1	2.1%

Mr. Noland discussed the Glenville Water Plant. When the original water plant was built it was a part of the Glenville Lake Dam. The water plant has been abandoned for decades. It needs to be properly abandoned so that it will not present a problem to the stability of the dam due to leaks, pipes corroding, etc. We need to take the building down. It is filled with asbestos, and lead paint. Storm drainage around the site needs to be fixed so it does not compromise the dam. There are electrical transformers that need to be moved. There is an intake structure that needs to be modified. There are multiple things that need to be done and it is a sizeable cost that will be spread over two years to bring the dam up to the point that there is no longer a threat to the dam's stability.

FY2022 Capital Improvement Budget Overview



Ms. Ball stated you will see in our corporate dashboard, both Operating and Capital Plan to Actuals. This is part of the reset with our strategic plan. She stated timing is tough in our industry, but we have traditionally not spent what we have requested from a capital perspective. For 2021, that has not included encumbrances. We have a number of projects that have encumbrances but still there is a gap. We recognize improving our ability to forecast capital is an area we want to work on. We have external forces such as DOT and other types of entities, that we plan for, and sometimes they show up and sometimes they do not. Developers are the same.

Commissioner Rogers stated the whole question of looking at actuals real time is valuable. He stated this year's estimate/actual to next year's budget is what matters to him. Additional discussion ensued.

Capital Overview by Division

Division	FY19	FY20	FY21	FY22	% Change
Customer Programs	\$0.5	\$0.9	\$0.5	\$1.5	199.6%
Corporate Services	\$3.2	\$10.8	\$1.1	\$0.2	(83.2%)
Water Resources	\$84.6	\$89.6	\$89.0	\$97.9	10.0%
Electric Systems	\$29.9	\$40.8	\$36.6	\$38.5	5.4%
Total	\$118.2	\$142.1	\$127.2	\$138.1	8.6%

Key Capital Projects FY22 (10 yr.)

Ms. Ball highlighted some of the Key Capital Projects

Water Resources

Rehabilitation (WS5, WS52)

- water distribution system reline & replacements - \$6.0M (\$105.8M)
- sanitary sewer main rehabilitation - \$6.0M (\$105.6M)

Phase V Annexation (WS7, WS63)

- water main extensions - \$3.8M (\$19.3M)
- sewer main extensions - \$24.3M (\$145.9M)

Rockfish Creek Basin Peak Flow (WS61) – \$9.09M

Big Rockfish Sanitary Sewer Outfall (WS83) - \$14.9M (\$26.9M)

Replace Standby Generators (WS87, WS95)

- Cross Creek (\$3.3M)
- Rockfish (\$3.04M)
- *Note: Hoffer (FY2023 - \$2.6M)*

West Fayetteville Pressure Zone Improvements (WS10) - \$596K (\$10.9M)

Hoffer WTF Expansion Residuals Facility Expansion- (WS25) - \$505K (\$17.3M)

Hoffer/Glenville Lake Reliability Improvements (reliability upgrades, chemical feed, and filter control improvements) (WS 27) - \$170K (\$10.6M)

Electric

- Underground Infrastructure Replacements - Residential (EL6) - \$2.5M (\$39.3M)
- Renewable Resource Development (EL 47) - \$1.3M (\$20.5M)
- BWGP HRSG Tube Replacement (EL44) - \$9.2M (\$10M)
- Battery Storage (EL 46)- \$2.6M (\$3.6M)
- Cumberland Rd 66-12kV Substation Rebuild (EL 29)- \$2.0M – (\$2.4M)

All Other Areas

- Electric Meters (CP1) - \$0.5M (\$6.4M)
- Water Meters (CP2) - \$1.0M (\$13.2M)
- R.C. Williams Business Center Upfit (CS1) - \$.06M (\$1.03M)
- Upgrade Interior Finishes – Operating Bldg (CS3) - \$120k

Commissioner Shaw asked if the generators are still operational when we remove them. She wanted to know if there was any useful life in them. Are there some charitable organization where they can be donated to? She stated there are some organizations that collect and refurbish and donate, even to some third world countries, and to utilities that are rural and are strapped. Staff will research.

Capital Financing Plan

- PWC anticipates issuing Series 2021 Bonds in support of its CIP projects
- State Revolving Fund loans for several projects are in various stages of loan process with favorable rates
- Remaining Capital projects are funded through revenues and reserves

Each Chief (Senior) Officer provided an Overview/Summary of Budget Changes, Key Projects/Initiatives, and Risks/Challenges/Mitigations. Discussion ensued with each Officer regarding their budget, major drivers, trends, and assumptions as well as risks to their budget and plans to mitigate.

Commissioner Shaw asked what happens to the poles when they are disposed. She also inquired about PWC's participation in FayTV. Commission and staff discussed Phase V Annexation.

GENERAL MANAGER REPORT

2020 Water Quality Report

2020 Water Quality Report has been released. It is online and customers can request a copy of the report.

State PFAS Report

The State PFAS Report has been presented to the Legislature. The report is part of the Legislature's attempt to manage and address public concerns relative to PFAS and health effects. It includes recommendations on more monitoring, research, and regulations. The report highlighted the fact that some of the highest PFAS concentrations were in the Cape Fear River Basin, in particular GenX and 1,4 Dioxane. Carolyn Hinson's team is working with Mick's team on talking point regarding the report's findings. Mick Noland continues to be very active in all these topics, both on behalf of PWC, but also with all the entities throughout the basin; as well as our state delegation to help shape as much as we can policy makers' decisions or recommendations around management of these compounds. Additional discussion ensued.

Colonial Pipeline Attack

We are monitoring the news coverage of the hack at the Colonial Pipeline. We do not have a lot of details of the cyber-attack vector. Ms. Fritzen was quick to help us take steps to help preserve fuel. We will also take other steps to help us respond to outages and any events on our water and electric systems.

RC Williams Building

The RC Williams Building went on the market this week. We will keep the Commission up to speed on that process.

Upcoming Topics/Actions

Upcoming topics and actions for the Commission are:

- May 26 – Conduct Public Hearing on FY22 Proposed Budget; Present the Budget Ordinance; Receive the Water/Wastewater Rates Presentation set a Public Hearing for Water/Wastewater Rates
- June 9 – Request Adoption for FY22 Budget; Conduct Public Hearing for Water/Wastewater Rates.
- June 16 – Seek Approval of Water/Wastewater Rates and Fees to effective August 1st, or as the Commission desires.

Open Commissioner Requests

Ms. Ball stated an item on the Open Commission Requests was to respond to one of the historical requests, which is basically how the customers contact us. She stated, the Commissioners have the data now, and hopefully it is responsive to your request.

COMMISSIONER/LIAISON COMMENTS

Commissioner Wade Fowler

Commissioner Fowler thanked Mr. Noland for protecting our water supply. He stated not only for looking at the PFAS but also looking at the volume and protecting our watershed.

He also thanked Ms. Ball for a great budget meeting.

Commissioner Darsweil Rogers

Commissioner Rogers stated the idea of back-casting versus forecasting, it has been easy to back-cast in this industry for the last 50, 60, or 70 years. It is just not doable going forward. It is critical that everyone gets on board with understanding we must figure out what the future holds and anticipate it.

It seems to me if Amazon showed up and said they want electric vehicles. We can go virtually to every other industrial customer in town and ask if they wanted electrical vehicles and ask what is it, we can do to make it happen? And we will have incremental revenue streams. We are flat to down. We need to think proactively. As an industry it is not an option.

Commissioner Rogers also requested to know what we are going to do with 'Prepay'. He wants to know what we plan to do with staff continuing to WFH, post COVID. He stated clearly there will be a demand to do so. He also wants to know more about succession, upscaling, and cross-scaling employees. We need to be more focused and proactive. He also commented on training, and expending dollars to train employees to help them to excel.

He also commented one of the first things Ms. Ball stated when she walked into her interview was, she did not see safety information or safety data. Commissioner Rogers said the board is now focused in getting it done.

He asked about the dams. Mr. Noland replied the issue is on hold.

Commissioner Rogers thanked staff for the budget presentation. He stated one of his greatest frustrations since he came is the budget. He believes numbers should tell a story. And they just have never spoken to him the way he would like. They have gotten better. He stated looking three years back and five years forward is so he can see everything in context is the way to do it if we were a traditional business.

Commissioner Ronna Garrett

Commissioner Garrett stated the last point Commissioner Rogers commented on is the subject she began with, which is strategy. She stated she believes we are getting there. She doesn't know the past, but it is not bad, it looks good to her and that we can hone-in more. She stated she tried not to be too verbose in asking questions. She appreciates the value of the time put in to preparing the budget, and she will continue to educate herself. She also believes staff is well on their way in looking back and looking forward.

Council Member Chris Davis

Council Member Davis stated the Mayor sent several questions. Ms. Ball replied the Finance team is working on the replies. We will get the answers to him. We have been in the throws of budget preparation. She also stated she sent correspondence to the City Manager on Monday.

Commissioner Evelyn Shaw

Commissioner Shaw thanked staff for the presentation and thanked the staff for addressing her written questions in their presentations.

She reminded the Commissioners they have a communication that came to them from the Café Fear River Theater (CFRT). She asked them to take the time to review it and consider it. She stated we will ask the Chairman for an opportunity to address it as appropriately.

REPORTS AND INFORMATION

Commission acknowledges receipt of the following reports and information.

- A. Payment Analysis – April 2021
- B. Personnel Report – April 2021
- C. Position Vacancies
- D. Actions by City Council during the meeting of April 26, 2021, related to PWC:
 - Approved Resolution Authorizing Phase 5 Annexation Area 26 & Area 27 Preliminary Assessment and Setting the Public Hearing
 - Approved Bid Recommendation – Rockfish Creek Water Reclamation Facility Screening Improvements
 - Approved Recommendation for Contract Award Disparity Study for the City of Fayetteville and the PWC for the Contracting and Procurement Procedures

ADJOURNMENT

There being no further business, upon motion by Commissioner Rogers, seconded by Commissioner Garrett, and unanimously approved, the meeting was adjourned at 11:07 a.m.