

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY MAY 26, 2021
8:30 AM

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

Others Present: Elaina L. Ball, CEO/General Manager
Telly Whitfield, Assistant City Manager

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

REGULAR BUSINESS

Chairman Wade Fowler called the meeting of Wednesday, May 26, 2021, to order.

APPROVAL OF AGENDA

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

CONSENT ITEMS

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

Ms. Ball requested to add an item to Consent (Request to Terminate and Abandon a Utility Easement – Hope Loop Commons). After discussion Commissioner Shaw moved to amend the Consent Agenda to include a request to Terminate and Abandon a Utility Easement – Hope Loop Commons (See item E). Motion was seconded by Commissioner Garrett and unanimously approved.

Upon motion by Commissioner Rogers, seconded by Commissioner Shaw, the Amended Consent Agenda was unanimously approved.

- A. Approve Minutes of meeting of May 12, 2021
- B. Approve Special Meeting for June 16, 2021, in lieu of Cancellation of June 23rd Commission Meeting
- C. Approve to Set Public Hearing on Water/Wastewater Rates and Fees for June 9, 2021
- D. Approve PWC Resolution # PWC2021.18 – Resolution amending and rescinding 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.

Added Consent Item:

E. Approve Request to Terminate and Abandon Utility Easement – Hope Loop Commons

Staff recommends that the Fayetteville Public Works Commission request that the City of Fayetteville terminate and abandon or otherwise convey or reconvey to Hoke Loop Commons Associates Limited Partnership by any legal means a portion of a 20 foot wide permanent utility easement recorded in Deed Book 9582, Page 863 and in Deed Book 9582, Page 873, Cumberland County Registry titled in the name of the City of Fayetteville for the benefit of the Fayetteville Public Works Commission. The section of the utility easement requested to be terminated and abandoned will no longer be needed by the Fayetteville Public Works Commission once the property is redeveloped.

The recommendation, as approved by the Fayetteville Public Works Commission, shall be referred to City Council to request that the City of Fayetteville adopt a resolution authorizing the termination and abandonment of said utility easement or otherwise the conveyance or reconveyance of said utility easement to the current owner Hoke Loop Commons Associates Limited Partnership in accordance with applicable law.

END OF CONSENT

FY2022 RECOMMENDED BUDGET SUMMARY

Presented by: Elaina L. Ball, CEO/General Manager

Ms. Ball provided a summary of the recommended FY2022 PWC Operating Budget and Capital Improvement Plan (CIP) as presented to the Commission on May 12, 2021, and made available for public inspection in compliance with North Carolina General Statute 159-12.

She stated today is the second of three meetings on the FY2022 budget. At the last commission meeting we discussed the budget in detail.

She stated the FY2022 Budget Proposal is \$405.3M Budget, which is \$10.5M or 2.5% less than the 2021 budget. Revenues for the Electric Fund are projected at \$264.7M, which is approximately a 2.9% reduction from FY21. There are no planned electric rate changes in the proposed budget, however we are beginning our electric cost of service study in the next month.

Revenues for the Water/Wastewater Fund are projected at \$140.6M, which is a 1.8% decrease from FY21. However, we have incorporated in this a proposed system rate increase of 5.5%, which is in the budget, and is estimated to be effective August 1st. We intend to give the Commission a detailed presentation for the complete cost of service study for the Water and Wastewater System at our next meeting.

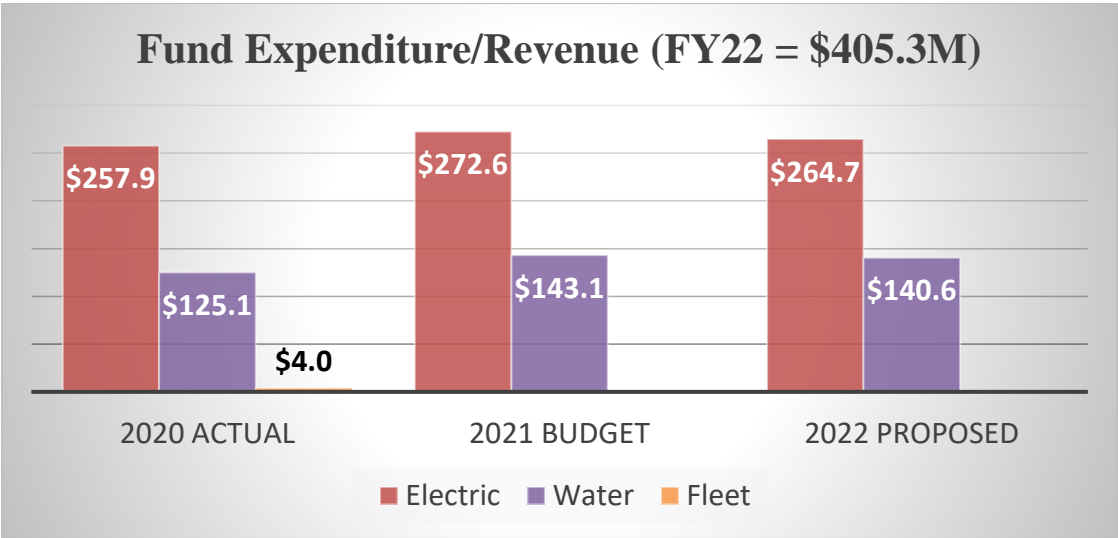
Key Financial Metrics

We have adequate access to financing and a balanced capital structure, which should support our continued AA bond rating. Over the next four years we see continued capital investment to support plant expansions in water/water, as well as annexation, rehabilitation, and routine system growth. It is going to put more leverage

on the combined utility. We project liquidity levels may dip slightly lower than 120 (days) for incremental periods, but we do believe we will recover as we move out of this period.

Fund Summary

Ms. Ball noted the Fund Summary shows the 2020 Actual, 2021 Budget and 2022 Proposed. She stated staff has noted the Commission’s desire to have Prior Year completed; year shown as Actual and the current year as Projected, and we will make those changes in future presentations.



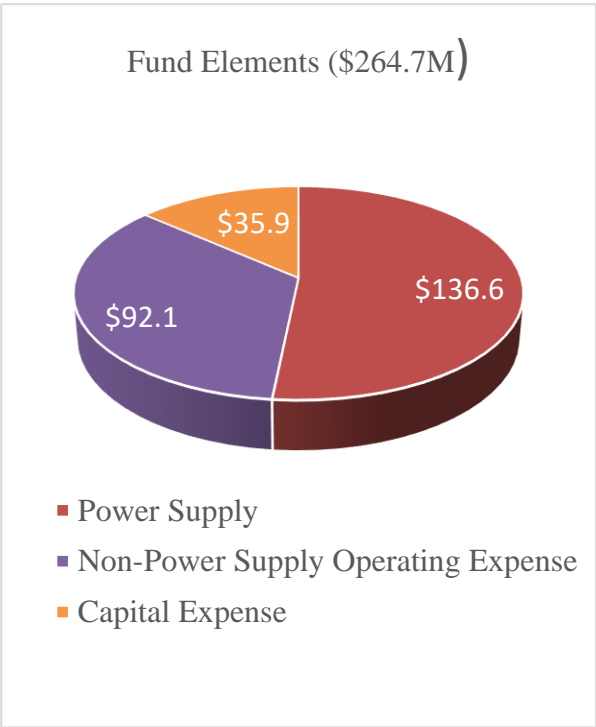
Key Fund Drivers – Electric

Ms. Ball stated the majority of the costs for the electric fund are power supply costs, which are expected to be lower by 3.7% in 2022. Please also note the projected Payment in Lieu of Taxes to the City of Fayetteville will increase by 3.5%, to an approximate 11.8 million which represents almost a 25% increase from 2016 when the charter change occurred.

- Power Supply (-3.7%)
 - PSCA amendment
 - DEP regulatory settlements
- Non-Power Supply Expenses (+4.0%)
 - 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)

Key Fund Drivers – Water

- Expenses
- Reserves
- Capital Outlay (-19.7%)
- Debt Service \$22.9M
- Annexation Summary
 - \$28.2m for FY22



Overview – Operating Budget by Division

Ms. Ball stated overall, PWC expects to see approximately an increase of 2.1% in O&M. We are monitoring inflation; it has jumped to about 4%. We are projecting a 2% increase in wages. We are monitoring inflation, but we are not tying it to a spike in anyone indices.

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%

Overview – Capital Budget 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.)

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)

Ms. Ball noted we will have a third discussion during the next agenda meeting. The Proposed Budget Ordinance is included in the FY2022 Budget Book. The Proposed Adoption of the Budget is June 9, 2021.

PUBLIC HEARING ON THE PWC FY2022 OPERATING BUDGET AND CAPITAL IMPROVEMENT PLAN (CIP)

Chairman Fowler asked if there are any speakers. Ms. Durant, the Clerk to the Board informed the Commission there were no speakers or written comments. .

The Public Hearing was then closed by the Chairman.

3 MONTH (JANUARY - MARCH 2021) FINANCIAL RECAP – (Goal #1)

Presented by: Rhonda Haskins, Chief Financial Officer

Ms. Haskins stated this financial presentation will be for the 9 months, ending March 2021. She stated throughout the presentation there are several things you will see impacting this year. She noted the following:

- **Rate Modification**
 - Reduction in Electric Rates, effective 5-1-20
 - Increase in Water and Wastewater Rates as of 7-1-20
 - New Medium Power TOU rate effective 5-1-20
 - DEP Rates and \$2.50 per kW demand credit, began 1-1-21
- **COVID-19**
 - \$2.2M Emergency Fund Transfer to the City. The Chairman noted the total transferred to the City was \$4M, and this is above the PILOT, Ms. Haskins confirmed. The \$2.2M is just for COVID.
 - Disinfecting Services
 - Customer Charge offs
 - Business Closures Impacted Sales in All 3 Utilities
 - Late Payment Fee and Interest
- **Weather Impacts**
 - Rainfall on par with 10-year average and previous year – Ms. Haskins stated as a correction, the rainfall has increased. We saw excessive rainfall in 2020, as well as into calendar 2021, with January and February having high rainfall. Ms. Ball noted, last year was the second wettest year on record. That coupled with excessive rainfall in January and February has led to well above average in-flows into our plants.
 - Cooling degree days decreased by 28% over prior year
 - Heating degree days increased by 6% over prior year

Summary of Major Changes over Prior Year (\$ in Thousands)

Ms. Haskins noted the Electric Revenue was down 4.4%. Sales were steady but we had the rate decrease. The rate decrease had anticipated a 4.7% revenue reduction. She also noted Coal Ash continues to decrease. Other items to note: W/WW Revenues are up, which we anticipated.

Electric Revenue	▼	4.4%	\$ 7,958
Electric Power Supply & Maintenance	▲	0.6%	\$ 632
Coal Ash	▼	41.9%	\$ 5,907
Electric G&A Expense	▼	2.5%	\$ 386
Electric Other Operating Expense	▲	1.8%	\$ 509
Electric Payment in Lieu of Taxes (PILOT)	▲	3.2%	\$ 265
Water Revenue	▲	5.2%	\$ 1,880
Wastewater Revenue	▲	6.0%	\$ 2,243
Water/Wastewater G&A Expense	▲	4.5%	\$ 625
Water/Wastewater Other Operating Expense	▲	4.7%	\$ 2,502
Water/WW Aid, Grants, FIF Transfers	▲	241.8%	\$ 7,831
Net Bad Debt		<1.0%	
Days Cash Reserve		142	

Total Revenue

For the Electric Fund, Revenue (\$174.0M) was below Budget (\$176.3) and Prior Year (\$181.9M). However, for the Water/Wastewater Fund Revenue (\$83.6M) was on Budget (\$83.4M) and slightly higher than Prior Year (\$83.5M).

Ms. Haskins provided statistics for the Revenue Trend by Customer Class for 2017 thru the 3rd Quarter 2021 for Electric and Water/Wastewater.

For Other Operating Revenue, Ms. Haskins noted the BWGP Lease was \$11.2M, on par with FY20,

Volume sales were down .5% over prior year.

Ms. Haskins discussed the Residential Energy TOU, the average kWh, Degree Days and Cents per kWh, and the Year over Year Comparisons. Ms. Haskins noted for the Residential & Non-Residential (Small), customers are paying on average less than they did last year. For the Non-Residential (Medium), customers are paying an average less than in the previous year (Fixed Rate).

Electric Comparison

Electric Sales Revenue was \$153M, down 4.1% compared to prior year. Other Revenue was \$20.5M, down 6.2% from prior year. Power Supply & Maintenance was \$107.7M, up .6% from prior year. Coal Ash Exp. were \$8.2M, down 41.9% from prior year. G&A Expenses were \$14.8M, down 2.5% from prior year. Other Operating Expenses were \$28.5M, up 1.8% from prior year.

Electric Purchased Power

1,591 MWhs Purchased; Cost per MWh @ \$63.27 (down 4.9%).

Ms. Haskins noted Purchased Power excluding Coal Ash and Adjustments decreased 4.6% from 2020 to 2021 due to lower DEP energy price.

Ms. Haskins also noted the largest expenditure in the Electric Fund, excluding Power Supply is Personnel Services @ \$23.8M, up \$2.0M from prior year. Appropriations was \$14.9M, down \$1.6M from the prior

year; Capital Outlay was \$12.6M, down \$6.5M from the prior year; Transfers to the City were \$11.7M, up \$2.5M from the prior year. Other Operating Expenses were \$5.2M, down \$3.8M from the prior year. Debt Related Payments were \$1.9M, down \$.5M from the prior year.

W/WW Comparison

Water Sales Revenue was \$37.9M, up 5.2% compared to prior year. Wastewater Sales Revenue was \$39.9M, up 6.0% compared to prior year. Other Revenue was \$5.8M, down 25.6% compared to prior year. G&A Expense was \$14.5M, up 4.5% compared to prior year. Other Operating Expense was \$55.6M, up 4.7% compared to prior year. Aid, Grants, FIF, XFRs were \$11.1M, up 41.8% compared to prior year.

Ms. Haskins noted total Revenue is in line with Budget and Higher than Prior Year while Expense is below Budget and Higher than Prior Year. Ms. Ball stated our system and our expenses are growing faster than our revenues. Our revenues on a smooth basis are expected to grow about ½% a year, and with inflation we are going to outpace that. We are going experience more leverage because our system is growing. We are having to rehab and replace an aging system. All these issues are placing pressures on our margins. We will need to look at cost control where we can, but it is going to drive rates. Discussion ensued.

Water/Wastewater Sales

Volume Sales - Water Volume Sales were 5.85Mgals, down 2.7% and WW Volume Sales were 4.95Mgals, up 0.9% over Prior Year

The largest expenditure in the Water Fund is Personnel Services @ \$25.2M, up \$2.2M over the prior year. Debt Related Payments were \$19.9M, down \$2.2M over the prior year; Capital Outlay was \$16.3M, up \$3.6M over the prior year; Other Operating Expenses were \$11.8M, down \$1.6M from the prior year; Appropriations were \$7.8M, up \$.4M over the prior year; Contractual Services were \$5.6M, up \$.3M from the prior year

The Target Days Cash is 120 days. The Days Cash for the 3rd quarter ending March 31st was 142, up from 137 in the prior year. Discussion ensued.

Electric & Water Bad Debt as a Percent of Sales remains under 1% @ .46%, compared to .40% for FY2020.

GENERAL MANAGER REPORT

Policies and Procedures

Ms. Ball stated we continue to refine our policies and procedures. We have discovered four policies that may require more than just an administrative update. It is not unexpected given the age of some of the policies and procedures. No action is needed today; however, it may take beyond July 1st to complete.

Supply Chain Improvement Team

Our Supply Chain Improvement Team has completed their first round of recommendations to reduce cycle time and push decision making to the lower levels of the organization, as well as reorder steps to help reduce work. It is just the first step in trying to build a more effective supply chain. She stated it will empower folks in this room to approve things at a higher level. As of now the Officers approve anything above \$2,500.00. More information will be coming. Now the team will focus on Spend Management. Ms. Ball thanked both Ms. Haskins and Ms. Fritzen's teams for doing the heavy lifting on this initiative.

W/WW Cost of Service

We have completed our efforts on the Cost of Service. We have had one on one meetings with each Commissioner. At our next meeting we will present Cost of Service, Rates and some select fees.

United Way Day of Caring and APPA Day of Giving

Ms. Ball thanked the employees for participating in the UW Day of Caring held on May 14th. Many employees contributed to the non-profits in the region and participated in the Red Cross blood drive. We will have another volunteer day on June 18th. It will be the APPA Day of Giving. We will participate in a community wide cleanup on that day.

FTCC

Had a brief presentation with Dr. Keen and team on some poles we donated for the pole yard to FTCC for our Lineworker program. We happy to continue that partnership. They do a terrific job for us with that program.

BBR

PWC presented yesterday at the BBR. Ms. Ball thanked the Finance Team. They presented on the topic 'Doing Business with PWC'. There were 58 participants. It was well attended though it was virtual. We are planning to present again later in the summer regarding our Capital Improve Program (CIP) to help local businesses understand opportunities.

Insurance Benefits

We recently discussed and approved minor changes in our stop-loss coverage for our insurance benefits. The benefits have largely remained the same, and our financial exposure is about the same. However, in our review it became apparent that there are some changes we need to make as an organization. This year we will notify participants of likely changes next year.

Hurricane Season

Hurricane season is upon us. We will send out our Storm Guide to customers on June 1st. We encourage all customers to sign up for outage notification. It is very easy. Just go to our portal, and one click, and you are signed up. There are approximately 3,000 signed up now.

Arts Exhibit

The Public Works Art Exhibit at the Arts Council begins Friday and runs through mid-July. We have supported the art exhibit since 2005.

COVID

We will distribute new guidance on masks, vaccination, travel soon. Our goal is to promote vaccination. Commissioner Rogers asked where we are in the number of employees who are vaccinated. Ms. Ball replied we do not know right now, and there are several reasons why. Mr. Russell stated employees can share their vaccine card when they receive the vaccine. Some have elected not to, and some have. We also have a symptom tracker app when employees triage themselves. They can elect to have their vaccination information

uploaded to the app. We have seen that about 90-100 employees have utilized it. There are various ways employees can notify us. Ms. Justice-Hinson stated we have a short survey to find out how many are vaccinated and to increase participation. Commissioner Shaw committed regarding the temperature checker near the entrance. She stated it does not work. Staff will investigate the issue.

Ms. Ball stated we are aware of the national and the state level changes. We have been a little conservative in rolling out the changes. We are aware of an employee in the hospital as well as several positive cases. We have been working with our outside employment counsel to answer questions for us and to provide guidance to us. Discussion ensued.

Upcoming Topics

Ms. Ball stated staff will post proposed rates for W/WW this Friday prior to the public hearing on June 9th. Also, on June 9th we will ask the Commission to adopt the proposed budget. On June 16th, we ask the Commission to consider the W/WW fees to be effective August 1st.

Discussion ensued regarding the gas shortage we recently experienced. Ms. Ball stated we did not experience any interruption because of the shortage. Ms. Ball discussed PWC's measures to ensure we did not experience any adverse effects.

COMMISSIONER/LIAISON COMMENTS

Commissioner Ronna Garrett

Commissioner Garrett thanked Ms. Ball, Mr. Noland and the teams at the Water and Wastewater Plants. She spent two mornings with them over the past couple weeks. She was duly impressed with the knowledge and operations. Stated she gained a lot of education and insight. She saw the passion and commitment of the teams. It was very educational for her, but most importantly, the engagement with the teams was quite gratifying for her.

Commissioner Fowler stated the more people get out to see what we do they begin to understand the value of having their own public power and public water/wastewater utility. He reiterated how good it was for one of the employees to take time with a 9 year old boy, to show him the working of the plants, it was great. Additional discussion ensued.

Telly Whitfield

Mr. Whitfield stated the City Budget is expected to be approved on June 14th.

REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report - April 2021
- B. Payment Analysis – April 2021
- C. Recap of Uncollectible Accounts – April 2021
- D. Investment Report – April 2021
- E. Purchase Order Report – April 2021

- F. Position Vacancies
- G. Financial Statement Recaps
 - Electric – April 2021
 - Water/Wastewater – April 2021
- H. Approved N.C. Department of Transportation Encroachment Agreement(s):
 - Encr. #18795 – Install of 8” RJDIP Sewer & Water Main; 2-16” Steel Casings, 6” RJDIP Force Main and 12” Steel Casing @U-2519 (I-295)
 - Encr. #18823 – Install of 8” C-900 Water Main & 2-1” PE Water Service @ SR2212 (Doc Bennet Rd.) & I-95 Bus.
 - Encr. #19173 – soil borings @ SR1102 (Gillis Hill Rd)
- I. Actions by City Council during the meeting of May 10, 2021, related to PWC:
 - Approved Bid Recommendation – Buckhead Creek Sewer Relocation NCDOT Project U-4405C
 - Approved Adoption of a Resolution; Bond Order Compliance for Load Banking and Service Area Agreements

ADJOURNMENT

There being no further business, upon motion by Commissioner Shaw, seconded by Commissioner Garrett, and unanimously approved, the meeting was adjourned at 9:32 a.m.