

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY OCTOBER 26, 2022
8:30 AM

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

Others Present: Mick Noland, Interim CEO/General Manager
 Deno Hondros, City Council Liaison
 Adam Lindsay, Asst. City Manager (VIA WEBEX)
 Media

Absent: Jimmy Keefe, Cumberland County Liaison

I. REGULAR BUSINESS

Chairwoman Ronna Rowe Garrett called the meeting of October 26, 2022, to order at 8:30 am.

APPROVAL OF AGENDA

Commissioner Evelyn Shaw motioned to amend the agenda by adding a closed session as Item VIII to consult with an attorney pursuant to G.S. 143-318.11(a)(3) and by removing from the Consent Items, item II.D. regarding pension benefits, which is then to be placed on our regular agenda as Item IX. Commissioner Donald Porter seconded motion, and the amended agenda was unanimously approved.

II. CONSENT ITEMS

Commissioner Wade Fowler, motioned to approve the Consent Items as amended. Motion was seconded by Commissioner Evelyn Shaw, and the Consent Items were unanimously approved.

- A. Approve Minutes of meeting of October 12, 2022
- B. Approve cancellation of November 23rd and December 21st Commission Meetings
- C. Adopt PWC Resolution # PWC2022.27 - Resolution Approving an Extension to July 28, 2023, of the Waiver of Utility Connection Charges for Customers in Annexation Phase V, Area 23.2

As a result of severe ongoing national supply chain disruptions for materials needed by PWC's retail customers in Annexation Phase V, Area 23.2 to establish service connections to PWC's system, staff recommends that the Commission adopt a resolution extending by six (6) months the period for which Utility Capacity Charges will be waived pursuant to Section 11.E.1 of the Service Regulations for timely customer connections until July 28, 2023.

COMMENTS: Staff recommends the Commission grant a six-month extension of the Utility Capacity Charge waiver until July 28, 2023, for retail customers in Annexation Phase V, Area

REMOVED FROM CONSENT, AND PLACED AS ITEM IX FOR DISCUSSION

~~D. Adopt PWC Resolution # PWC2022.28 — Resolution Regarding Pension Benefit Retirement Allowance Payments~~

~~Due to: (1) increasing competition in the labor market for infrastructure projects, (2) the value of the pension benefits that PWC offers its employees through the Local Governmental Employees' Retirement System (LGERS) in promoting retention, and (3) concerns that have been raised regarding the potential imposition of contribution-based benefit caps that limit the value of the LGERS pension benefit to the detriment of PWC's employees as a result of a series of legislative enactments, staff recommends that the Commission adopt a Resolution regarding Pension Benefit Retirement Allowance payments to pay, for eligible employees, any reduction in an employee's retirement allowance due to the imposition of a contribution-based benefit cap.~~

~~**COMMENTS:** Staff recommends the Commission pay, for eligible employees, any reduction in an employee's retirement allowance due to the imposition of a contribution-based benefit cap.~~

- E. Approve bid recommendation to award bid for the purchase of Subsurface Switch 600 AMP to WESCO Distribution Inc., Clayton, NC, the lowest, responsive, responsible bidder, in the total amount of \$148,535.15, and forward to City Council for approval.

The Subsurface Switch 600 AMP is Warehouse Inventory.

Bids were received October 6, 2022, as follows:

<u>Bidders</u>	<u>Manufacturer</u>	<u>Total Cost</u>	<u>Delivery</u>
WESCO Distribution Inc., Clayton, NC	ABB	\$148,55.15	30 Weeks

COMMENTS: Notice of the bid was advertised through PWC's normal channels on September 20, 2022, with a bid opening date of October 6, 2022. PWC's Procurement Department also directly solicited three (3) distributors for this bid. PWC received only one (1) bid. Electric Engineering and Electric Construction have reviewed and concur with the award recommendation.

END OF CONSENT

III. PRESENTATION OF FINANCIAL HIGHLIGHTS AND ANNUAL AUDIT REPORT FOR FISCAL YEAR 2022 PREPARED BY PBMARES, LLC

Presented by: Rhonda Haskins, Chief Financial Officer
Rhonda Graham, Controller
Robert Bittner, III, CPA, MBA – PBMares, LLC

Rhonda Haskins, Chief Financial Officer, presented Robert Bittner, Audit Partner for PBMares, LLC. PBMares is our auditing firm selected by the Council. Mr. Bittner has performed the annual audit for the past five years. He is attending the meeting virtually today. Mr. Bittner stated on behalf of himself and Mr. Willie Cooper, Jr, (who is their local subcontractor) they appreciate the opportunity to continue to serve the Commission. And they enjoy the work they do here at PWC. He thanked Ms. Rhonda Haskins, Ms. Rhonda Graham and Ms. Sabrina King

Mr. Bittner stated regarding the audit, PWC received a Clean Opinion or Unmodified Opinion. This is the highest level of assurance they can provide. This means on a reasonable basis they believe everything is stated appropriately as required in GAAP.

Mr. Bittner went on to describe the differing sections of the Annual Comprehensive Financial Report (ACFR).

Mr. Bittner stated in accordance with government auditing standards, they are required to audit and report the Commission's compliance with laws, regulations, grants, and contracts, as well as they are required to disclose any significant deficiencies or material weaknesses in internal control they note during the audit, as well as any fraud, waste or abuse or any non-compliance with any laws regulations or statutes they identify during the course of the audit. Mr. Bittner stated they did not identify any significant deficiencies or material weakness in internal controls this year during of the audit this year. They did not identify any non-compliance of laws, regulations or statutes.

Mr. Bittner stated the auditors are also required to issue the AUC260 Letter. This is a required communication for auditors to those charged with governance. He explained the purpose and the contents of this document. Mr. Bittner stated there were no control deficiencies related to the financial statements. He went on to highlight certain areas of the document.

While uploading the financial statements to the LGC, they complete a Data Input Form. Now there is a Performance Indicators Report they are required to present to the Commission in open session. He stated there are no Performance Indicators in the document that would require a response to the LGC. There are four pages of indicators and there are no items of concern.

Mr. Bittner stated he would have mentioned GASB Statement 96 which will be coming next year, however PWC has already implemented it into FY22.

Commissioner Fowler asked Mr. Bittner how many audits he does that come out that are non-modified opinions. Mr. Bittner stated they do as a firm about 50-60 governmental audits each summer. There are about 10-15% that receive an unmodified opinion with no findings, no significant deficiencies, and no material weaknesses. It is a testament to PWC's finance team.

Commissioner Porter, commended Ms. Haskins and her staff, and the staff as a whole. It is not a one team project, but an effort by the entire PWC team. He also thanked Mr. Bittner for the report.

Commissioner Rowe Garrett asked Ms. Haskins to provide an explanation of the trend in the quick ratio. Ms. Graham will provide more detail in the presentation. Commissioner Rowe Garrett also commended Ms. Haskins, her team, as well as the PWC staff as a whole for the unmodified opinion on the audit. She also thanked Mr. Bittner for the Annual Audit Report.

Ms. Haskins introduced Ms. Rhonda Graham to present the Financial Highlights. Ms. Graham thanked the staff of the Accounting and Financial Planning Departments for their hard work and continued dedication to make each year a success. In particular the directors and managers, which include:

Jason Alban, Director of Financial Planning
Marsha Krings, Accounting Manager
Lisa Barbee, Financial Rates Manager

Sabrina King, Financial Reporting Manager
Lisa Buffalo, Financial Planning Manager
Martin Cunningham, AP/AR Supervisor

Ms. Graham stated the following events have shaped our year.

Economic Impacts

- Market to market adjustment – (9.8M)
- Rapid rise in interest rates – second half of fiscal year
- Inflation and supply chain

New Rate

- New Cost of Service Water and Sewer Rates will be effective August 2021

Leases

- GASB87 and GASB96 Implementation
 - Lessee – Asset \$5.4M and liability \$5.3M
 - Lessor – Receivable \$5.6M and Deferred Revenue \$5.5M
 - Reclassification of expense from operating to principal and interest payments

DEP

- \$4.3 million Energy Catch-Up
- Energy and Capacity True-up \$5.4M

Weather Impacts

- Average rainfall down significantly from prior year
- Heating and Cooling degree days up from prior year

Major Projects

- Closeout of NCDOT Raeford Road Proj - \$5.2M expense impact
- Turbine overhauls
- Big Rockfish Creek

Key Financial Ratios - The Current Ratio is 4.1:1; Quick Ratio is 3.7:1

Highlights

Operating Revenues	\$ 347.2
Power Supply and Generation	141.3
Other Expenses	162.6
Payment in Lieu of Taxes	11.9
Change in Net Position	23.0
Unrestricted Cash and Investments	127.0
Total Assets	1,619.8
Total Net Position	\$1,114.1

Key Performance Indicators: Days Cash is 131; Debt Coverage Ratio is 3.26, including intergovernmental expenses, and 3.73 excluding inter-governmental expenses. Leverage is 40.3% (Total Debt/Net Book Value). Ms. Graham also reviewed the Age of Systems.

Ms. Graham noted the Net Position is growing each year. For 2022, Electric Net Position is \$499.7M; Water/Wastewater is \$614.4M

Electric Revenues were \$227.5M, an increase from the prior year (\$224.3M) and below budget @ \$230M. Water/Wastewater Revenues were \$119.7M, exceeding the prior year (\$112.8M), and higher than budget @ \$116.6M.

Influences on Sales:

Heating Days - Average Winter Temp 51.0° vs 49.9° PY
Cooling Days - Average Summer Temp 74.1° vs 73.1° PY
Rainfall - Total Rainfall for was 25.7” vs 48.34” PY

Electric - Average kWh per Month

- Residential – Down .6%
- Non-Residential – Up 6.2%
- Large Users – Up 6.5%

Water - Average Gallons per Month

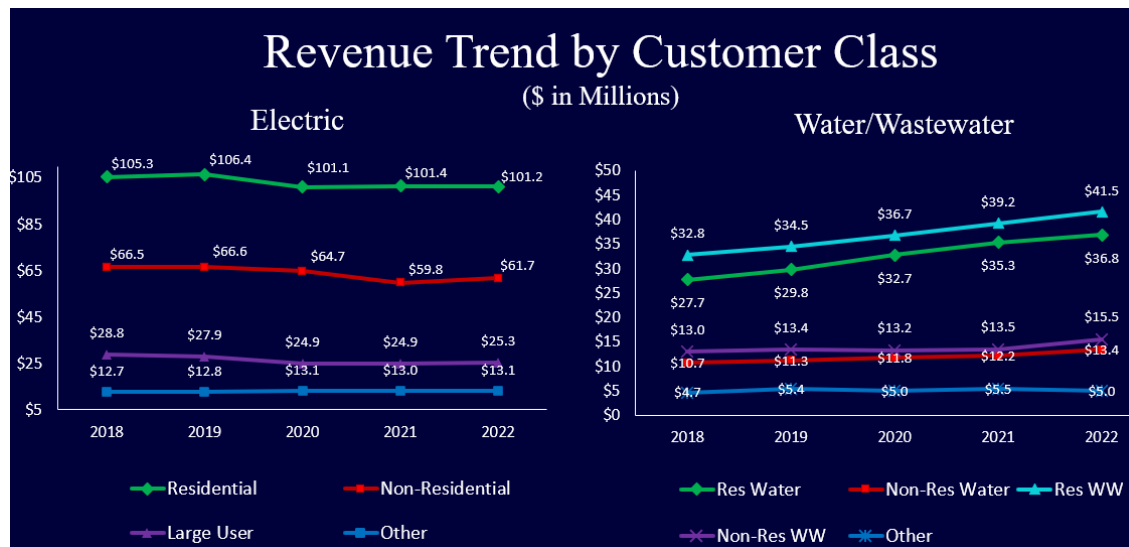
- Residential – Down .7%
- Non-Residential – Up 6.9%
- Large Users – Up 3.3%

Wastewater - Average Gallons per Month

- Residential – Down .8%
- Non-Residential – Up 6.6%
- Large Users – Down 6.4%

Electric Sales Revenues are up 1.1% from the prior year; \$201M, compared to \$199M in FY2021. Electric Volume Sales are up 1.5% from the prior year.

Water/Wastewater Sales Revenue: Water Up 5.4% from the prior year (\$55M, compared to \$52M in FY21). WW is up 7.4% over the prior year (\$58M, compared to \$54M in FY21). Volumes sales for Water are up 2.3% from the prior year; WW volumes sales are up .2% from the prior year.



Ms. Graham noted the following are our largest Electric customers: Walmart, Food Lion, Fayetteville Technical Community College, Momentive Spec. Chemical; Fayetteville State University, Mann+Hummel, Nitta Gelatin, Goodyear, Cargill, Cape Fear Valley Medical Center.

The top ten water users were: Aqua Water, Dak America, Ft Bragg Military Base, Hoke County, Town of Spring Lake, Goodyear, Cargill, Cape Fear Valley Medical Center, Momentive Specialty Chemicals, and Carolina By Products.

The top ten wastewater users were: Fayetteville State University, Mann+Hummel, Nitta Gelatin, Cape Fear Valley Medical Center, Cargill, Carolina By Products, Goodyear, Eastover Sanitary District, Norcross District, and Town of Stedman.

Ms. Graham discussed the Other Operating Revenue in Electric, Water and Wastewater. She noted the Butler Warner Lease Payment is the largest of the revenue we have. She noted in Water/Wastewater our Investment Income decreased significantly. She also noted an increase in the late payment fees.

Electric System Requirements

- Purchased MWh 2,094,431
- System Demand 417MW
- Coincident Peak Demand 411MW

Water System Usage

- Total Volume 8,487 Mg, up 2.45%
- Highest Monthly Peak Flow 33.7 Mg
- Average Monthly Flow 23.7 Mg

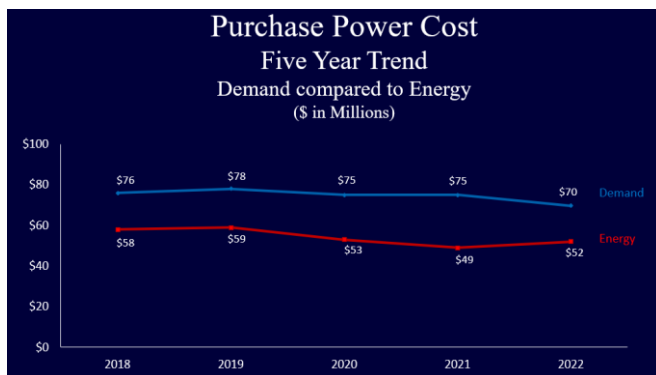
Wastewater System Usage

- Total Volume 6,153 Mg, up .23%
- Highest Daily Peak Flow 18.4 MGD (RF); 16.3 MGD (CC)
- Average Monthly Flow 13.9 Mg (RF); 12.3 Mg (CC)

Ms. Graham stated the largest expenditures in the Electric Fund, excluding Power Supply, were Personnel Services at \$33.5M; Capital Outlay was \$23.8M; Appropriations were \$40.7M; Transfer to the City was \$11.9M; Other Operating Expenses were \$25.0M; and Debt Related Payments were \$2.2M.

The Commission and staff discussed the costs PWC incurred regarding the Metronet project of \$1.5M.

The largest expenditure in the Water Fund were Personnel Services at \$35.8M; Debt Related Payments were \$25.5M; Capital Outlay was \$15.4M; Other Operating Expenses were \$17.2M; Appropriations were \$20.1M; and Contractual Services were \$9.2M.



PWC's PILOT (Payment In-Lieu of Taxes) & Services to the City of Fayetteville totaled \$15.8M. Ms. Graham noted over the last 5 years, PWC's total impact to the City's General Fund was \$84.1 Million. Additional discussion ensued.

Electric & Water Bad Debt as a Percent of Sales remains under 1% at .20%, compared to .29% in FY21. Discussion ensued.

Ms. Graham stated the Water/Wastewater Fund has 71.4% of PWC's Capital Assets; Electric has 28.6%. She reviewed PWC's Capital Improvement activities and Sources of Funding; PWC's Debt Service and Coverage; and Third Party Capital Contributions for Electric, Water and Wastewater.

The Electric Rate Stabilization Fund has a balance of \$42.7M. The Water Wastewater Rate Stabilization Fund has a balance of \$1.58M; The Coal Ash Reserve has a balance of \$10.2M.

Following additional discussion, and comments from the Commissioners, Chairwoman Garrett thanked Ms. Haskins and Ms. Graham for the FY22 Financial Report.

IV. GENERAL MANAGER REPORT

United Way Campaign

Mr. Noland stated the PWC will kick off the United Way Campaign on November 1st with our meal packing event. PWC plans to pack 35,000 meals during a two hour event. Ms. Justice-Hinson stated 140 employees have volunteered and meals will go to Fayetteville Urban Ministries, Catholic Charities, Armed Services, YMCA and Better Health.

Budget Presentation Award

Mr. Noland stated PWC has received notice that we have received the Budget Presentation Award, and the ACFR Award which will be presented at a later date. Ms. Haskins commended Ms. Riglick as well as Ms. Gray on receiving this award.

V. COMMISSIONER/LIAISON COMMENTS

Council Liaison Deno Hondros

Discussed his vision for collaboration between the County/City and PWC. He also discussed the partnership with the City and PWC regarding Metronet.

Assistant City Manager Adam Lindsay

Mr. Lindsay stated he agrees the financial presentation was great, and he appreciates the working relationship.

Commissioner Wade Fowler

Commissioner Fowler asked for additional information regarding the United Way event.

VI. REPORTS AND INFORMATION

- A. Monthly Cash Flow Report - September 2022
- B. Recap of Uncollectible Accounts – September 2022
- C. Investment Report – September 2022
- D. Purchase Orders – September 2022

- E. Payments by Payment Type – September 2022
- F. Career Opportunities
- G. Financial Statement Recap – September 2022
 - Electric Systems
 - Water/Wastewater
- H. Actions by City Council during the meeting of October 10, 2022, related to PWC:
 - Approved Resolution Directing Construction of Area 32 East Section II of the Phase 5 Annexation Utility Improvement Project be Undertaken

VII. CLOSED SESSION PURSUANT TO NORTH CAROLINA GENERAL STATUTES 143-318.11(A)(6) FOR PERSONNEL MATTERS

Commissioner Evelyn Shaw motioned to enter closed session pursuant to NCGS 143-318.11(A)(6) to discuss personnel matters. Motion was seconded by Commissioner Wade Fowler, and unanimously approved at 1014 am.

There being no further discussion, upon motion by Commissioner Wade Fowler, seconded by Commissioner Donald Porter, and unanimously approved, the Commission returned to open session at 11:26 am.

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

Commissioner Evelyn Shaw motioned to enter closed session pursuant to NCGS 143-318.11 (A)(3) for Legal Matters. Motion was seconded by Commissioner Donald Porter, and unanimously approved at 1126 am.

There being no further discussion, upon motion by Commissioner Donald Porter, seconded by Commissioner Evelyn Shaw, and unanimously approved, the Commission returned to open session at 12:14 pm.

IX. DISCUSS PENSION BENEFITS RETIREMENT ALLOWANCE PAYMENTS – Discussion was delayed until a future meeting.

X. ADJOURNMENT

There being no further business, upon motion by Commissioner Evelyn Shaw, seconded by Commissioner Donald Porter, the meeting adjourned at 12:14 pm