

PUBLIC WORKS COMMISSION
MEETING OF WEDNESDAY OCTOBER 25, 2023
8:30 AM

Present: Donald L. Porter, Chairman
Christopher G. Davis, Vice Chairman
Richard W. King, Treasurer

Others Present: Timothy L. Bryant, CEO/General Manager
Adam Lindsay, Assistant City Manager
Deno Hondros, City Council Liaison
Robert Bittner, III, PBMares, LLC

Absent: Ronna Rowe Garrett, Secretary
Chancer McLaughlin, Hope Mills Interim Town Mgr.
Jimmy Keefe, Cumberland County Liaison
Media

I. REGULAR BUSINESS

Chairman Donald Porter called the meeting of October 25, 2023, to order at 8:30 am.

APPROVAL OF AGENDA

Commissioner Christopher Davis motioned to approve the agenda. The motion was seconded by Commissioner Richard King and unanimously approved.

II. CONSENT ITEMS

Commissioner Christopher Davis motioned to approve the Consent Items. Motion was seconded by Commissioner Richard King, and unanimously approved.

- A. Approve Minutes of meeting of October 11, 2023
- B. Approve cancellation of November 22nd and December 27th Commission Meetings
- C. Approve bid recommendation to award bid for the purchase of two (2) AFT Compressor Casings to Turbine Technology Services, Orlando, FL, the lowest, responsive, responsible bidder, in the total amount of \$185,000.00, and forward to City Council for approval.

The two AFT Compressor Casings are budgeted in the Butler Warner Generation Plant Inventory.

Bids were received on October 17, 2023, as follows:

<u>Bidders</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Lead Time</u>
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Turbine Technology Services, Orlando, FL	\$92,500.00	\$185,000.00	11 Weeks
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COMMENTS: Notice of the bid was advertised through our normal channels on October 6, 2023, with a bid opening date of October 17, 2023. Bids were solicited from one (1) vendor and one (1) bid was received. The Commission is asked to approve the purchase award for two (2) AFT compressor casings needed for gas turbines located at the Butler-Warner Generation Plant to the lowest, responsive, responsible bidder, Turbine Technology Services Corporation, Orlando, FL. **MWDBE/SLS Participation:** Turbine Services Corporation, Orlando, FL, is not a small local supplier business and is not classified as a MWDBE Business.

- D. Approve bid recommendation to award base bid and alternate bid for the RE-Advertisement PO Hoffer Water Treatment Facility and Glenville Lake Water Treatment Facility Reliability Improvements Contract no. 55 to Crowder Construction Company, Apex, NC, the lowest, responsive, responsible bidder, in the total amount of \$18,103,000.00 and \$3,724,000.00, respectively, and forward to City Council for approval.

Funding for this project will come from Drinking Water State Revolving Fund (DWSRF) loans and revenue bond (Hoffer at 75% 205.0000.0435.2102911-06.700030. CPR1000458 Glenville at 25% 205.0000.0435.2102980-06.700030..CPR1000458.

Bids were received on September 29, 2023, as follows:

<u>Bidders</u>	<u>Base Bid</u>	<u>Alternate Bid</u>	<u>Extended Total</u>
Crowder Construction Company Apex, NC	\$18,103,000	\$3,724,000	\$21,827,000
Wharton-Smith Charlotte, NC	\$22,654,000	\$3,620,000	\$26,274,000
MB Khan Construction Columbia SC	\$24,177,100	\$4,777,900	\$28,955,000

COMMENTS: The Commission is asked to approve a construction award for PO Hoffer Water Treatment Facility and Glenville Lake Water Treatment Facility Reliability Improvements Contract No. 55. Notice of the bid was advertised through PWC's normal channels on July 31, 2023, with an initial bid opening date of August 29, 2023, extended through September 29, 2023. Bids were solicited from three (3) bidders. PWC received only two (2) bids for this project. A re-advertisement of the bid was then undertaken with a new bid opening date of September 29, 2023. PWC received three (3) additional bids for this project. The three (3) bids received were then evaluated by the Water Resources Engineering and Procurement departments. The lowest responsive, responsible bidder was Crowder Construction Company, Apex, NC. **MWDBE/Local Participation:** : Crowder Construction Company, Apex, NC is not a local business and is not classified as a Minority or Woman-Owned business. They expect to allocate \$161,500.00 in HUB expenditure with Crowder Trucking, a local MWDBE, and National Erectors, an MWDBE within the geographic statistical region.

- E. Approve bid recommendation to award bid for the purchase of 360 Capacitor Cans for the East and West Racks at POD2 to WESCO Distribution, Inc., Clayton, NC, the lowest, responsive, responsible bidder, in the total amount of \$248,040.00, and forward to City Council for approval.

The Capacitor Cans, 1-PH, 100KVR, 7960 VOLT are budgeted in Warehouse Inventory.

Bids were received on October 10, 2023, as follows:

<u>Bidders</u>	<u>Manufacturer</u>	<u>Unit Cost</u>	<u>Total</u>	<u>Lead Times</u>
WESCO Distribution, Inc. Clayton, NC	Trinetix	\$689.00	\$248,040.00	23-25 Wks.
Border States Industries, Inc. Greensville, SC	Cooper/Eaton	\$725.00	\$261,000.00	75 Wks.
WESCO Distribution, Inc.	Hitachi/ABB	\$1,203.00	\$433,080.00	24-25 Wks.

COMMENTS: Notice of the bid was advertised through our normal channels on September 21, 2023, with a bid opening date of October 10, 2023. Bids were solicited from three (3) vendors and two (2) were received. The Commission is asked to approve the purchase award for Capacitor Can, 1-PH, 100 KVAR, 7960 VOLT to the lowest, responsive, responsible bidder, Wesco Distribution Inc., Clayton, NC in the amount of \$248,040.00. **MWDBE/SLS Participation:** WESCO Distribution, Inc., Clayton, NC, is not a small local supplier business and is not classified as a MWDBE Business.

F. Adopt PWC Resolution – PWC2023.39 - Resolution Directing the Filing of An Application for State Loan Assistance

PWC Resolution # PWC2023.39 is a resolution directing the filing of State Revolving Loan application for additional funding for the PO Hoffer WTP/Glenville Lake WTP Reliability Improvements project currently estimated at approximately \$25.4M. We have received a letter of intent from the State approving \$10.7M for this project. Costs for the project have escalated and additional funding will be needed. The application will be for only the additional funding amount of \$5.0M.

COMMENTS: Staff recommends that the Commission adopt Resolution # PWC2023.39 directing Staff to file State Revolving Loan Application for this project.

END OF CONSENT

III. PRESENTATION OF FINANCIAL HIGHLIGHTS AND ANNUAL AUDIT REPORT FOR FISCAL YEAR 2023 PREPARED BY PBMARES, LLC

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

Mr. Timothy Bryant, CEO/General presented Rhonda Haskins, Chief Financial Officer. Ms. Haskins introduced Ms. Rhonda Graham who will present the Financial Highlights and Mr. Robert Bittner, who will present the Annual Audit Report.

Mr. Bittner thanked the Commission for allowing PBMares to continue to serve the Commission. He also thanked Ms. Rhonda Haskins, Ms. Rhonda Graham, and their teams.

Mr. Bittner stated they are charged as auditors to render an opinion as to whether our financial statements are fairly presented in accordance with GAAP as promulgated by GASB.

Mr. Bittner described the four types of opinions an auditor can render. He 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. They also issue a report that is in the last two pages of the Annual Comprehensive Financial Report (ACFR). This is their report in accordance with government auditing standards, they are required to audit and report the Commission's compliance with laws, regulations, grants, and contracts, and they are required to disclose any significant deficiencies or material weaknesses in internal controls they note during the audit. Mr. Bittner stated they did not identify any significant deficiencies or material weakness in internal controls during 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.

He stated in FY22 the Commission implemented GASB Statement 96 in conjunction with Statement 87. There have been no significant statements entered this year.

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. 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 no items of concern this year.

Commissioner Davis asked for the length of time Mr. Bittner has completed PWC's audit. Mr. Bittner stated PBMAres has been doing this audit since 2021. However, prior to that the Morehead City/New Bern offices of PBMAres were part of RSM, and in 2020 the RSM Offices in Morehead City/New Bern were sold to PBMAres, so his team has been doing audits for PWC since 2017.

Commissioner Davis asked Mr. Bittner if he tracks trending indicators, and he asked if Mr. Bittner can provide information on other entities like PWC that will indicate how well we are doing. Mr. Bittner replied in general, based on APPA, PWC's performance metrics are fine. Ms. Haskins will speak to PWC's KPIs. There is only one other utility within the state (Greenville Utilities Commission) that is similar to PWC, and their funds are a component of the city, similar to how PWC was set.

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. The directors and managers, which include:

Jason Alban, Director of Financial Planning
Marsha Krings, Accounting Manager
Lisa Barbee, Financial Rates Manager
Martin Cunningham, AP/AR Supervisor

Sabrina King, Financial Reporting Manager
Lisa Buffalo, Financial Planning Manager
Anna Gray, Budget Manager

Ms. Graham stated overall PWC's net position increased \$32.3M. The electric fund's net position decreased by \$11.2M but was offset by an increase of \$43.5M in the W/WW Fund.

- Economic Impacts
 - Market to market adjustment – (\$2.3M)
 - Continued rise in interest rates

Inflation and supply chain

- New Rate
New Water and Sewer Rates effective July 22 & May 2023
New Electric Rates Effective May 2023.
- Leases
GASB87 and GASB96 Implementation
Lessee – Asset \$5.1M and liability \$4.9M
Lessor – Receivable \$4.5M and Deferred Revenue \$4.4M
Reclassification of expense from operating to principal and interest payments
- DEP
\$8.3M Energy Catch-Up
Energy and Capacity True-up \$7.2M
Regulatory Asset to recover (\$7.2M)
- Weather Impacts
Average rainfall up significantly from prior year
Heating and Cooling degree days down from prior year
- Major Projects
Closeout of NCDOT Raeford Road Proj - \$5.2M expense impact in FY22
Turbine overhauls
Big Rockfish Creek

Key Financial Ratios - The Current Ratio is 3.8:1; Quick Ratio is 3.5:1

Highlights

(\$ in Millions)

Operating Revenues	\$ 353.1
Power Supply and Generation	150.7
Other Expenses	174.1
Payment in Lieu of Taxes	12.4
Change in Net Position	32.3
Unrestricted Cash and Investments	138.0
Total Assets	1,650.5
Total Net Position	\$1,146.4

Key Performance Indicators: Days Cash is 132; Debt Coverage Ratio is 2.79, including intergovernmental expenses, and 3.24 excluding inter-governmental expenses. Leverage is 38.5% (Total Debt/Net Book Value). Ms. Graham also reviewed the Age of Systems.

Ms. Graham noted the Net Position is growing each year. For 2023, Electric Net Position is \$488.5; Water/Wastewater is \$657.9M.

Electric Total Assets and Deferred Outflows remain consistent with prior year @ \$588.6M. However, we saw an increase in our Current Liabilities which were \$35.8M, up \$10M from the prior year; and our change in Net Position was down \$11.2M.

Water & Wastewater Total Assets and Deferred Outflows were \$1.1B an increase over prior year (\$1,060,564). We saw a decrease in our Current Liabilities, which were \$45.1M, compared to prior year @ \$49.4M; and our change in Net Position was up by up \$43.5M.

Electric Revenues were \$221.3M, a decrease from the prior year (\$227.5M) and below budget @ \$229.5M. Water/Wastewater Revenues were \$131.8M, exceeding the prior year (\$119.7M), and higher than budget @ \$126.6M.

Influences on Sales:

Heating Days - Average Winter Temp 53.0° vs 51.0° PY

Cooling Days - Average Summer Temp 72.0° vs 74.1° PY

Rainfall - Total Rainfall for was 39.2” vs 25.7” PY

Electric - Average kWh per Month

- Residential – Down 7.5%
- Non-Residential – Down 4.5%
- Large Users – Down 7.6%

Water - Average Gallons per Month

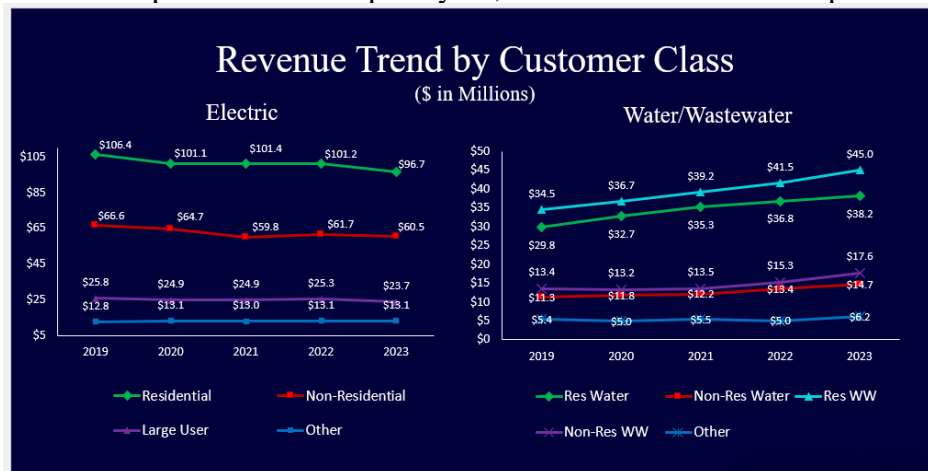
- Residential – Down 2.3%
- Non-Residential – Up 0.9%
- Large Users – Up 8.4%

Wastewater - Average Gallons per Month

- Residential – Down 2.2%
- Non-Residential – Up 0.8%
- Large Users – Down 15.0%

Electric Sales Revenues are down up 3.6% from the prior year; \$194M, compared to \$201M in FY2022. Electric Volume Sales are down 4.4% from the prior year.

Water/Wastewater Sales Revenue: Water Up 6.2% from the prior year (\$58M, compared to \$54M in FY22). WW is up 10.6% over the prior year (\$64M, compared to \$58M in FY22). Volumes sales for Water are up 2.3% from the prior year; WW volumes sales are up 1.2 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 Liberty 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, Nitta Gelatin, Goodyear, Cargill, Cape Fear Valley Medical Center, Momentive Spec Chemical, Carolina By Products, Town of Stedman, Eastover Sanitary District, and Norcross District.

Ms. Graham discussed the Other Operating Revenue in Electric, Water and Wastewater. She noted the negative Investment Income, which is reflected in the Mark to Market adjustment. The Butler Warner Lease Payment is the largest operating revenue we have. She noted in Water/Wastewater our Investment Income decreased significantly.

Electric System Requirements

- Purchased MWh 2,009,962
- System Demand 428MW
- Coincident Peak Demand 406MW

Water System Usage

- Total Volume 8,640 Mg, up 1.8%
- Highest Monthly Peak Flow 32.0 Mg
- Average Monthly Flow 24.8 Mg

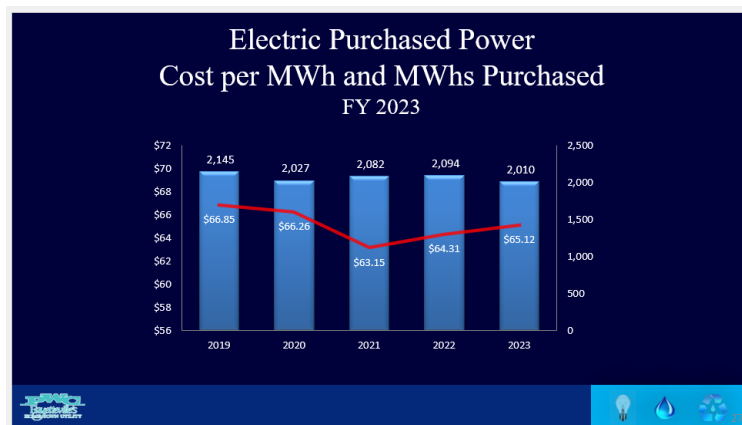
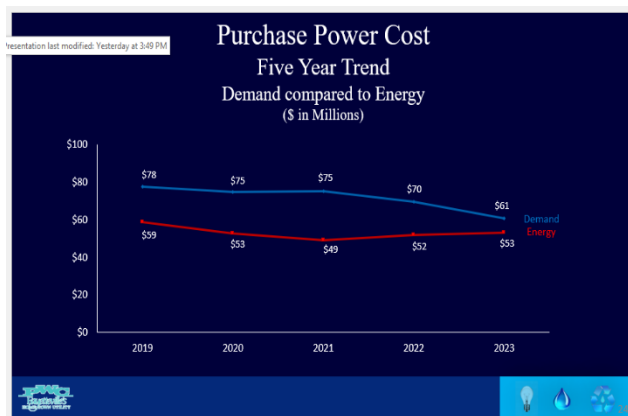
Ms. Graham noted that the monthly system usage remains under the treatment capacity of 57.5 MGD. Commissioner Davis stated based on the graph, PWC has 25 MGD available to expand our infrastructure to serve our communities. Mr. Noland clarified, the 57.5 MGD represents temporary upgrading we can do during high demand periods, but the base amount is 50 MGD which is 32 MGD at Glenville, and 18 MGD at Hoffer.

Wastewater System Usage

- Total Volume 6,229 Mg, up 1.2%
- Highest Daily Peak Flow 22.7 MGD (Rock Fish); 17.9 MGD (Cross Creek)
- Average Monthly Flow 13.7 Mg (RF); 11.5 Mg (CC)

Ms. Graham stated the largest expenditures in the Electric Fund, excluding Power Supply, were Personnel Services at \$38.8M; Capital Outlay was \$21.1M; Appropriations were \$22.5M; Transfer to the City was \$12.4M; Other Operating Expenses were \$29.3M; and Debt Related Payments were \$2.8M.

The largest expenditure in the Water Fund were Personnel Services at \$42.3M; Capital Outlay was \$17.3M; Appropriations were \$13.5M; Contractual Services were \$10.9M; Other Operating Expenses were \$20.7; and Debt Related Payments were \$26.8M.



PWC's PILOT (Payment In-Lieu of Taxes) & Services to the City of Fayetteville totaled \$16.39M. Ms. Graham noted over the last 5 years, PWC's total impact to the City's General Fund was \$85.0 Million.

Electric & Water Bad Debt as a Percent of Sales remains under 1% at .31%, compared to .20% in FY22.

Ms. Graham stated the Water/Wastewater Fund has 72.1% of PWC's Capital Assets; Electric has 27.9%.

She reviewed PWC's Capital Improvement activities and Sources of Funding; PWC's Capital Expenditures and Debt Service; and Third-Party Capital Contributions from developers, FEMA, and other grants for Electric, Water and Wastewater.

Ms. Graham reviewed PWC's Debt Service & Coverage. Our total debt outstanding, with a balance of \$375.1M, which includes the bond issue and state revolving loans outstanding, as we draw against these it will increase our obligation. The debt coverage for Senior Lien is 3.53 our Total System is 3.24, and our total adjusted coverage at 2.79.

The Electric Rate Stabilization Fund has a balance of \$363.8M. The Water Wastewater Rate Stabilization Fund has a balance of \$1.9M; The Coal Ash Reserve has a balance of \$7.0M. Ms. Graham detailed deposits and withdrawals for each fund. Additional discussion ensued.

Chairman Porter thanked Ms. Haskins and Ms. Graham for the FY23 Financial Report.

IV. GENERAL MANAGER REPORT

Mr. Bryant stated the team continues to work very safely. He reminded everyone that the storm season is not quite over, we still have six weeks left of the season. The team remains vigilant as we respond to adverse weather events.

We are still working through and finalizing our true-up on our FY24 corporate and division goals to support our succession planning and overall organizational development.

The upcoming employee and Community Engagement events are:

- The United Way Campaign Meal Packing Day on October 31st.
- The Jay Walkers Alzheimer's Awareness Golf Tournament is scheduled for November 4th. We are still looking for volunteers and players.
- Veterans' Day breakfast on November 9th @ 7:30 am in the Construction Break Areas.

Mr. Bryant also applauded the Financial Planning, Water Resources, Electric, Customer Care and all the teams who were integral in PWC receiving our bond ratings. He stated we expect to close on the bond action soon.

V. COMMISSIONER/LIAISON COMMENTS

Council Member Deno Hondros

Council Member Hondros stated it was a good financial report and audit.

Commissioner Richard King

Commissioner King also commended the staff on the financial report.

Commissioner Christopher Davis

No Comments

Commissioner Donald Porter

Commissioner Porter thanked Mr. Bryant, Ms. Justice-Hinson, Mr. Russell, and the staff for the celebration honoring Commissioner Shaw. He stated it was evident that she was appreciative of all that was done on her behalf. Commissioner Porter also commended Ms. Justice-Hinson for having Mr. Lamont Hinson, a younger employee to be the Master of Ceremonies. He did a fine job.

VI. REPORTS AND INFORMATION

The Commission acknowledges receipt of the following reports and information.

- A. Monthly Cash Flow Report - September 2023
- B. Recap of Uncollectible Accounts – September 2023
- C. Investment Report - September 2023
- D. Purchase Orders – September 2023
- E. Career Opportunities
- F. Actions by City Council during the meeting of October 9, 2023, related to PWC:

- Approved Bid Recommendation – Re-Advertised Phase V Annexation Project XI, Area 25, Lake Rim Estates Project
- Approved Bid Recommendation – Replacement Generator Step-up (GSU) Transformer Oil Coolers for BWGP
- Approved Sole Source Recommendation – One Bare Blower, Two Vibration Sensors, One Blower Protection Panel
- Approved Appointment of a Public Works Commission Commissioner

VII. There being no further discussion, upon motion by Commissioner Christopher Davis, seconded by Commissioner Richard King, and unanimously approved, the Commission adjourned at 9:32 am.