

**CHARLOTTE-MECKLENBURG UTILITIES
ADVISORY COMMITTEE
MINUTES OF MEETING
March 28, 2012**

The Charlotte-Mecklenburg Utilities Advisory Committee met Wednesday, March 28, 2012, 2:00 pm at 4222 Westmont Drive, Charlotte, North Carolina.

Members Present: Marco Varela (via telephone), Jim Duke, Frank McMahan, Jim Merrifield, Ron Charbonneau

Members Absent: George Beckwith

Guests: Ann White

Staff Present:	Barry Gullet	Director
	Kim Eagle	Deputy Director
	Barry Shearin	Chief Engineer
	Regina Cousar	Continuous Improvement Officer
	Mickey Hicks	Business Manager
	Steve Miller	Customer Service Manager
	Vic Simpson	Public Service Coordinator
	Karen Whichard	Public Information Officer

Safety Minute

Self-awareness, communication and hazardous chemicals were discussed.

Minutes

A motion was made by Frank McMahan, and seconded by Jim Duke, to approve the February 2012 minutes.

Budget Update

Staff is currently working on the FY13 budget and will make a presentation to City Council on April 11, where Barry Gullet will make a rate recommendation. The recommendation has not been finalized at this point, but Barry Gullet believes it will be less than last year's. Barry walked through the components of the budget and noted that it is still a work in progress, with the consumption and budget numbers changing often. Consumption, rather than budget, can have more of an impact on rates due to its sensitivity to the economy and weather. Two consultants are helping with consumption projections – Raftelis Financial Consulting and Red Oak Consulting. Raftelis projections are based on statistical analysis involving a curve of probability, whereas Red Oak uses trend-based analysis.

Sewer consumption was underestimated for FY12, so it will likely increase to become more accurate. If consumption is overestimated, the rate is set lower and the revenue requirement is not met. Last year's projection was not quite as detailed due to the upcoming annexation; Tier 1 and Tier 2 consumption numbers were increased by one percent, Tier 3 was not adjusted, and Tier 4 was reduced by 1 percent.

Looking at the budget, March is a pivotal month in determining how Utilities will finish out the year. The revenue requirement components include operating, debt service, PAYGO, and fund balance. Some of

these components are not under Utilities' control. The total revenue requirement divided by consumption numbers indicates the per gallon rate.

Utilities' financial goal is a 40/60 split – 60% debt financing and 40% cash basis. We should achieve the 40% in two years. A decrease in the certificate of participation numbers is a result in the delay in purchasing equipment. Over the last two fiscal years, there was a debt service increase from the 2009 bond sale. The strength of the economy, the investment from the community, and the City and Utilities management structure are the reasons why we have a AAA bond rating. It is important to retain the AAA rating by adhering to our model and financial plan. Some other elements in rate setting include:

- Sewer cap and winter use average – City Council approved last year, but we will ask for implementation to be delayed for two reasons. Utilities has contacted other cities that use winter use average for sewer billing to get some insight. Cities implementing it for the past 20-30 years like it, but cities with recent transitions have had some obstacles. Utilities wants to delay implementation to try and avoid these same obstacles. The second reason for the delay is that the people we need to set it up in the billing system are otherwise engaged making other Customer Service improvements. Implementation will likely be a five-year process.
- Fire services –An availability fee was implemented for FY12. A flat fee will be implemented in FY13.
- Capacity fees – for new services, we are anticipating an increase. This is based on the net book value of the major components of the system and the capacity of the system. Utilities is currently seeing an increase in new services; capacity fees collected during the previous two months have been the most since 2008.

Miscellaneous

Utilities has filled over 100 positions and currently have approximately 50 vacancies. Barry's goal is to get that vacancy number into single digits. The number of field crews has been restored. Last winter, there was a backlog of over 500 leaks; this year, it is down to 200. This reduction is partly attributable to the increase in field crews.

Barry Gullet and Kim Eagle will be providing Utilities orientation/tours to new Council members over the next few weeks.

The Utilities Business Manager is compiling a document that will be the Utilities rate manual.

The meter pilot draft analysis report has been completed. The pilot was conducted with Itron and Badger equipment. An RFI (Request for Information) will be distributed soon.

Barry Gullet suggested there may be an adjustment to the Advisory meeting schedule for the next few meetings in order to coincide with the budget calendar, depending on what happens at the City Council budget meeting on April 11th.

Barry Gullet will follow up with the towns regarding their Advisory member nomination. The town managers had arrived at a consensus on someone to represent them at the Advisory Committee meetings, but Barry was recently notified that the person was no longer interested.

Adjourned at 3:39 pm
Mindy Levine