

**CHARLOTTE-MECKLENBURG UTILITY DEPARTMENT
ADVISORY COMMITTEE
MINUTES OF MEETING
April 17, 2014**

The Charlotte-Mecklenburg Utility Department Advisory Committee met Thursday, April 17, 2014, 2:30 pm at 4222 Westmont Drive, Charlotte, North Carolina.

Members Present: Jim Duke, Jim Merrifield, Pride Patton, Ron Charbonneau, Eric Sieckmann (via telephone)
Members Absent: Frank McMahan, Ralph Messera
Staff Present: Barry Gullet Director
Chad Howell Business Manager
Regina Cousar Continuous Improvement Officer
Steve Miller Customer Service Division Manager

Safety Minute

Insect Safety

Minutes

A motion was made by Jim Merrifield, and seconded by Ron Charbonneau, to approve the March 2014 minutes. Motion was approved.

Budget Update

Last month, the committee voted to support a 5% rate increase. Chad Howell reviewed the financials intensely and found a mistake in the fees CMUD pays. The fees were built into the debt service amount and also listed as a separate item. Due to the correction of this error, CMUD is able to reduce the rate increase request from 5% to 3%. Barry Gullet has spoken with the City Manager regarding the lack of sustainability in the Tier 4 rates. An increase in the fixed fee and tier rates is being requested for next fiscal year. The availability fee is recommended to stay the same because no new debt has been issued. In comparison with other utilities, CMUD's fixed fee is on the low end of the scale. The sales forecast was adjusted downward in Tiers 2, 3 and 4 for the upcoming fiscal year. There is no trend data available currently to help determine future sales. The rate structure is functioning as it was intended; however, it's gotten to the point where raising rates in the upper tiers may not increase revenue. CMUD and the Advisory Committee will be reviewing the rate methodology to adapt to the current water usage. Rates are established each year by reviewing the operating costs and building the rates around what it costs to provide the service. Rates from Tiers 2 and 3 subsidize Tier 1 currently; the costs may need to be redistributed across the tiers. Red Oak Consulting worked on the rate methodology a few years ago; the goal of the methodology is revenue neutrality. The industry standard best practice is to capture enough revenue to offset the cost of service. The national trend consists of the public using less water overall. The City Manager agrees with the rate increase request.

Union County Contract Operations Update

Barry Shearin gave a presentation at the City Council Dinner Briefing this past Monday evening. Union County Board of Commissioners will vote on the agreement on April 21st and Charlotte City Council will consider approval of the agreement on April 28th. CMUD is involved in regional agreements with several surrounding towns/cities in order to manage water resources. There are interbasin transfer issues for Mecklenburg County and Union County. Union County is seeking increased reliability for wastewater plant operations and CMUD has been providing assistance since September 2013. The proposed agreement is to operate five wastewater plants for 10 years. Union County will own the plants and CMUD will operate the plants. Union County will pay operating and overhead costs. Union County has 16 positions, with only nine filled at this time. The current nine employees will become City of Charlotte

employees. Union County will pay a fixed fee of \$2.3M to CMUD, which will be adjusted annually based on salary costs. The variable costs, including power, chemicals, corrective maintenance and biosolids disposal, that will be paid by Union County will be about \$2.1M. There will be no impact to CMUD rates. The attorneys for both sides have been reviewing the agreement. The contract is anticipated to go into effect June 1, 2014.

Coal Ash Update

The City has put together a Coal Ash Strike Team. From the water quality standpoint, there are two issues – Riverbend Power Plant where the coal ash is today and what happens at the airport if the coal ash is placed there. Duke has a permit from the State to discharge water from the coal ash ponds. The power generating part of the plant is no longer operating, but the storm drainage from the property is still ongoing. Duke is required to monitor the water being discharged into Mountain Island Lake. CMUD tests samples at the intakes, but not at the coal ash pond. Duke is estimating it will take four years to complete the process of moving the coal ash and has committed to removing the material and placing it somewhere safely. The airport would use it as structural fill; however, the FAA would have to approve its use. Asheville has undergone the same process and has been successful.

CMUD Safety/Risk Management Update

CMUD incurs liability costs of about \$1M annually for all types of claims. Typical worker claim types include overexertion, vehicular, and slips/trips/falls. Traditional management is after-the-fact management; CMUD's new focus is on preventive and predictive management, including the use of ISO. CMUD's Safety and Risk program was able to reduce the severity of workers' compensation claims, but not the frequency. The workers' comp incident rate trend increased during FY13. CMUD is currently implementing a behavior-based safety program through Quality Safety Edge. Employee participation is a key element for behavior-based safety programs to work effectively. CMUD reformatted the departmental safety team to lead and own the process. All supervisors have been trained and are required to engage directly with staff each week for about 15 minutes. The Safety and Risk Team will transition to the operations group. Long range, CMUD will transition from behavior-based safety to ISO 18000, and then to OSHA Public Star.

Financial update

CMUD continues to close the gap on the water variable rate. Connection and capacity fees continue to outpace the projections. On the expenditure side, savings are ahead of projections.

Miscellaneous

Two contracts related to the PCB incident went before Charlotte City Council for approval. A reporter took the totals from each contract and published it as the cost of the PCB incident, which is inaccurate. The McAlpine Wastewater Treatment Plant produces 10 times as much sludge as the McDowell Wastewater Treatment Plant. Landfill costs about twice as much as land application. This incident may use all of this fiscal year's savings. If money is still needed, CMUD will use fund balance to cover any remaining costs.

Future Agenda Items

Projects – impacts, budget, timeframe, etc.

- City – Blue Line Extension
- State – tbd

Adjourned at 3:59 pm
Karen L. Baldwin