

MINUTES – OCTOBER 27, 2016 **CLEVELAND UTILITIES BOARD**

The Board of Public Utilities met at 3:00 p.m. at the Tom Wheeler Training Center.

Present were the following: Aubrey Ector, Chairman; Eddie Cartwright, Vice Chairman; Tom Rowland, Mayor; Joe Cate, Cleveland Utilities Board; Chari Buckner, Cleveland Utilities Board; Ken Webb, President/CEO; Tim Henderson, Senior VP; Amy Ensley, Utility Board Secretary; Marshall Stinnett, VP/CFO; Bart Borden, Electric Division VP; Craig Mullinax, Water and Wastewater VP; Walt Vineyard, Information Technology VP; Philip Luce, Water & Wastewater Engineering Manager; Aaron Kinser, Meter Lab Supervisor; Al Butler, Line Section Foreman; Josh Day, Lineman; Brandon Ingram, Lineman; Tim Raines, Lineman; Rev. Hugh Kilgore; Dianne Webb; Joe Wilson, 911 Director; Rick Norton, *Cleveland Daily Banner*, and Allen Mincey, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Rev. Hugh Kilgore, the Cleveland District United Methodist Church Superintendent, delivered the invocation.

INTRODUCTION

President/CEO Ken Webb introduced his wife of 43 years, Dianne, and welcomed her to the meeting.

MOMENT OF SILENCE

A moment of silence was held in recognition of the passing of Mr. M.E. “Joe” Beavers, who recently passed away. Mr. Beavers served as General Manager of Cleveland Utilities from 1961 to 1989. He lived in Florida with his wife of 71 years.

MINUTES OF SEPTEMBER 22, 2016

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted to approve the September 22, 2016, minutes as written.

MANAGER’S UPDATE AND ANNOUNCEMENTS

Crew Recognition

Four employees from CU’s Line Department recently assisted New Smyrna Beach Utilities in Hurricane Matthew power restoration efforts. Webb presented Al Butler, Josh Day, Brandon Ingram and Tim Raines with certificates of appreciation. Josh Day thanked the staff and board members for this opportunity to assist people in need. Webb said, “We have certainly been a benefactor of others coming in to help us also, and we appreciate what you all did.”

Audit Report Update

Staff hoped to have the audit report available at this meeting; however, work is continuing on some disclosure footnotes that have not yet been released from the state comptroller’s office. There are no known audit issues. One adjustment will be required on the financials as the result of some accrued health insurance claims at June 30.

Offices Closed

Cleveland Utilities will be closed on Friday, November 11, 2016, in observance of Veterans Day and Thursday and Friday, November 24 & 25, 2016, in recognition of Thanksgiving. Regular emergency and standby services will be maintained.

Report on Picnic

Senior VP Tim Henderson gave a brief report on the annual CU picnic held on October 20, 2016, at Fletcher Park. An estimated 325 people were in attendance, including around 20

retirees. The food was catered by Jordan's BBQ. The weather forecast was calling for rain, but fortunately held off until the end, when a light sprinkle began. Henderson and Webb thanked the Utility Board for allowing CU to hold this annual event.

DIVISION REPORTS

Financial

Marshall Stinnett reported on the following:

1. A chart tracking the kilowatt-hour cost in residential retail electric rates for the months of November 2012 through November 2016 was reviewed. For the month of November, the residential electric rate will change to 9.301 cents per kilowatt-hour, a decrease of 0.08 percent over October's rate of 9.308 cents. This rate change is driven by TVA's Fuel Cost Adjustment.
2. The September 2016 financial and statistical statements were presented to the Utility Board. During the month, the cost of purchased power as a percentage of retail sales was 82.5 percent, as compared to 81.5 percent for the month of August. The year-to-date percentage is 80.8, compared to a budgeted percentage of 80.9 for FY 2017. The results for September are electric sales revenue of \$9,167,450, which was offset by purchased power of \$7,567,619. This resulted in an operating margin of \$1,599,831 and can be compared to a budgeted margin of \$1,785,021 for the month. Operating expenses for the month were \$1,446,980, compared to the budgeted amount of \$1,510,608. The division serviced 31,095 customers. Net income for the month was \$302,379 and can be compared to a budgeted amount of \$412,621.
3. For September 2016, water sales revenue was \$1,391,317, compared to the budgeted amount of \$1,328,817. Other revenue sources contributed an additional \$117,380 for the month. The division serviced 31,304 customers. Operating expenses for September were \$1,181,314. This can be compared to the budgeted amount of \$1,224,185. The division recorded an operating income of \$327,383 and can be compared to a budgeted amount of \$231,449.
4. For September 2016, wastewater treatment revenue was \$1,088,150, compared to the budgeted amount of \$1,058,015. Other revenue sources contributed an additional \$63,453 for the month. The division serviced 18,665 customers. Operating expenses were \$921,857 and can be compared to a budgeted amount of \$903,261. The division recorded an operating income of \$229,746, compared to the budgeted amount of \$245,392 for the month.

Electric Division

Bart Borden reported on the following:

1. CU's line construction crews worked with the engineering department on pole placement and to prepare material staging for the Blue Springs Road and APD 40 69 kV line design. This section of the 69 kV transmission line was taken out of service on October 4, 2016, to allow crews to begin setting the new steel poles.
2. In reference to the Harriman Road/Spring Branch Industrial Park Transmission Line, the services of Power Consulting Associates of Nashville, Tennessee, were secured to drone fly the new industrial park road and collect cloud points for utilization in the Power Line Design CADD program. The terrain model, along with the developer's grading plan, will determine the pole layout and heights of those poles that will be required. Cloud point data was received from GRW of Franklin, Kentucky, who flew the area as a pilot project for their new drone equipment.

3. An update was provided on the delivery schedules for the power transformers at Payne Gap Substation and Wildwood Substation. The Payne Gap Substation power transformer is scheduled to be onsite December 5, 2016. The Wildwood Substation power transformer is scheduled to be onsite March 24, 2017.
4. The most recent update of the drawings and specifications for the electrical maintenance and garage building addition were received from Rardin and Carroll Architects. The 5,240 square foot addition to the 46-year old building will incorporate a transformer paint booth, much needed equipment and tool storage space and outdoor large truck wash collection and filtering system. The addition will result in a total of 16,195 square feet of working space. The entire existing roof covering will be replaced on those buildings due to rusting and minor leaks being experienced. The project is scheduled to be bid after a few minor edit changes are made by the architect. A copy of the plans was available for viewing.
5. The engineering department is seeking training to certify and license employees to pilot an Unmanned Aerial Vehicle, commonly called a drone. Employees are presently researching drone equipment, which will be very useful for pole line and substation design and inspection. A short video showing the features and tools a drone can bring to the utility space was presented. Borden advised if this equipment is purchased, it would be a tool all divisions could utilize.
6. Operations Engineer Kim Duncan submitted the required documentation to the American Public Power Association for the Reliable Public Power Provider (RP₃) certification. This is a 3-year certification, and the electric division scored the highest possible designation of Diamond Member for 2014 to 2017. Staff is hopeful the 2016 to 2019 designation will be Diamond as well. A tremendous amount of work and time went into preparing the required information. Borden thanked all of the employees involved in this effort, but particularly Operations Coordinator Shantae Thompson, Human Resource Generalist Deanna Hitch and Operations Engineer Kim Duncan for compiling the bulk of the report. A total of 38 questions were answered in the areas of system improvements, maintenance, reliability, benchmarking, cyber security, disaster planning, mutual aid, safety, employee development, succession planning, recruiting and research and development. A total of 147 attachments were sent, which comprised 977 total pages of documentation. Borden said, "The RP₃ designation is truly an indicator of the dedication of our employees to providing the most reliable and affordable service possible to our customers."
7. The line department installed 2,680 feet of underground primary conductor, a 300 KVA pad-mount transformer and connected the customer-owned service conductors to provide permanent electric service to the new Lee University Nursing Building located on Parker Street NE. An anticipated load of 270 kW is expected.
8. An update was presented on traffic lighting:
 - CU's Traffic Signal Coordinator adjusted the pedestrian timing near Cleveland High School at the Peerless Road and Raider Drive intersections. It was discovered that the program timing did not copy over correctly the last time the controller was replaced. The adjustments were made to insure proper passage time is given to pedestrians.
 - All of the Wavetronix radar detection equipment for the Keith Street Resurfacing Project was received today. This will allow CU's traffic light crews to begin the installation of the equipment for six (6) intersections in this project. Additionally, TDOT confirmed their contractor is planning the begin work for the four (4) intersections they are to install the first part of November.

9. A steady flow of plats and site plans have been coming in. Borden pointed out Brook Hollow Subdivision off of Peach Orchard Hill Road consisting of 18 lots.

Water Division

Craig Mullinax reported on the following:

1. In reference to the headworks rehabilitation project at the Wastewater Treatment Plant, staff has been working with Jacobs Engineering in the selection of bar screens, one of the major components of the project. Equipment proposals will be due to Jacobs on November 4, 2016. The selection will then be made and included in the bid specifications for the overall bid.
2. The notice to proceed was issued on November 1, 2016, for the pipe gallery access improvements at the Cleveland Filter Plant. It is estimated to take approximately 60 days to obtain the equipment. W&O Construction should begin the project around the first of the year.
3. The plans for the flocculation and sedimentation basin improvements are 90 percent complete. In working with the consultant, it was determined a couple of modifications to the original contract would work better from a design standpoint. Staff requested an amendment to the original contract, which included additional design for the flow meter box rehabilitation and design of the sedimentation basin concrete repairs. The original contract amount approved by the Utility Board was \$89,900. The additional work added \$21,000 for a revised total of \$110,900. President/CEO Webb approved the change as a result of the board giving the President/CEO authorization to approve any individual change order up to a maximum amount of \$50,000, not to exceed 10% of original contract price on April 7, 2015.
4. The project to paint the Bryant Drive water storage tank is 50 percent complete. Planet, Inc. is in the process of sanding and priming the outside and inside of the tank. The contractor is utilizing a fast blaster to perform the work for the outside of the tank. A short video of this process was shown. The traditional sandblasting method has to be used for the work on the inside of the tank.
5. In reference to the 24-inch water main extension from Tasso Lane NE to the HUC Water Treatment Plant, a pre-construction conference will be held on November 2, 2016. The State Revolving Fund (SRF) Loan Program reviewed the authorized bid package and found it to be acceptable. The selection of low bidder, Merkel Brothers Construction, in the amount of \$2,846,050 was also approved.
6. Kleen-All has completed the pressure washing of all of the water tanks that were included in the project for this year. Each year, tanks are prioritized and included in the budget to be pressure washed.
7. The following developments are under construction:
 - NTB Tire & Service Center at Mouse Creek Crossing consisting of 88 feet of 8-inch sewer main.
 - Brook Hollow Subdivision on Peach Orchard Hill Road. The development will consist of 18 lots, 480 feet of 6-inch water main and 487 feet of 8-inch sewer main.
 - Timber Creek Subdivision on Peach Orchard Hill Road consisting of 30 lots, 1,187 feet of 6-inch water main and 1,895 feet of 8-inch sanitary sewer.
8. Engineering is reviewing plans for the following:
 - Bellingham, Phase 2, on Urbane Road. This development will consist of 156 townhome units, 3,800 feet of 8-inch sewer main and 4,000 feet of 6-inch water main. Ricky Brooks is the developer.

- Southeast Bank at the corner of Raider Drive and Keith Street. The development will consist of 120 feet of 8-inch sewer main and 120 feet of 6-inch water main.
 - Tire Discounters on Keith Street. The scope of the project includes the relocation of 50 feet of 6-inch water main.
 - Keystone Ridge Subdivision, Phase 2, on Dry Valley Road consisting of 10 lots. RDG Group, Inc. is the developer.
9. On October 13, 2016, the SRF approved the request for reimbursement for the new CCTV truck purchased earlier this year. The reimbursement for the truck was requested due to remaining balances of SRF funds from the Wildwood and Inman Rehabilitation project. This will utilize some of those remaining SRF funds from the project.
 10. The meter department set 37 meters through September 2016, compared to 55 for September 2015 and 41 for September 2014. Of the 37 meter sets, 20 were single-family homes, 4 were townhomes, 11 were modular homes and 2 were commercial.
 11. The total amount of rainfall recorded at the Cleveland Filter Plant was 0.16 inches for the month of October (as of 10/26/16). For the period of April through October of this year, the total was 17.89 inches and is the lowest amount for any 6-month period since CU began tracking precipitation in 1996. The projected rainfall is almost 17 inches below normal. The dry weather is affecting water demand. In comparison to this same period last year, there is a 17.6 percent increase in water demand.

NEW BUSINESS

Recognition from 911 & Renewal of Lease with 911

Henderson and Webb received a plaque on behalf of Cleveland Utilities recognizing the 20-year partnership between CU and 911 at the 911 board meeting held on October 26, 2016. Webb presented this plaque to the Utility Board.

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve the renewal of a 20-year land agreement lease with the 911 Emergency Operations Center. On October 26, 2016, the 911 Board authorized the extension of the ground lease with CU on which their building is located for another 20 years. Joe Wilson said, "It has been an honor for the past 20 years to occupy the lot adjacent to Cleveland Utilities." There are mutual benefits for both parties. The rent on the property is \$1 per year, and a check has been received from the 911 Center in the amount of \$20.

Approval of Engineering Services Agreement with Cleveland Surveying Company

On motion by Joe Cate and seconded by Chari Buckner, the Board of Public Utilities voted to approve an agreement in the amount of \$135,400 with Cleveland Surveying Company for design, surveying, easement and permit preparation, and construction services for sanitary sewer improvements related to the 2010 and 2012 annexation on Durkee Road, Benton Pike, and Michigan Avenue. The total estimated budgeted cost of the project is \$2,430,000. Design will begin in FY 2017 at a budgeted cost of \$150,000. Construction will take place in FY 2018, FY 2019 and FY 2020 at a budgeted cost of \$600,000, \$720,000, and \$960,000 respectively. This is in accordance with the Plan of Service at the time of annexation.

Approval of Engineering Services Agreement with GRW Engineers, Inc.

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve an agreement in the amount of \$135,000 with GRW Engineers, Inc. for design, surveying, easement and permit preparation, and construction

services for sanitary sewer improvements related to the 2010 annexation of areas north and south of APD 40 between South Lee Highway and Exit 20. The total estimated budgeted cost of the project is \$2,750,000. Design will begin in FY 2017 at a budgeted cost of \$150,000. Construction will take place in FY 2017, FY 2018 and FY 2019 at a budgeted cost of \$700,000, \$1,300,000 and \$600,000 respectively. This is in accordance with the Plan of Service at the time of annexation.

Approval of Construction Contract with Gilispie Construction Enterprises, Inc.

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve a construction contract to Gilispie Construction Enterprises, Inc. in the amount of \$270,000 for conversion to liquid fluoride feed at the Cleveland Filter Plant. The project exceeded the budgeted amount of \$230,000. Three bids were received. Gilispie submitted the low bid.

Approval of Construction Contract with Angel Construction

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities took action to approve a construction contract to Angel Construction Company in the amount of \$149,000 for conversion to liquid fluoride feed and building improvements at the Waterville Water Plant. The project exceeded the budgeted amount of \$70,000. Staff decided to do building improvements not included in the original budget. Three bids were received, and Angel Construction submitted the low bid.

Approval of Purchase Order with Angel Construction

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Utility Board voted to approve a purchase order to Angel Construction in the amount of \$124,095 for the Old Alabama Road Water Main Extension. This project includes the installation of approximately 6,390 feet of 8-inch water main. A small portion of the project will be funded by CU, and the remaining cost by Bendabout Farms. Three bids were received, and Angel Construction submitted the low bid.

Approval of Purchase Order with Angel Construction

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Board of Public Utilities took action to approve a purchase order to Angel Construction in the amount of \$80,750 for the Cross Lane and Brymer Creek Road Water Main Replacement. This project includes the replacement of approximately 1,800 feet of 2-inch galvanized water main with a 6-inch water main. The project is budgeted for FY 2017. Three bids were received, and this is the low bid.

Approval of Purchase Order with CTR Coatings

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities voted unanimously to approve a purchase order to CTR Coatings in the amount of \$54,619 for the lining of 203.1 vertical feet in 28 manholes as part of the Basin 31-45 & 10-36 Rehabilitation Project. This project will be funded by the State Revolving Fund (SRF) with a 24.7 percent loan forgiveness. This project will utilize some remaining SRF funds.

Confirmation of Approval of Purchase Order to WESCO Distribution

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Utility Board took action to confirm approval of a purchase order to WESCO Distribution in the amount of \$58,825 for the purchase of 650 water 3.0 pit modules with in-line NICOR connectors and cover lid kits. The purchase order was signed on October 21, 2016, in order to expedite delivery. The lead time is currently 6 months to receive the modules. These items are required for new AMR/AMI meter sets and for inventory. The items are in the FY 2017 budget. WESCO is the sole authorized distributor of this equipment.

Approval of Purchase Order with Portland Utilities Construction Company

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve a purchase order to Portland Utilities Construction Company in the amount of \$967,680 for the replacement of 3,640 feet of deteriorating 14-inch ductile iron force main with a new 16-inch fusible PVC main. Pipe bursting will be used to install the pipe. Several failures in the existing pipe have occurred recently. After further investigation, the section of line along Paul Huff Parkway between the northbound on ramp to Interstate-75 at Exit 27 and the oufall sewer line located near Freedom Parkway was found to be extremely deteriorated. The project is not budgeted and will be funded through reserves, which is maintained for emergencies. Two bids were received, and Portland Utilities submitted the low bid.

Water Line Repair

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve future pavement repairs to a 550-foot section of road in Whisperwood Subdivision due to a 6-inch water main rupture that occurred yesterday. A plan is currently being formulated, and repairs are estimated to range in cost from \$50,000 to \$80,000. Staff will report back to the Utility Board at the meeting scheduled for December 1, 2016.

Resolution Recognizing Ken Webb

A new business item regarding a resolution acknowledging Ken Webb's years of service to Cleveland Utilities was brought to the attention of the Utility Board by Senior Vice President Tim Henderson. On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Utility Board voted unanimously to adopt a resolution recognizing and honoring President/CEO Ken Webb, signifying 29 years and four months of faithful service to Cleveland Utilities. Chairman Aubrey Ector read the resolution aloud. A plaque of the resolution will be presented to Webb at a later date as a small token of the Board's great admiration and respect.

On behalf of the Board of Public Utilities, Chairman Ector sincerely thanked Webb for his many dedicated years to Cleveland Utilities. Webb said, "I want to express my appreciation to the Board to have been given this opportunity for the last 29 years. It's an incredible blessing."

OTHER BUSINESS

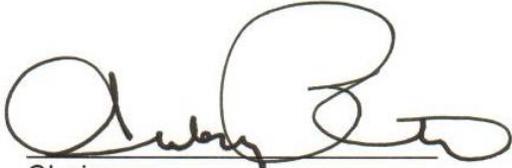
Future Board Meeting Dates

Following is a list of future board meeting dates to be held at the Tom Wheeler Training Center:

- Thursday, December 1, 2016, 12:00 p.m.
- Thursday, January 5, 2017, 3:00 p.m.
- Thursday, January 26, 2017, 3:00 p.m.



Utility Board Secretary



Chairman

12/1/2016

Date