

MINUTES – SEPTEMBER 22, 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; 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; Jan Runyon, Assistant VP Administrative Services; Aaron Kinser, Meter Lab Supervisor; Joe Fivas, City Manager; Matt Ryerson, United Way; Rev. Gary Moats; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Rev. Gary Moats, Senior Pastor at Clingan Ridge Baptist Church, delivered the invocation.

MINUTES OF AUGUST 25, 2016

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted to approve the August 25, 2016, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Letter of Appreciation

An email was recently received from Cleveland Director of Schools Dr. Russell Dyer expressing appreciation to CU's crews for the quick response to a recent power outage at E.L. Ross, Yates Primary and the Administrative Offices Building. An 18-wheeler truck encountered a power pole causing the outage. Crews worked very diligently in restoring the power in a timely manner.

Columbus Day Holiday

Offices will be closed on Monday, October 10, 2016, in observance of Columbus Day. Regular emergency and standby services will be maintained.

Annual Picnic Reminder

Cleveland Utilities' annual family picnic will be held on Thursday, October 20, 2016, at Fletcher Park beginning at 5:00 p.m. This annual event is a special time to come together and enjoy some good food, fellowship, games and door prizes.

Annual Audit

The annual audit is expected to be available for review at the board meeting scheduled for October 27, 2016.

INTRODUCTION OF NEW CITY MANAGER, JOE FIVAS

Mayor Tom Rowland introduced and welcomed Cleveland's new City Manager, Joe Fivas, to the meeting.

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 October 2012 through October 2016 was reviewed. For the month of October, the residential electric rate will change to 9.308 cents per kilowatt-hour, a decrease of 4.27 percent over September's rate of 9.723 cents. This rate change is driven by TVA's Fuel Cost Adjustment and the change in the seasonality rate.

2. The August 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 81.5 percent, as compared to 78.7 percent for the month of July. The year-to-date percentage is 80.1, compared to a budgeted percentage of 80.9 for FY 2017. The results for August are electric sales revenue of \$10,354,993, which was offset by purchased power of \$8,441,756. This resulted in an operating margin of \$1,913,237 and can be compared to a budgeted margin of \$1,872,375 for the month. Operating expenses for the month were \$1,449,175, compared to the budgeted amount of \$1,505,874. The division serviced 31,225 customers. Net income for the month was \$613,165. Stinnett added, "We have seen higher than normal sales volume in the electric division, but this is being driven by the weather effect and can change in one month's time."
3. For August 2016, water sales revenue was \$1,369,689, compared to the budgeted amount of \$1,320,092. Other revenue sources contributed an additional \$129,004 for the month. The division serviced 31,365 customers. Operating expenses for August were \$1,157,379. This can be compared to the budgeted amount of \$1,218,014. The division recorded an operating income of \$341,314 and can be compared to a budgeted amount of \$228,063.
4. For August 2016, wastewater treatment revenue was \$1,078,500, compared to the budgeted amount of \$1,027,859. Other revenue sources contributed an additional \$64,457 for the month. The division serviced 18,731 customers. Operating expenses were \$897,252 and can be compared to a budgeted amount of \$893,223. The division recorded an operating income of \$245,705, compared to the budgeted amount of \$222,691 for the month.

Electric Division

Bart Borden reported on the following:

1. The electric division report included monthly reports for the Engineering and Operations departments to show the amount of work occurring in the Electric Division throughout an entire month. Borden's normal electric report highlights the major projects in these reports.
2. The Peach Orchard Hill Road Community Development Block Grant project was completed in early August. Due to the commitment and hard work of CU's line crews, the project was completed before the August 15th deadline. Engineering personnel reported the completion of the project to the Southeast Tennessee Development District so the grant could be closed early. By early September, the grant was closed and the last portion of the \$250,000 grant will be sent to CU by the end of September. The new line on Peach Orchard Hill Road will greatly improve the reliability of the electric service for all CU customers on the northeast side of the electric system. The actual cost of the project was \$544,398.75 compared to the estimated cost of \$561,622.00. Borden was very pleased with the financials and commended staff for an excellent job on the project estimation cost.
3. The installation for the Blue Springs Road and APD-40 69 kV line design project remained on hold through the month of August. However, the steel poles were recently delivered to the job site and work is presently waiting on the system load to decrease with cooler weather.
4. The transmission line for the Harriman Road/Spring Branch Industrial Park is in the design phase. CU continues to wait on Light Detection and Ranging (LIDAR) to be flown with a drone to obtain survey topography data. The initial company in which

services were requested from has not followed through in a timely manner. Staff is presently contacting other firms with this technology and evaluating alternate solutions.

5. The Engineering Department is working with Cleveland State Community College to replace the original, late 1960's CU switchgear presently serving the facility, the college's fused switchgear and their underground primary feeds to the customer's owned transformer stations. Cleveland State contracted the services of West, Welch and Reed Engineers of Knoxville, Tennessee, to design the campus revised underground feeds and interface points to CU's new switchgear. The required materials and construction work for the college's portion was bid and awarded to Massey Electric of Alcoa, Tennessee. The contract requires Massey to complete the project in 300 days. Cleveland Utilities will be installing a new primary dip pole, primary metering rack and an underground primary feed to the new S&C Vista switchgear cabinet. This switchgear has a 600 amp incoming switch and four (4) 200 amp vacuum interrupters (relay protected outputs). It is estimated the total cost of improvements made by CU will be \$100,000, with the cost of the switchgear being \$72,670 of the total cost.
6. A work order was issued to install fiber optic cable along Paul Huff Parkway and Frontage Road to complete the water division fiber network ring. This is an interface CU has with Volunteer Energy Cooperative's fiber. Once this installation is complete, the water division plant facilities will have a redundant path for network traffic back to the main office. A total of 2,200 additional feet of 48-count fiber optic cable will be installed to complete this loop.
7. Work orders for permanent service to the new Burger King and Bojangles restaurants on APD-40 were issued. The Burger King service will utilize an existing 75 KVA pad-mount transformer, which served a building that was demolished on the site. The anticipated load of the new restaurant is 70 kW. CU crews installed a 75 KVA pad-mount transformer and 360 feet of underground primary conductor to serve the new Bojangles and their expected 75 kW load.
8. Engineering released a work order for the installation of underground fed electric facilities for a new phase of Silver Springs Subdivision, located off of Old Freewill Road. The new section will consist of 11 lots. To provide electric service, a 75 KVA pad-mount transformer, a 50 KVA pad-mount transformer, 705 feet of underground primary, 967 feet of underground secondary and 2,742 feet of conduit will be installed.
9. Charter Communications still has 7 unmetered power supplies/amplifiers remaining. There was no contact from Charter during August concerning the locations. These 7 power supplies are attached to the electric system and are using energy without being physically metered. In the past, one location was metered and the usage was multiplied by the total number of power supplies. This was based on information received from Charter communicating all of the power supplies use the same amount of energy through the entire month. After testing by CU, this was found to be incorrect, and CU is requiring all power supplies to be metered. There were approximately 212 power supplies in the beginning, so great progress has been made by Charter. The deadline for Charter to have the remaining power supplies metered is January 1, 2017, or they will be disconnected by being deemed an illegal attachment.
10. An update was presented on traffic lighting:

- Traffic Signal Coordinator Tad Bacon worked with City Transportation Manager David Sheely to add signage at the Adkisson Drive and Paul Huff Parkway intersection. A right turn lane control sign was added overhead for the northbound approach on Adkisson Drive after receiving complaints drivers were going straight through the intersection from the right turn lane. This new sign with the existing pavement marking will provide multiple indications for the drivers to adhere to proper lane use.
 - Traffic Signal Coordinator Tad Bacon attended a TDOT preconstruction meeting for the Keith Street resurfacing project, which milling recently began. The milling started on Paul Huff Parkway and will proceed south to Grove Avenue and Third Street SE. The turn lanes and center lanes are being milled first. Lane closures will occur at night. It was noted all traffic intersections with in-pavement loop sensors will be placed on fixed time operation. This will present delays for drivers until the Wavetronix radar vehicle detection is installed. TDOT's contractor will be installing radar detection at 4 of those intersections and CU will be installing 6 of the intersections. This agreement was reached through negotiations with TDOT. Consideration to purchase the equipment for the 6 intersections will be requested under new business in this meeting.
11. Board Member Chari Buckner asked if the electric system has reached an overall peak with the extreme heat experienced this summer. The billed demand for August 2016 was 210,815 kW, and Borden noted this was not close to the all-time peak demand of approximately 250,000 kW for CU.
 12. Chairman Ector questioned why the power factor at CU's Burlington Substation is lower than the power factor of CU's other substations. Borden advised the substation supplies a large industrial customer currently experiencing a need for additional capacitors. CU has utilized the services of the Tennessee Valley Authority to help identify what is needed. The information has been communicated to the industry, and CU is in the process of relocating a capacitor bank to the area to increase the power factor at the location.

Water Division

Craig Mullinax reported on the following:

1. The final cost of the project for the replacement of the biosolids storage pad cover at the Wastewater Treatment Plant was \$118,845.00, compared to the contract amount of \$118,040.00. The overage was due to a small modification requested by staff.
2. A preconstruction conference will be held on October 12, 2016, in preparation for the construction of the pipe gallery access improvements at the Cleveland Filter Plant (CFP).
3. A prebid meeting is scheduled for October 6, 2016, at 10:00 a.m., for the liquid fluoride conversion projects at the Waterville Plant and the CFP. This project was previously delayed due to lack of interest; only one set of plans had been requested; however, there have been more requests for plans over the past several weeks. Bids will be opened on October 13, 2016, at 10:00 a.m.
4. The third and final phase of the fire hydrant painting project is nearing completion. King Industries has painted a total of 891 fire hydrants as of September 14, 2016. There are 39 fire hydrants remaining in the project.

5. The Bryant Drive Water Storage Tank painting project will begin on October 3, 2016. Planet, Inc., will be the contractor performing the work. The project will take an estimated 10 to 12 weeks.
6. The final cost of the project for the water main replacement on Morgan Johnston Circle, 13th Street SE and 24th Street NW was \$159,458.00, which exceeded the contract amount by \$923.00.
7. Kleen-All has completed the pressure washing of the water tanks at the CFP and Hiwassee Utilities Commission (HUC). The overflow tank on Mouse Creek Road is currently in progress.
8. The Barneys Lane Sewer Replacement Project is complete. The total project cost was \$571,868.00, which was below the contract amount of \$582,960.00.
9. Engineering has approved plans for the following:
 - Weeks Drive Townhomes consisting of 7 lots and 150 feet of 8-inch sewer main. D & S Custom Homes is the developer.
 - Hiwassee River Industrial Park on Haney Road consisting of 820 feet of 6-inch water main. The Dilling Group is the developer.
10. The following developments under construction have been completed by Hampton Backhoe:
 - Ocoee Landing on Emmylie Court consisting of 420 feet of 8-inch sewer main. Dee Burris is the developer.
 - Phase 4 of Silver Springs on Old Freewill Road consisting of 12 lots and 445 feet of 8-inch sewer main. Dennis Epperson is the developer.
 - Brooks Bridge Subdivision on North Mouse Creek Road consisting of 10 lots and 370 feet of 6-inch and 2-inch water main and 400 feet of 8-inch sanitary sewer. Jason Tawfik is the developer.
11. Engineering is reviewing plans for The Haven @ the Grove on Tasso Lane. This development will consist of 10 townhome lots and 700 feet of 8-inch sewer main. The developer is Cate Brothers.
12. An update was provided for the Wastewater Rehabilitation Project:
 - In reference to Phase 3 of the Basin 31-45 and Basin 10-36 Rehabilitation Project, Littlejohn Engineering Associates has begun the analysis of work performed thus far and is preparing recommendations. CU is finalizing work recommendations to fit within budget limits. Plans are anticipated to be submitted near the end of September.
 - Additionally, Littlejohn is performing some modeling for potential rehabilitation planning in the Wildwood and Inman Street area.
13. The meter department set 39 meters through August 2016, compared to 30 for August 2015 and 24 for August 2014. Of the 39 meter sets, 28 were single-family homes, 7 were townhomes, 2 were apartments and 2 were irrigation meters at Lee University.
14. Rainfall is 11.67 inches below normal for the year. The total amount of rainfall recorded at the Cleveland Filter Plant was 2.20 inches for the month of August and 0.71 inches for September (as of 9/18/16). For the period of April through September of this year, the total was 15.98 inches and is the lowest amount for any 6-month period since CU began tracking precipitation in 1996.

OLD BUSINESS

Approval of Purchase Order with First Tennessee Bank

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Utility Board took action to approve a purchase order with First Tennessee Bank in the amount of \$333,079.66 for the initial funding of CU's Other Post-Employment Benefits (OPEB) Trust. This is for funding of the Trust for fiscal year 2016. The process was started prior to the end of the fiscal year; however CU was awaiting approval from the state, which was received several weeks ago.

This is the final step on a project that has been ongoing for several months. Webb complimented the Utility Board for their approval. He said, "This represents a huge step forward in addressing the liability issue. I would encourage this to continue now that the trust is in place and the liability will continue to accrue." The Governmental Accounting Standards Board (GASB) replaced GASB Statement 45 with GASB Statements 74 and 75, mandating governments to report a full liability for the OPEB they provide. A trust reduces the liability significantly. Funding for the trust is also included in the fiscal year 2017 budget and will be routine moving forward.

Approval of Contract with CSL Services, Inc.

On motion by Joe Cate and seconded by Chari Buckner, the Board of Public Utilities voted to approve a contract with CSL Services, Inc., in the amount of \$103,500.00 for long term flow monitoring of 17 flow meters, which includes annual maintenance, data collection and reporting. Flow monitoring is a tool used to help determine where inflow is occurring and if it is being eliminated. CU has been under contract for the last three (3) years with CSL Services, Inc. Their annual price remains the same as last year and is included in the fiscal year 2017 budget. This is a major piece of the massive SCOPE 10 Project in wastewater and is necessary to monitor the benefits being obtained from the rehabilitation projects.

Approval of Project Round-Up Allocation Changes

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a new formula for the allocation of Project Round-Up funds. Previously, 80 percent of the funds were allocated to the Neighbors in Need program of The Caring Place. Effective November 1, 2016, Bradley-Cleveland Community Services Agency will become the recipient of 80 percent of the funds, and the remaining 20 percent will be allocated and shared between The Caring Place, Family Promise, The Refuge, The Salvation Army, Foundation House Ministries, Harbor Safe House and The American Red Cross. Any excess funds held by Neighbors in Need or The United Way for the benefit of Neighbors in Need as of December 31, 2016, will be redistributed in January 2017 in accordance with the new funding formula.

The Caring Place will be phasing out the operation of its Neighbors in Need division by the end of 2016, resulting in this required change. Neighbors in Need has been the primary distributor of CU customers' Project Round-Up funds since the beginning of the program. Webb said, "Project Round-Up has been a good program for the community, and we want to be sure the mechanics are in place to see it continue and get even better." Working with the administrator of the program, the local United Way, the Bradley-Cleveland Community Services Agency has agreed to become the primary outlet for the distribution of Project Round-Up funds. The Bradley-Cleveland Community Services Agency currently provides over \$1 million in utility assistance funding annually through the LIHEAP program. The agency has assured the United Way they will be able to serve even more individuals in

need by receiving a portion of the Project Round-Up funds. The fact they already have a staff in place administering funds will help increase the efficient use of the Round-Up dollars.

Matt Ryerson praised the philanthropic spirit of Cleveland Utilities and all of its employees. The contributions of CU to the community have been on a “massive scale”, from individual employee donations, through Project Round-Up and leading the charge on the TVA Extreme Energy Makeover Grant.

NEW BUSINESS

Approval of Purchase Order with Wavetronix

On motion by Chari Buckner and seconded by Joe Cate, the Board of Public Utilities voted to approve a purchase order with Wavetronix in the amount of \$85,103.75 for the purchase of Wavetronix radar vehicle detection equipment to be installed at 6 intersections in the TDOT Keith Street Resurfacing Project. The purchase and installation costs will be applied to the City’s traffic light investment account. This is a sole source purchase, as Wavetronix equipment is the standard utilized for the detection. The project is underway, and this is a continued effort to upgrade traffic signals.

Approval of Resolution – Merkel Brothers Construction, Inc.

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Board of Public Utilities took action to approve a resolution authorizing the President / CEO of Cleveland Utilities to enter into an agreement with Merkel Bros. Construction, Inc., in the amount of \$2,846,050.00 for the construction of 27,000 feet of 24-inch water main beginning at Tasso Lane NE and extending to the Hiwassee Utility Commission water plant as part of the final phase of the North-South Water Main Project, Phase 3. The project is budgeted for fiscal year 2017 and will be funded by the SRF. Seven bids were received. The project was budgeted at \$3,255,000.00 for the construction portion. Merkel was the low bidder. They have performed other work for CU, and staff was pleased with the results.

Approval of Resolution – SRF Loan Application

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Utility Board voted to approve a resolution authorizing the President/CEO of Cleveland Utilities to act on behalf of Cleveland Utilities with respect to a SRF loan application in the amount of \$110,418.00 for the purchase of 355 Elster transmitters and an Elster mobile communicator with a video interactive display as part of the AMR/AMI Water Meter Conversion Project. The loan will include approximately \$5,520.88 in Principal Forgiveness. This completes the SRF funding for the water meter conversion project.

Sanitary Survey Results

Mullinax reported the Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources conducted an unannounced inspection of the Cleveland Filter Plant and Water Distribution System on August 25 and August 29, 2016. The sanitary survey is an outside evaluation and documentation of the water system’s capabilities, operations, sources, facilities, treatment processes, equipment distribution network, monitoring, reporting and data verification, pump facilities, controls and overall management needed to provide safe drinking water. This survey covered the time period from August 2015 to August 2016.

Cleveland Utilities’ Water System earned 599 points out of a possible 599 for a numerical rating of 100 percent, which reaffirms CU’s water system as an “approved” water system. This is the first time CU has received a perfect score. CU has received several high scores

of 99 since 1988; however, there has never been a 100. Mullinax said, "It takes a team and dedication from everyone to earn this type of score. This includes the operators, chief operators, maintenance and operational personnel, engineers and managers. I am extremely proud of all of these coworkers who work so hard. We are blessed to work for a great company, Cleveland Utilities, which allows us to do what we do best in treating and delivering to our customers' clean and safe drinking water." Chairman Aubrey Ector expressed appreciation and complimented everyone involved in this effort.

Transfer of President/CEO Duties

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted unanimously to approve the transfer of Webb's duties and full authority to his replacement Tim Henderson, effective November 1, 2016. Webb's retirement date is effective February 1, 2017; however, with accumulated leave, the target for his last day in the office is around Thanksgiving. This is very similar to the process that occurred when former President/CEO Tom Wheeler retired and Webb stepped into the role.

OTHER BUSINESS

Future Board Meeting Dates

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

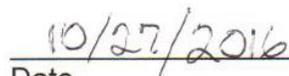
- Thursday, October 27, 2016, 3:00 p.m.
- Thursday, December 1, 2016, 12:00 p.m.
- Thursday, January 5, 2017, 3:00 p.m.



Utility Board Secretary



Chairman



Date