

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
SEPTEMBER 28, 2017

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; Chari Buckner, Cleveland Utilities Board; Tim Henderson, President/CEO; Amy Ensley, Utility Board Secretary; Walt Vineyard, Executive VP; Bart Borden, VP Electric Division; Craig Mullinax, VP Water and Wastewater; Marshall Stinnett, VP/CFO; John Corum, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Jamie Creekmore, Supervisor Customer Relations; Dean Watson, Electric Operations Manager; Kim Duncan, Operations Engineer; Mike Isham, Line Section Supervisor; Ernie Cannon, Line Crew Foreman; Nathan Davis, Lineman; Anthony Hicks, Lineman; Barry Marshall, Lineman; Joe Fivas, City Manager; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Anthony Hicks delivered the invocation.

MINUTES OF AUGUST 24, 2017

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve the August 24, 2017, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Hurricane Irma Power Restoration Assistance

President/CEO Henderson recognized employees Ernie Cannon, Nathan Davis, Anthony Hicks and Barry Marshall from the Line Department for recently assisting Gainesville Regional Utilities with Hurricane Irma power restoration efforts. Collectively, these employees have 92 years of experience. Henderson advised, "We are blessed to be able to send people to Florida to help. It's important for us because we remember the help we received in 2011 with the tornadoes and what that meant to our organization." The linemen were eager to respond and help those in need.

Henderson also acknowledged Bart Borden, Kim Duncan, Mike Isham and Dean Watson for their leadership and roles in coordinating all of the details of the trip. Vice Chairman Eddie Cartwright commented, "Aren't you proud to live in Cleveland, Tennessee?" Chairman Aubrey Ector said, "Thank you for the way you represent us." Mayor Rowland echoed comments of appreciation to the crew and thanked them for their sacrifices.

A brief video compiled by Jamie Creekmore highlighting the trip was shown. Chari Buckner asked the crew about the damage they witnessed. Ernie Cannon responded and informed there was not a lot of structural damage in the particular area where they worked, but there was significant damage to the power lines from a massive amount of downed trees, as well as heavy rain and flooding. The utility had over 60,000 customers without power after the

storm swept through. Several other utilities from the valley sent crews to various parts of Florida and Georgia to help with restoration efforts too.

Columbus Day Holiday

Cleveland Utilities will be closed on Monday, October 9, 2017, in observance of Columbus Day. Regular emergency and standby services will be maintained.

Picnic Reminder

Board members were reminded of Cleveland Utilities' upcoming annual family picnic on Thursday, October 19, 2017, at Fletcher Park beginning at 5:00 p.m.

Utility Board Member Training

The training required as part of new legislation recently passed is being coordinated with the Municipal Tennessee Advisory Service (MTAS) to be hosted at CU's Tom Wheeler Training Center. When the schedule is finalized, information will be communicated. If there are conflicts with any of the dates, MTAS is offering the modules at other locations. The option of online training has not currently been approved by the State Comptroller; however, this could possibly become available in the future.

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 2013 through October 2017 was reviewed. For the month of October, the residential retail electric rate will change to 8.968 cents per kilowatt-hour, a decrease of 6.22 percent over September's rate of 9.563 cents. This rate change is driven by TVA's Fuel Cost Adjustment and a move to the transition month rates. As a continued trend, Cleveland Utilities will pass the TVA fuel cost rate adjustment to its consumers.
2. The August 2017 financial and statistical statements were presented to the Utility Board. During August, the cost of purchased power as a percentage of retail sales was 82.9 percent as compared to the budgeted percentage of 80.9 for FY 2018. The results for the month were electric sales revenue of \$9,347,517, which was offset by purchased power of \$7,746,683. This resulted in an operating margin of \$1,600,834. Operating expenses for the month were \$1,524,798 and can be compared to a budgeted operating expense of \$1,546,311. The division serviced 31,583 customers. The net income for the month was \$243,387, which is compared to a budgeted net income of \$508,951.
3. For August 2017, water sales revenue was \$1,358,413. Other revenue sources contributed an additional \$109,551 for the month. The division serviced 31,726 customers. Operating expenses for August totaled \$1,246,912 and can be compared to the budgeted amount of \$1,280,641. The division recorded an operating income of \$221,052, compared to the budgeted operating income of \$234,460.
4. For August 2017, wastewater treatment revenue was \$1,074,665. Other revenue sources contributed an additional \$71,904 for the month. The division serviced

18,940 customers. Operating expenses were \$955,435. The division recording an operating income of \$191,134, which is compared to budgeted operating income of \$189,443.

Electric Division

Bart Borden reported on the following:

1. After completion of Phase I of the District to Lang Street transmission line project, the line construction crew moved to the Harriman Road/Spring Branch Industrial Park transmission line, which is now the Cherokee Gateway Boulevard project, and began assembling the two piece steel poles. This is a very labor intensive process and must be conducted with safe assembly practices.
2. In reviewing the final cost for Phase I of the District to Lang Street 69 kV transmission reconductor project, the estimated versus the actual seemed off by too high of a margin. After an in-depth look at the estimate, it was determined the transportation expense was not included. Also, the poles, insulators, transformers and material transfers did not have labor estimated by the engineer. The total for the estimated material is \$134,348.29, and the total for the estimated labor is \$246,597.41. With the corrections applied, this resulted in a total estimated cost of \$380,945.70. The 69 kV transmission jobs are more complicated and not as standard of materials and processes the engineer was accustomed to doing.
3. In reference to the new overhead line for annexation of Freewill Road to 22nd Street, the construction of the double circuit line along 22nd Street NW is presently on hold. At the request of several of the property owners, Cleveland Utilities is working to obtain easements along the 22nd Street roadway to New Murraytown Road. When the easements are secured, CU will relocate Volunteer Energy Cooperative's existing distribution line from the rear of the properties to Cleveland Utilities' newly constructed distribution line along the roadway. Fortunately, this delay will not create problems for the residential development on 22nd Street near Freewill Road. Concerning the estimated cost of this project, it was determined the engineer did not include transportation expense and CU's labor associated with Volunteer Energy Cooperatives' conductor and insulator installation. To date, the transportation expense on this project is \$26,046.15. Next month's financials will reflect an update of the estimated cost. The heat crews have worked through on this project is going to contribute to a higher labor cost due to additional time needed for hydration and cooling off. There have been a couple of change orders that have contributed as well.
4. Work began late in the month on the Randolph Samples Road tie line project, with the line construction crew framing the newly installed AT&T poles. The project will consist of 2,157 feet of new 3 phase 795 MCM AAC and the removal of a single phase #1/0 AAC. The new conductor will serve as a tie point between Ocoee 214 and Chatata Creek 214 circuits to switch load when needed.

5. The annual clearing of the 69 kV transmission line right of ways was completed and consisted of bush hogging 1,285,890 square feet of land. This work is critical to maintain reliable service and access to the transmission system.
6. Engineering issued a work order to connect the electric service for the new SunTrust Bank at the corner of Paul Huff Parkway and Peerless Road. The branch bank is located on the west side of the Publix grocery store. An existing 300 KVA pad-mount transformer next to the bank was sized for the outparcel load when it was initially installed and will serve the anticipated new load of 20 kW.
7. The new substation site along Cherokee Gateway Boulevard near the Spring Branch Industrial Park was surveyed and property lines staked. The plat was reviewed and approved by the City of Cleveland. George McCain's law office is preparing the required documents for the transfer of property from Exit 20 LLC to Cleveland Utilities Electric Division, and this should be completed by the end of this month. Cleveland Surveying, along with Cleveland Utilities' Engineering and Operations Departments, are working through the details on the site plan which includes the grading, drainage, driveway and fence details. The site plan is expected to be completed by the end of this month and will be ready to send out requests for bids for the site work. The site undergrowth has been addressed and is ready to be graded when the site plan and permitting are completed.
8. An update was provided for the East Cleveland 161/69 kV Substation power transformer replacement. Requests for bids for the new power delivery transformer to replace the failed single-phase unit at East Cleveland went out Friday, September, 15, 2017, and are due back by Wednesday, October 11, 2017, at 2:00 p.m. eastern standard time. Bid request specifications and forms were sent to five different power transformer suppliers. Fisher Arnold consultants worked with Cleveland Utilities' Engineering and Operations Departments to prepare a detailed specification for the new replacement unit. All received bid submittals will go through a detailed evaluation to determine the low bidder, including a financial analysis of the transformer losses. If the low bid is submitted by a manufacturer CU has not previously purchased a unit from, a plant visit may be required as part of this evaluation.
9. An update was presented on traffic lighting:
 - With the beginning of a new school year in August, all of the school zone signals in the City and County were placed back in service and any required maintenance was conducted by the traffic lighting crews.
 - A work order was issued to convert the signal heads at Inman and Broad Streets to LED. The pedestrian signal heads at this intersection are currently LED. Only six intersections remain with incandescent bulbs. Three of those intersections are downtown and will require pole change outs to install 12-inch LED signal heads with proper roadway clearance.
 - At the August Board Meeting, Borden reported the pedestrian signals at Keith and 20th Streets were giving false pedestrian calls due to interference in the

signal to initiate a required pedestrian movement. The manufacturer issued a firmware upgrade. After the firmware upgrade was installed by CU's Traffic Signal Coordinator Tad Bacon, the pedestrian signals have been operating as designed, without false calls being observed.

Water Division

Craig Mullinax reported on the following:

1. A preconstruction conference was held on September 26, 2017, with W&O Construction for the headworks rehabilitation project at the Wastewater Treatment Plant. As a result, the notice to proceed was issued and is effective on February 1, 2018. This will allow ample time for the contractor to order the bar screens needed for the project.
2. Bids for the flocculation/sedimentation basin improvements project at the Cleveland Filter Plant (CFP) were opened on September 21, 2017, and are currently being reviewed by the staff.
3. The liquid fluoride conversion projects were completed at the CFP and Waterville Water Plant. The total project cost was \$308,230 at the CFP and \$185,901 at Waterville.
4. NABCO has completed the interior lighting improvements project at the CFP with the exception of a few punch list items.
5. Staff just completed the compilation of the annual wellhead protection plan, an extensive 196 page report, for Waterville. The plan is developed in-house with involvement of employees from four departments, and the format has been approved by the state. Cleveland Utilities is mandated to do the report because the water at Waterville does not have to go through a formal treatment and filtration process due to the quality of the water supply. The water does get chlorinated, fluoridated and goes through an ultraviolet lighting treatment process. This detailed wellhead protection plan allows for avoidance of the formal treatment and protection of the spring.
6. The total project cost for the third phase of the 24-inch water main extension from Tasso Lane NE to the HUC Water Treatment Plant was \$2,956,646.
7. CTI is performing the 5-year water tank inspections as required by the Tennessee Department of Environment and Conservation (TDEC). There are a total of 15 tanks and wet wells that are inspected inside and out. The field work is complete, and results will be submitted to Cleveland Utilities and then to the state.
8. The overflow pump station modifications project is advancing. Several photographs of the work were displayed.
9. Engineering is reviewing plans for Laurel Ridge Subdivision on Tasso Lane consisting of 73 lots and 2,352 feet of 8-inch water main and 2,885 feet of 8-inch sewer main. CTP Properties is the developer.
10. The following plans have been approved:

- The Enclave at Weeks Drive consisting of 58 lots, 2,173 feet of 8-inch water main and 1,800 feet of 8-inch sewer main.
 - Westmore/Inverness Subdivision consisting of seven lots and 440 feet of 8-inch sewer main.
11. The meter department set 30 meters through August 2017, compared to 39 for August 2016 and 30 for August 2015. Of the 30 meter sets, 25 were single-family homes, 1 was irrigation and 4 were commercial.
 12. The total amount of rainfall recorded at the Cleveland Filter Plant thru September 25, 2017, was 2.51 inches for the month and 40.50 inches for the year to date. As a comparison, the monthly average is 4.61 inches, and the year to date average is 41.98 inches.
 13. A chart was reviewed comparing projects utilizing funding through the State Revolving Fund (SRF) versus the traditional bond market. To date, nine projects have been funded through the SRF with interest rates ranging from 1.11 percent to 2.91 percent. The program provides low interest rates for 20-year terms, whereas the interest rate for the bond market is 3.5 percent. This equates to a cost savings in interest alone of \$5,273,044.75 for the nine projects. In addition, the total savings in loan forgiveness amounts to \$1,869,622 for a total realized savings of \$7,142,666.75. Mullinax commended the engineering personnel for utilizing this resource.

OLD BUSINESS

TVA Rate Adjustment

On August 23, 2017, the TVA Board, at the recommendation of TVA's management, approved a 1.5 percent wholesale rate adjustment effective October 1, 2017. Per Cleveland Utilities' FY 2018 Budget and at the recommendation of Cleveland Utilities' management, Chari Buckner motioned and Mayor Tom Rowland seconded for the Board of Public Utilities of Cleveland, TN, to approve this wholesale rate adjustment as a pass through to all CU customers. The motion passed unanimously. This action will have a net zero effect on the financials of Cleveland Utilities.

Approval of Policies & Procedures

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board voted to approve 17 policies addressing Accident Leave, Awards, Compensatory Time for Non-Exempt Employees (revised), Emergency Call/Residency Requirements, Employee Meals during Irregular Hours of Work (revised), Inclement Weather, Jury Duty, Military Leave/Military Leave of Absence, Nepotism, Professional Appearance/Hygiene, Retiree's Insurance, Sick Leave, Social Media, Termination, Wellness Program, Workers' Compensation and Workplace Violence. This is a continuation of CU's Strategic Plan, and staff has spent a lot of time reviewing the policies and making revisions. There are approximately five policies remaining in this process. Employee meetings will be held to communicate any changes to previous practices. The policies have been reviewed by Attorney John Kimball.

Approval of Purchase Order with CSL Services, Inc.

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities took action to approve a purchase order with CSL Services, Inc., in the amount of \$109,000 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 four years with CSL Services, Inc. Their annual unit prices remain the same as the last three years. The monitoring is budgeted for FY 2018 in the amount of \$110,000.

NEW BUSINESS

Approval of Purchase Order with Lewis Group Architects

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities voted to approve a purchase order and agreement with the Lewis Group Architects in the amount of \$53,700 for the architectural design and civil engineering services for Cleveland Utilities' exterior building renovation project. Additionally, this includes the redesign of the parking lot. The project is budgeted for FY 2018.

Approval of Purchase Order with Del Air Mechanical Contractors, Inc.

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board took action to approve a purchase order with Del Air Mechanical Contractors, Inc., in the amount of \$176,232 for a three year contract for the HVAC maintenance and mechanical services for all of CU's facilities.

Approval of Purchase Order with Contractor's Machinery, Inc.

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve a purchase order with Contractor's Machinery, Inc., in the amount of \$208,165 for the purchase of three new backhoes. The new backhoes will replace the following: one backhoe will replace Unit 83, a 1998 model for the Water Distribution Department; and two backhoes will replace Unit 74, a 2001 model and Unit 83, a 2003 model for the Wastewater Collection Department. The backhoes are budgeted for FY 2017 and FY 2018 in the amount of \$280,000.

Approval of Purchase Order with Premier Truck Group of Chattanooga

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Utility Board took action to approve a purchase order with Premier Truck Group of Chattanooga in the amount of \$83,317 for the purchase of a new dump truck for the Wastewater Collection Department. The dump truck will replace Unit 28, which is a 2003 model. The dump truck is budgeted for FY 2018 in the amount of \$95,000.

Approval of Resolution 2017-06

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities took action to approve Resolution No. 2017-06 authorizing the President and CEO to act on behalf of the Board and City of Cleveland to file an application with the TDEC SRF for a \$430,000 loan for the Georgetown Road Water System Improvements Project. The original SRF loan was \$1,195,000. This brings the SRF total loan

to \$1,625,000. The total project cost should be approximately \$1,579,160 and is budgeted for FY 2018.

Approval of Purchase Order with Hampton Backhoe Service, LLC

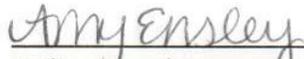
On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board voted to approve a purchase order with Hampton Backhoe Service, LLC in the amount of \$50,375 for the construction of 778 lineal feet of 8-inch PVC sewer line crossing the property located at the corner of Villa Drive and Georgetown Road NW. The project is budgeted for FY 2018.

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 26, 2017, 3:00 p.m.



Utility Board Secretary



Board Chairman

10-26-17

Date