

**CHARLOTTE-MECKLENBURG UTILITIES**  
**ADVISORY COMMITTEE**  
**MINUTES OF MEETING**  
February 20, 2014

The Charlotte-Mecklenburg Utilities Advisory Committee met Thursday, February 20, 2014, 2:30 pm at 4222 Westmont Drive, Charlotte, North Carolina.

Members Present: Jim Duke, Eric Sieckmann, Jim Merrifield, Frank McMahan, Ralph Messera, Ron Charbonneau, Pride Patton (via telephone)

Staff Present:

Barry Gullet	Director
Kim Eagle	Deputy Director
Barry Shearin	Deputy Director
Chad Howell	Business Manager
Regina Cousar	Continuous Improvement Officer
Steve Miller	Customer Service Division Manager
Michael Tkachuk	Administrative Officer II

### **Safety Minute**

Defensive Driving – Know your blind spots

### **Minutes**

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

### **Budget**

During last month's meeting, budget issues were discussed which are still a work in progress. CMUD staff had a meeting with City Manager Ron Carlee this week to review the FY15 budget; additional information is being gathered for the City Manager. In a few weeks, CMUD staff will have a budget briefing with City Council.

A typical month for CMUD includes treating/distributing three billion gallons of water, collecting/treating 2.3 billion gallons of wastewater, and processing over 21,000 field service orders.

Revenue/Debt Model projects a revenue requirement of \$336M in FY2015, with no fund balance appropriation. In FY14, a projection of \$318M was made, including \$30M for fund balance. CMUD is targeting a fund balance of \$140M.

Service Level Change requests include:

- Customer Responsiveness – Reduce time to repair all leaks from eight to seven weeks
  - One water leak rapid response crew – a pilot consisting of two employees who will be first responders to reported leaks and will either repair the leak or prioritize it on the repair list
  - Additional repair crews – repair main breaks
- Regulatory Compliance – Continue reducing the number of sewer overflows
  - Two crews with vactor trucks – sewer line cleaning
  - Two crews to screen lines to determine where cleaning is needed using acoustic technology
- Economic Development – Reduce number of days for plan review process to meet customer needs

- The amount of work has increased recently for plan reviewers and construction inspectors. CMUD scaled this section back with the economic decline and now are asking to replace the four lost positions. CMUD staff was directed to do more exploration on whether other utilities get associated costs reimbursed and are working on request.
- Economic Development – Improve responsiveness to industrial customers
  - Due to the economic downturn, the number of Significant Industrial Users (SIUs) decreased, but they are returning now. CMUD has four compliance specialists currently and each have 17 industrial users to monitor. In 2013, there were approximately 12 SIUs in significant non-compliance. All civil penalties are captured by the City of Charlotte and directed to the school system. In 2012, there were 17 SIUs in significant non-compliance. There is a need for more education of the SIUs.
- Customer Responsiveness – Enhance direct service delivery and system maintenance efforts
  - One IT position for the Work and Asset Management (WAM) program – The program has been implemented in the Field Operations division and is being rolled out in the water and wastewater treatment plants. The program is designed to build a database to help determine when items need to be replaced and keep inventory. It's a complicated system of hardware and software. The employees who are initiating the WAM system are also the ones maintaining it. There is an expected 25-35% increase in throughput for the WAM area.

#### Community Investment Plan (CIP)

- Water and sewer line rehabilitation is an ongoing program to identify and remedy deficient sections of pipe within the current system.
  - Irwin Wastewater Treatment Plant Upgrades - Phase II
    - This phase will rebuild and renovate key process components of the plant
    - Total cost of Irwin upgrades is \$65.5M
  - Street Main Extensions
    - Popular program that gets used frequently
    - Provides water and sewer line extensions to residential customers within 1,000 feet of existing CMUD infrastructure
    - Also provides line extensions when health hazards arise
  - Steele Creek Lift Station Replacement
    - Replaces an existing lift station that is approximately 30 years old and currently at capacity.
    - The new lift station will pump to McAlpine WWTP.
  - Taggart Creek Outfall and Paw Creek Force Main
    - Replaces existing sewer line and force main
    - Allows redirection of sewer flow to better utilize existing capacity

#### ReThink, ReNew, ReImagine

- Rethink the revenue stream and transfers to the General Fund
  - The purpose of the rate methodology was to reduce high water consumption and it works; due to water usage trends, CMUD needs to rethink the rate structure.
  - There may be some options to consider regarding the costs associated with the maintenance for phones, vehicles, etc.
  - Reimbursed expenses include the cost allocation plan (CAP) includes the cost associated with the City Manager, City Council, etc. The number is a conservatively high estimate.
- Renew existing infrastructure
- Reimagine the workforce

- Provide for knowledge transfer, employee development, increased strategic collaboration and elimination of siloed approach to service delivery
- Improve sustainability of the utility by increasing workforce depth and breadth

## Rates

Rate setting components include revenue requirements and service levels, water/sewer sales forecast, policies/guidelines, and rates and fees.

### Rate model updates for FY15

- Updated fixed fee components to reflect new organizational structure
- Updated cost drivers to better allocate capital and O&M costs
- Updated water consumption numbers based on five-year actual analysis and future trend analysis.
  - Reduced sales forecast by almost 3%. CMUD has not realized revenue projections for the past few years because of overestimated sales. Reducing the sales forecast increases the rates.
- Adjusted connection and capacity fees based on three year actual analysis
- Analyzed existing methodology for changes that can be made to fixed, availability and variable rate calculations
  - The availability fee has a target of recovering 20% of debt service

### Rate comparisons with local cities in NC and SC

- Compares CMUD FY15 rates to other cities' FY14 rates
- Some cities have a different rate philosophy where there will be no increase yearly, but a large increase one year.
- CPI (consumer product index) does not drive rates. Drivers of rate increases are the capital program, maintaining debt coverage ratio, PayGo, etc. Drivers of the operating budget are covered under CPI. Regulatory changes have not been a driver for CMUD recently. The last big regulatory issue was the phosphorous removal. CMUD has to comply with all new regulations. More PayGo will put CMUD in a better financial situation in the future.

## Union County

CMUD has not completed the negotiation of the final agreement yet. Estimated revenues and expenses to operate Union County's treatment plants are approximately \$6.8 million. Kim Eagle has been reviewing the financial details. The contract with Union County will have an impact on overhead – employee insurance, etc. – which will be built into the operating costs. Barry Shearin and Jackie Jarrell are working on the operating aspects of the agreement. Union County operations will have no impact on CMUD rate payers.

## Illegal Dumping

Two weeks ago, a Mallard Creek operator noticed something foreign coming into plant. The employee called City of Charlotte Hazmat and began diverting flow into a flow equalization basin. Hazmat determined the substance was not flammable. CMUD mobilized a team to identify where the substance originated. The team traced it back 10 miles up the greenway to a grease trap behind Food Lion on Harris Boulevard. About the same time it was found, it was determined that PCBs were present. TCB was causing the distinct odor. The plant staff continued to divert flow while dealing with potential damages, plant contamination, employee exposure, etc. The City Manager came to Mallard Creek WWTP over the weekend. CMUD staff decided to hold a news conference to try to get leads from citizens. The first news conference was held at 6 am Friday morning. On Saturday, Sugar Creek WWTP detected a strange smell and City of Charlotte Hazmat was called. The field test indicated PCB

at Sugar Creek. Three major trunk lines feed into Sugar Creek WWTP, so Hazmat personnel were sent out to each trunk line for testing; all three returned with positive PCB results. The lab test to confirm PCB takes 3-5 hours to complete. A news conference was held at Sugar Creek WWTP at 4:00 am on Saturday. Emergency response ramped up quickly. The CMUD Command Center is currently still in operation. Lab data is being uploaded to the CMUD website and updates are being issued regularly. Both plants are functioning fine. Mallard Creek will get through February without receiving a violation. PCBs are not water soluble. Activated carbon has been put in flow equalization basins to soak up PCBs from water. Staff is currently working with consultants and hazardous waste handlers to come up with a plan to dispose of the PCB. All biosolids at Mallard Creek will be treated for PCB in the near future. The EPA has a list of bad chemicals – PCB is ranked in the top 10 of the list. To date, CMUD has spent approximately \$205,000 on this event, not including staff time. There is an ongoing criminal investigation and Charlotte-Mecklenburg Police Department created a task force. Mallard Creek is thickening and dewatering the sludge with centrifuges. There are four separate digester tanks, which one was thought to contain PCB material; however, all of the digesters were comingling. The EOC has been scaled back to 8 hours/day rather than 24 hours/day. The intent is to close it down tomorrow around lunchtime. CMUD continued to operate throughout the snow storm. Several crews were out to take samples. Our lab is the only municipal lab certified to run PCB tests. The transportation branch opened under incident command to get essential employees and samples to and from worksites. CMUD is still communicating with neighborhoods around the plants. Many city, county and state agencies stepped up to help CMUD with the situation(s).

### **Financial Update**

Revenues are still slightly behind based on a three-year average. However, savings are projected for FY14.

Adjourned at 4:00 pm  
Karen L. Baldwin