

**CHARLOTTE WATER
ADVISORY COMMITTEE
MINUTES OF MEETING
April 21, 2016**

Charlotte Water Advisory Committee met Thursday, April 21, 2016, 2:30 pm at 4222 Westmont Drive, Charlotte, North Carolina.

Members Present: Jim Duke, Pride Patton, Leslie Jones, Ron Charbonneau, Frank McMahan, Barry Webb

Staff Present: Barry Gullet Director
Shawn Coffman Deputy Director
Melissa Hershberger Interim Business Manager
Steve Miller Customer Service Manager
Carl Wilson Chief Engineer

Safety Minute

Tick Safety

Minutes

A motion was made by Ron Charbonneau, and seconded by Leslie Jones, to approve the March 2016 Minutes. Motion was approved.

Budget Update

Charlotte Water submitted budget recommendations at the City Council Budget workshop held on April 6th. There were several questions by Council linked to the budget recommendations in which Charlotte Water needed to reply to. Those questions surrounded very heavily on the security measures for protecting Charlotte Water infrastructure, rate impact of Charlotte Water's service level changes, and what impact if any would be the difference between a rate increase and non-rate increase. Charlotte Water met with City Council on April 20th to respond to the several questions that were asked. In regards to rate impact of service level changes, current data indicates the potential for a rate increase of approximately \$2.40 to \$2.70 on a typical monthly bill for FY 2017 (the typical customer use 7 ccf, or 5,236 gallons of water each month). Charlotte Water's Community Investment Plan projects are the primary driver of water and sewer rate increases because significant capital investment necessary to maintain and expand utility infrastructure. With regard to the difference between having no water and sewer rate increase in FY 2017 and following years to come there were several implications associated with not having a water and sewer rate increase in FY2017. Customer growth and water consumption follow the previously projected trends for the five-year period evaluated. FY 2016 water and sewer rates were applied to the projected consumption each year going forward to estimate available revenue. Operating costs were projected based on moderate, realistic expectations of inflation and cost increases, and are consistent with the increases projected in previous financial models. Reductions in fund balance and debt service coverage were made such that operating and capital spending levels could be sustained at a slightly higher level since a policy change of no rate increases would like result in a bond rating reduction, regardless of debt coverage ratios. Due to

the assumptions of several impactful areas of having no water and sewer rate increases in FY 2017 a reduction of Charlotte Water's capital spending is imminent. It would have to be reduced by approximately \$55 – 60 million each year over the next five year evaluation period. Some of these projects include but are not limited to Water & Sewer Street Main Extensions, Steele Creek Lift Station and Force Main, Upper McAlpine Creek Relief Sewer System, and Dixie/Berryhill Water and Sewer Infrastructure. The impact of these capital spending reductions would be immediate and extremely disruptive. City Council will hold a few more workshops. A straw vote session (non-binding vote) which can result in a certain number of votes that will likely wind up to the final Council on June 10th.

Water Quality

Charlotte Water has put together a task force to hold information sessions to help maintain consumer confidence in the quality our community's water resources. The drinking water quality results are a very prominent resource now located on our website. The task force is also currently trying to implement a mobile application to identify the water quality in surrounding neighborhoods. Enhanced water quality sampling has been expanded beyond what regulatory statutes required.

Financial Update

The month of March, Volumetric water and sewer sales are both slightly higher than the 3 year-average and continue to carry surpluses when compared to the 3- year average. Capacity and Connection fees in March have again significantly exceeded a 3 year averages and are showing significant surpluses for the year when compared to the 3 year average. Personnel services exceeded the 3 year average and a \$427K surplus still exists for the year in comparison to the average. Operating expenses are \$2.28 million less than the average and still maintain a surplus for the year against the average, currently \$750K. Total revenues are \$6.14 million above the average for March, increasing the surplus to \$35 million above the 3-year average for the year. A \$65 million transfer to CIP represented a significant departure from the 3-year average.

Hot Topics

Town of Cornelius - Charlotte Water's Director and staff have been going around speaking to neighboring towns, and councils to update on current activity of the Utility and to listen to issues and or concerns that consumers have. Some of the biggest concerns were from the Town of Cornelius. Throughout the Town of Cornelius there are several roads or streets that are used to travel across the river to peninsula of land that are very narrow. These peninsulas of land are sites of very large homes that sit on these peninsulas. There are 6" and 8" water lines that run out there so the amount of water available for firefighting out there is not enough water. The issues at hand that the Utility is trying to reconcile are whether or not put in larger pipe that would be at an estimated cost of \$1.5 million. The current water age out there is now about 2-4 days however if the Utility were to put in a larger pipe that will get us close to the desire fire flow; the water age would be an upward to 2 weeks. This would not meet the minimum water standard and it would increase water quality flushing. Charlotte Water staff is brainstorming around several different perspectives and have plans to involve the Town Manager of Cornelius, Davidson, and Huntersville, Mecklenburg county building standard and also Duke Energy Lake Management.

Charlotte-Douglas Airport - Reconfiguration and relocation of roadways and terminal parking decks are having an impact on water and sewer lines. Charlotte Water's Chief Engineer Carl Wilson is working with the airport to try to resolve. The Utility's goal is to get to a position that we can essentially convert everything on the airport property and that they maintain that property. City and County did a review of the land development permitting process through the Gartner Study Report. That report had a lot of recommendations with some things that are being implemented and some of which are being implemented to some degree.

Private Systems – Karen Whichard from City Budget office will be helping Charlotte Water better define gated developments, private systems, and how do we as a Utility deal with private development. She will be doing research on what and how our policies are written in relation to other city policies. Karen's efforts will be to change the Utility's perspective on private systems.

Meeting Adjourned 3:56 p.m.
TGN