

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
MARCH 20, 2020

The Board of Public Utilities met at 12:30 p.m. at the Tom Wheeler Training Center.

Present were the following: Aubrey Ector, Chairman; Eddie Cartwright, Vice Chairman; Joe Cate, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board; Debbie Melton, Cleveland Utilities Board; Tim Henderson, President/CEO; Amy Ensley, Utility Board Secretary; Marshall Stinnett, VP/CFO; and Tim Siniard, *Cleveland Daily Banner*.

In accordance with Governor Lee's Executive Order 17 to limit public gatherings to groups of 10 or fewer people, the following were available via teleconference: John Corum, Administrative Services VP; Jimmy Isom, Electric VP; Jon Sparkman, Water & Wastewater Engineering Manager; and Walt Vineyard, Executive VP.

Following the Pledge of Allegiance to the American Flag, Rev. Aubrey Ector delivered the invocation.

MINUTES OF FEBRUARY 28, 2020

On motion by Vice Chairman Eddie Cartwright and seconded by David May, Jr., the Board of Public Utilities voted to approve the February 28, 2020, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Coronavirus COVID-19 Update

President/CEO Henderson communicated the following measures CU has implemented to date with regard to COVID-19:

- Effective March 19, the lobby areas were closed to walk-in services. The drive-thru remains open and hours have been extended from 7 A.M. to 7 P.M. Monday through Friday in an effort to better assist customers.
- Customers have been encouraged to utilize online services or to seek customer service via the telephone to conduct business transactions.
- CU has suspended the disconnection of services for non-payment currently through Monday, April 13. TVA granted permission for Local Power Companies to suspend the usual collection process during this time. Staff will continue to evaluate the situation as it evolves to determine if any adjustments need to be made.
- Out of town business travel has been restricted through April 30.
- Cleaning services have been directed to enhance sanitization of CU's work areas.
- The use of social distancing has been enforced and crews have been separated.

Henderson advised these steps were prudent for CU to take at this point in time for the protection of both the workforce and the public. It was a big step for CU to temporarily close the lobby areas. Leadership and personnel did an incredible job in making this happen, and business has been flowing very smoothly. In closing, Henderson expressed appreciation to the board members for their support and service as well as the staff for their leadership roles. He said, "It's a true team effort to make sure we are doing our absolute best to protect everyone during this time."

Good Friday Holiday

Cleveland Utilities' offices will be closed Friday, April 10, 2020, to observe Good Friday. The Call Center will be open and regular emergency and standby services will be maintained.

DIVISION REPORTS

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Utility Board voted unanimously to approve waiving the normal reading of the division reports and accepting the following written reports.

Financial

1. A chart tracking the kilowatt-hour cost in residential retail electric rates for the months of April 2016 through April 2020 was reviewed. For the month of April, the residential retail electric rate will change to 8.892 cents per kilowatt-hour, a decrease of 4.77 percent over March's rate of 9.337 cents per kilowatt-hour. This rate change is driven by TVA's Fuel Cost Adjustment. As a continued trend, Cleveland Utilities will pass the TVA Fuel Cost Adjustment to its consumers.
2. The February 2020 financial and statistical statements were presented to the Utility Board. During February, the cost of purchased power as a percentage of retail sales was 73.9 percent and can be compared to the budgeted percentage of 77.5 percent for FY 2020. The results for February 2020 are electric sales revenue of \$8,057,445 which was offset by a purchased power expense of \$5,954,932. This resulted in an operating margin of \$2,102,513. Operating expenses for the month were \$1,721,324. These revenue numbers were driven by a customer base of 31,911. The net income for the month was \$599,959 and can be compared to a budgeted net income of \$438,306.
3. For February 2020, water sales revenue was \$1,183,445. Other revenue sources contributed an additional \$75,568 for the month. Operating expenses for February totaled \$1,246,130. These revenue numbers were driven by a customer base of 32,371. The division recorded an operating income of \$12,883, which is compared to a budgeted operating income of \$26,772.
4. For February 2020, wastewater treatment revenue was \$1,045,644. Other revenue sources contributed an additional \$74,288 for the month. Operating expenses for February were \$1,001,405. This is compared to the budgeted amount of \$1,030,124. These revenue numbers were driven by a customer base of 19,420. The division recorded an operating income of \$118,527, which is compared to a budgeted operating income of \$77,632 for the month.

Electric Division

1. Due to the rainy weather, no additional work was completed for the Cherokee Gateway Substation Project during the month of February. Bids for the transformer and building concrete pads have been awarded to a local contractor and work should begin soon.
2. The final phase of the Lang Street to District Substation 69KV circuit upgrade is on hold until the poles arrive, which is anticipated for April 5.
3. Initial site and grading plans for the Lang Street Substation rebuild have been received from a local civil engineer. Engineering and Operations staff are presently reviewing and making adjustments as needed in order to finalize the plans.
4. The Highway 60 Road Widening Project is a Chapter 86 TDOT project, which guarantees all engineering and construction costs for the relocation of utilities are covered by TDOT. The consultants hired by Cleveland Utilities have completed the design, and it is ready for construction bid letting at the end of the year. TDOT has asked for the contracts to be revised in order to show the street lighting and the electric utility relocation are separated into two contracts. CU has completed the forms and they have been sent to Nashville to be finalized. All material is normally purchased and paid for by the low bid utility contractor. Since steel

pole deliveries presently have long lead times, TDOT is concerned this could hold up the project. They have asked Cleveland Utilities to bid and purchase the poles ahead of the bid letting in December. Once the poles arrive and are approved, CU will get reimbursed by TDOT. The associated purchase order for these poles will be presented as a new business item.

5. Superior Concrete Fence installed the screen wall and two gate sections at Valleyhead Substation. Once the area dries from the recent rains, the trees will be removed along Paul Huff Parkway and landscaping will follow. Pictures of the progress will be included in next month's board report.
6. Engineering met with a Lee University representative to look at the possibility of removing some overhead power lines on Magnolia Avenue NE. The project would require the rerouting of an existing underground electric line, rerouting the overhead primary line feed, and installation of a self-supporting concrete pole. As an addition to the project, Lee also inquired about the conversion of the electric service for the old Mayfield School annex to an underground service. CU engineering provided a cost estimate for this project. Lee has not made a final decision at this time.
7. The joint pole attachment count with AT&T and Charter began on Monday, March 2. This process is currently conducted every five years. The count is expected to be completed by the end of the day on Friday, March 20. Final count numbers and other pertinent information will be presented at the next board meeting.
8. A report was presented regarding traffic lighting:
 - Cleveland Utilities continues to look for ways and opportunities to make adjustments to the present signal timing in order to improve and maximize the efficiency of the signals along the Paul Huff Parkway corridor. Traffic Signal Coordinator Tad Bacon has made some minor adjustments and is presently evaluating the results. There is a heavy amount of traffic on this corridor, which will continue to increase as more businesses develop in the area. As always, feedback is beneficial and any issues experienced were encouraged to be reported to CU.

Water Division

1. The Wastewater Treatment Plant (WWTP) data for the solids handling system study has been submitted to J.R. Wauford.
2. The LED lighting project at the WWTP is 50 percent complete.
3. In reference to the Process Safety Management and Risk Management Plan (PSM/RMP) Compliance Audits and Process Hazard Analysis (PHA) Revalidation Studies at the WWTP and Cleveland Filter Plant (CFP) ABS Consulting is working on, meetings have been scheduled for June.
4. The 20th Street Water Main Relocation Project has been completed by Hampton Backhoe.
5. Bids for the Clingan Ridge Drive Water Line Extension Project are due on March 24.
6. Construction for the Veterans Home Sanitary Sewer Project is scheduled to begin next week.
7. In reference to the Ocoee Coffeehouse Sanitary Sewer Project, alignment is being re-evaluated with work being done at the Partners In Education (PIE) Center.
8. Hampton Backhoe has completed approximately 10 percent of the water line relocation for Lee University's Track Project.
1. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - CSL Services is performing monthly monitoring and maintenance on a total of 19 flow monitors. They also just installed eight temporary flow monitors along Candies Lane to

evaluate the flow in the Rolling Hills area. These meters are to be in place for three to four months.

- In reference to the Basin 10A-8 Phase 2 Rehabilitation, CIPP lining continues this month. Both lining and digging of service laterals have begun. Manhole rehabilitation began this week.
9. The Meter Department set 24 meters through February 2020 compared to 13 for February 2019 and 23 for February 2018. A total of 307 meters have been set for FY 2020. Of the 24 sets, 16 were single family homes, 7 were townhomes and 1 was commercial.
 10. The total amount of rainfall recorded at the CFP as of March 17, 2020, was 3.71 inches for the month (1.27 inches below the monthly average). A total of 23.69 inches has occurred this calendar year, which is 8.66 inches above average. The current projected annual total for 2020 is 94.76 inches.

NEW BUSINESS

Presentation and Approval of FY 2021 Budget

President/CEO Tim Henderson opened the budget presentation. Traditionally, each of the VP's will report on their respective areas; however, due to the uniqueness of COVID-19 and limiting the number of attendees physically present, VP/CFO Marshall Stinnett will be presenting the entire budget. Stinnett began by expressing appreciation to the executive staff and employees for their work and input as well as the board members for their support. The budget is a collective effort spanning across the entire company and involves a considerable amount of time and effort to produce. A comprehensive financial summary of the FY 2021 budget was then presented.

Electric sales volume for fiscal year 2021 is projected at 1,033,600,729 kilowatt hours, water sales volume at 2,894,950,414 gallons and wastewater sales volume at 1,902,654,207 gallons. Total revenue for the electric division is forecast at \$102,122,246. Water and sewer are collectively \$18,661,848 and \$14,586,403. A breakdown of expenses for the new budget year includes \$98,435,603 in electric, \$16,560,437 in water and \$12,938,594 in sewer. Fiscal year 2021 reflects net incomes of \$3,686,643 in electric, \$2,101,411 in water and \$1,647,809 in sewer. Stinnett advised these net income figures look slightly higher in comparison to previous years; however, this is a factor of the Governmental Accounting Standards Board (GASB) changes and how they require certain expenditures be reflected on the income statement. Investment in new facilities is budgeted at \$10,219,164 in electric, \$9,089,308 in water and \$10,800,236 in sewer. These figures are slightly inflated than the projections from last year; however, this is driven by the capital projects in FY 2020 not expected to be completed before the end of the fiscal year.

Next, Stinnett highlighted information for the rate increases forecast in the FY 2021 budget. There are no internal rate increases projected in electric for FY 2021 or FY 2022. This is a variance from last year's projection and is due to the 20-year partnership agreement with the Tennessee Valley Authority (TVA). The dollars being saved through the agreement are going to be used to offset rate increases. In addition, TVA has committed to not raising rates for the next ten years as part of the partnership agreement. Therefore, CU does not expect any electric rate increases for residential, commercial or industrial customers in FY 2021. In the water division effective July 1, 2020, a 5.00 percent internal rate increase applied across all customer classes is forecasted, as well as a proposed 1.13 percent pass-thru increase from Hiwassee Utilities Commission for purchased water (this number will get adjusted if HUC adjusts their increase). Rates for wastewater services are projected

to increase by 4.00 percent applied across all customer classes effective July 1, 2020. Stinnett pointed out these are the exact same percentages (for both water and sewer) reflected for 2021 when the 2020 projections were presented last year.

Debt at the beginning of FY 2021 is expected to be \$14,990,372 in electric, \$28,331,669 in water and \$29,044,596 in sewer. New debt is expected to be added in the amounts of \$2,500,000 for electric, \$6,000,000 for water and \$5,571,000 for sewer. Stinnett pointed out these numbers are essentially a placeholder depending on scheduling of capital projects. If the necessity for the dollars is not there due to projects being postponed or not on schedule, those dollars would not be borrowed. Payments made on existing debt will total \$1,346,938 for electric, \$2,395,022 for water and \$2,292,662 for sewer. These figures are firm and based on current borrowing. Debt at the end of FY 2021 is projected to be \$16,143,434 for electric, \$31,936,647 for water and \$32,322,934 for sewer.

In the fiscal year 2021 budget, the number of budgeted equivalent employees is projected at 211, compared to 207 for 2020. The headcount increase is directly correlated with the Water Division and is a factor of the new Water Loss Program launching next month. The positions are budgeted to assist with finding leaks and helping customers find their leaks as well. Also, the proposed budget includes a 3.5 percent merit increase for eligible employees with a successful performance evaluation. This is consistent with what the city is proposing in their FY 2021 budget. Total payroll for 2021 is calculated to be \$15,666,729.

A rate change summary sheet was reviewed. In electric, there are no projected rate increases for CU as well as TVA. In water, there would be an average monthly increase of \$1.12 (based on the projected rate changes on an average residential bill and an average number of units of water). In wastewater, the proposed 4.00 percent rate adjustment would correspond to an average increase of \$1.60 per month (based on an average residential bill and an average number of units).

Lastly, Stinnett reviewed graphs representing bond coverage for years 2020 to 2030. All years projected for electric, water and sewer are above the mark of 1.25 for most rating agencies and CU's conservative estimate of 1.40.

Next, Stinnett reviewed major electric capital projects in the proposed 2021 budget totaling \$10,219,164. Categories for commercial load additions, industrial load additions, residential (overhead and underground) and street lighting are budgeted based on trending history. The electric budget includes \$550,000 for the complete double conductor of SC624 along South Lee Highway to Payne Gap, Phase II. This phase will include replacing the existing poles and framing for parallel #556 AAC primary conductor to increase capacity on the transmission system. Phase III is expected to be completed in FY 2022. Another major item in electric is for the replacement of Unit #179, an existing 2007 model 55-foot bucket truck with 63,480 miles, 15,287 hours and a working height of 60 feet, budgeted in the amount of \$270,000. Another significant project is the Lang Street Substation remodel, Phase II, in the amount of \$2,000,000 (this cost includes the power transformers and the physical substation structure). Lang Street Substation was built in 1956 and completed in 1957 by TVA. CU purchased the substation from TVA. The plan is to build the new substation next to the old one on a portion of the property where CU's pole training facility is currently located. Once the new station is complete and in service, the old substation would be removed and that location would be used for the new pole training facility. The last key project in electric is the Cherokee Gateway

Substation, Phase II, in the amount of \$500,000. This includes the installation of the control building, final wiring, testing and energization.

Water capital projects in the proposed 2021 budget totaling \$8,606,845 were then highlighted. CU makes every attempt to fund large capital projects (both water and wastewater) through the SRF. One of the key items in engineering is the Cherokee Gateway Water Storage Tank, \$1,000,000. This project is for the construction of a 500,000 gallon water storage tank to serve the Spring Branch Industrial Park and the surrounding area. The construction of this tank is currently on hold until a prospect commits because the time of tank construction is less than it would be for an industry to build a facility in the park. Once the tank is placed into service, the water would need to be recycled if it's not used. Also included in engineering is the upgrade of the North Street Water Booster Station in the amount of \$750,000. The station currently has two pumps (one rated at 350 GPM & 30 HP and the other rated at 100 GPM & 75 HP). The proposal includes the replacement of three pumps, each rated at 2100 GPM & 125 HP. This will provide additional capacity and greater redundancy at the facility. The last key item in engineering is the Georgetown Road (SR60) Water Relocation Project, \$400,000.

Major capital projects at the Cleveland Filter Plant were reviewed. The first key item includes the conversion from a chlorine gas disinfectant to sodium hypochlorite in the amount of \$1,800,000 in FY 2021. This is a big step for the utility in being progressive per Stinnett. The plant stores up to 14,000 pounds of chlorine gas which requires compliance with federal guidelines (Risk Management Process Program) and state guidelines (Process Safety Management Program). Hazard risks will be reduced for employees and the community with the conversion to sodium hypochlorite, and it does not require compliance with the federal Risk Management Process and state Process Safety Management Programs. Additionally, the project will require the construction of a new building at the CFP to house the associated equipment. Another item at the CFP is the high service pumps and electrical upgrade in the amount of \$615,500.

Lastly, key projects in wastewater were then highlighted. Capital requirements for the wastewater division in the proposed fiscal year 2021 budget total \$10,800,236. In engineering, the Exit 20 LLC sewer extensions are budgeted at \$300,000. The 2010/2012 annexation sewer improvements in the Benton Pike and Durkee Road area include the installation of 8,940 feet of 8-inch gravity sewer main and 36 manholes to serve approximately 50 properties, budgeted at \$1,670,000. Most of this project is underway, but this is the final phase. Another major project in engineering is the 2019 annexation of Hensley Road NW (an estimated 3,800 feet of 12-inch gravity sewer main) in the projected amount of \$1,300,000.

Major budgetary items in wastewater collections-SCOPE 10 are the ongoing sewer rehabilitation projects. Basin 10A-8 Rehabilitation, Phase II, from Tinsley Park to Inman Street is budgeted at \$200,000. Also, the Basin 64-14 Rehabilitation, Phase III, Sycamore and Eldredge Drive Basins is included in FY 2021 in the amount of \$1,900,000. A major item at the Wastewater Treatment Plant is the study and design for alternative disinfection in the amount of \$430,000. This speaks to the same progressive nature at the CFP previously mentioned. The WWTP currently uses chlorine gas and staff are proposing moving to an ultraviolet (UV) disinfectant. The last significant project in wastewater is the construction of a proposed support building (wastewater, I.T. & wellness) at the corner of Frederick & Guthrie, budgeted at \$1,397,294. Architectural renderings were shown. Stinnett pointed

out an array of solar panels shown on the print. He advised CU is in discussion with TVA about partnering on a solar project. The orientation of the building would allow for installation of panels large enough to support the entire energy use of the facility. This would also give CU insight into the solar side of the business.

President/CEO Henderson wrapped up the presentation by complimenting the entire team for the work involved and being progressive in their thought process. He advised moving away from using chlorine gas at the CFP and WWTP are really significant moves for CU.

On recommendation by Henderson, David May, Jr., motioned and Joe Cate seconded for the Utility Board to approve the proposed fiscal year 2021 budget as presented. Board members voted and the motion carried unanimously. The proposed budget will now be presented to the City Council for consideration in the near future.

Approval of Purchase Order to CHM Industries, Inc.

On motion by Joe Cate and seconded by David May, Jr., the Utility Board took action to unanimously approve a purchase order to CHM Industries, Inc., in the amount of \$154,271.52 for 47 galvanized steel poles ranging in heights of 40 feet to 85 feet for the TDOT SR-60 Road Widening Project. Due to substantially long delivery times for steel poles, TDOT has requested for Cleveland Utilities to bid and purchase them prior to the letting of the project this fall in order to ensure there will be no delays in the project. TDOT will reimburse CU for the poles once they are delivered and paid. TDOT's contractor will be providing the remainder of the materials for this project. The purchase will be contingent on a signed contract from TDOT.

Approval of Purchase Order to Sherman & Reilly, Inc.

On motion by Vice Chairman Eddie Cartwright and seconded by Debbie Melton, the Board of Public Utilities voted unanimously to approve a purchase order to Sherman & Reilly, Inc. in the amount of \$130,750 for a trailer mounted, 3,000 lb., single drum puller tensioner. This apparatus will be equipped with a 45 HP diesel engine. It will be used by the line crew to pull both overhead and underground cable. Sherman & Reilly submitted the low bid meeting all minimum specifications. This is a budgeted item.

Approval of Purchase Order to Lee Smith, Inc.

On motion by David May, Jr., and seconded by Joe Cate, the Utility Board took action to unanimously approve a purchase order to Lee Smith, Inc., in the amount of \$99,303 for a 2021 model SBA conventional chassis with a 2020 model Rogers dump body. This is the budgeted replacement of unit #106 (a 2002 model). Lee Smith submitted the low bid meeting minimum specifications.

Approval of Contract with S&ME, Inc.

On motion by Debbie Melton and seconded by Joe Cate, the Board of Public Utilities voted to unanimously approve a contract with S&ME, Inc., in the amount of \$137,500. S&ME will provide SRF coordination and preliminary design documents, map book preparation, advertising, bidding, construction administration and a resident project representative as needed for Phase III of the Rehabilitation Project within Basin 10A-8, Sycamore Drive and Eldredge Drive Basins. Phase III estimated cost is \$3,500,000 and is budgeted for FY 2020 and FY 2021.

Board Member Comments

Board Member May asked Henderson if the board needs to take action to give him more authority in the event things get more difficult than anticipated during the COVID-19 pandemic. Henderson thanked May for the question and advised the Mayor’s emergency declaration opens the window for him to authorize purchase orders exceeding \$50,000 if needed prior to the next board meeting.

In closing, Chairman Ector expressed appreciation to Henderson and everyone at CU for their contributions during this time. He said, “Thank you to you and your staff and all of the employees for the efforts and all of the energy going into a situation that is uncharted territory, not only for the utility, but us as a community, nation and world. We don’t know what tomorrow holds, but we are confident by pulling together and continuing in faith it will be all right.”

OTHER BUSINESS

Future Board Meeting Dates

Future scheduled board meeting dates at the Tom Wheeler Training Center are as follows:

- Friday, May 1, 2020, 12:30 p.m.
- Friday, May 22, 2020, 12:30 p.m.
- Friday, June 26, 2020, 12:30 p.m.

Amy Ensley
Board Secretary

Dubin Bw
Board Chairman

5-1-2020
Date