

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
APRIL 26, 2019

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; Tim Henderson, President/CEO; Bart Borden, VP Electric; John Corum, VP Administrative Services; Amy Ensley, Utility Board Secretary; Craig Mullinax, VP Water & Wastewater; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Jon Sparkman, Water and Wastewater Engineering Manager; Amy Umiker, Water Coordinator; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Amy Umiker delivered the invocation.

MINUTES OF MARCH 22, 2019

On motion by Joe Cate and seconded by David May, Jr., the Board of Public Utilities voted to approve the March 22, 2019, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Introduction of New Employee Jon Sparkman

President/CEO introduced new employee Jon Sparkman who will be filling the Water and Wastewater Engineering role as a result of the upcoming retirement of Philip Luce. Sparkman is a native of Cleveland and brings a great amount of valuable experience with his work exposure over the years. He will be a great fit for the organization and community. Sparkman is married and is blessed with two sons.

National Drinking Water Week, May 5-11

Cleveland Utilities will be joining thousands of others nationwide to support National Drinking Water Week, May 5-11, and celebrate the importance of water and the central role it plays in daily lives.

Facebook Launch

Cleveland Utilities is slowly entering the social media arena through a partnership with TVA's Energy Right Solutions Department. The energy right solutions programs are being promoted to the public through Facebook. A company in Knoxville, the Tombras Group, will be managing the content throughout the six month duration of the campaign.

Building Renovation Project

The building renovations, which began in July 2018, are very close to being done with the exception of some signage. Henderson commended David Yost for a tremendous job on overseeing the operational portion of the project. The campus has a fresh new look and will be a good addition to the community.

Budget Approval Process

The Cleveland City Council voted and passed the first reading of CU's FY 2020 budget on Monday, April 22.

Better Business Bureau (BBB) Student of Integrity Scholarship Sponsor

Cleveland Utilities is sponsoring a BBB Student of Integrity Scholarship in the amount of \$1,000. The scholarship will be presented on May 1 at their Annual Meeting to a student from Walker Valley High School. CU has been affiliated with the BBB for several years and was awarded their Torch Award around three years ago.

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 May 2015 through May 2019 was reviewed. For the month of May, the residential retail electric rate will change to 9.132 cents per kilowatt-hour, a decrease of 0.25 percent over April's rate of 9.155 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 March 2019 financial and statistical statements were presented to the Utility Board. During March, the cost of purchased power as a percentage of retail sales was 78.6 percent and can be compared to the budgeted percentage of 78.7 percent for FY 2019. The results for March 2019 are electric sales revenue of \$7,857,576, which was offset by a purchased power expense of \$6,173,635. This resulted in an operating margin of \$1,683,941. Operating expenses for the month were \$1,814,365. These revenue numbers were driven by a customer base of 31,691. The net income for the month was \$55,814 and can be compared to a budgeted net income of \$218,971.
3. For March 2019, water sales revenue was \$1,034,048. Other revenue sources contributed an additional \$184,120 for the month. Operating expenses for March totaled \$1,424,916. These revenue numbers were driven by a customer base of 31,990. The division recorded an operating loss of \$206,748, which is compared to a budgeted operating loss of \$41,603. Stinnett noted this is directly tied to sales. Volume fell off in the month far below what was predicted, which staff will continue to research and monitor.
4. For March 2019, wastewater treatment revenue was \$898,350. Other revenue sources contributed an additional \$114,561 for the month. Operating expenses for March were \$1,075,574. This is compared to the budgeted amount of \$1,001,180. These revenue numbers were driven by a customer base of 19,160. The division recorded an operating loss of \$62,663, which is compared to a budgeted operating income of \$117,258 for the month. This is to be expected since the wastewater division is directly correlated with the water division.

Electric Division

Bart Borden reported on the following:

1. Material issues for the Spring Branch Industrial Park Innovation Drive Distribution Lines Project were submitted to accounting on April 17. Therefore, the final financials will be updated at the next board meeting.
2. A Service Electric crew completed the replacement of high pressure sodium street light fixtures with LED fixtures for the Peerless Road LED Street Lighting Conversion Project. After their work was completed, the need for one additional fixture and the re-aiming of another was identified. Staff is very pleased with the results of the project. The energy savings and reduction in maintenance costs are being tracked.
3. The Lang Street to District Substation Transmission Line Replace Project, Phase II, is presently on hold awaiting delivery of the steel poles.
4. Design work for the Valleyhead V-234 underground feeder conductor upgrade has begun. The project will consist of upgrading the existing #750 copper underground conductor for the V-234 circuit and replacing it with parallel runs of #500 copper conductor that will be triplexed. This will increase the circuit capacity from 708 amps to 928 amps at 13,200 volts. This circuit

is utilized as a backup feed to a very large industrial customer normally served out of Mars Chocolate Substation.

5. Crews installed 5,600 feet of underground primary conductor and two pad-mount transformers west of Bradley Square Mall to serve a new commercial complex. Permanent service was provided to the new 80 kW load for TJ Maxx, 70 kW for Ulta Beauty, 40 kW for Five Below and 90 kW for PetSmart.
6. Work orders were issued to provide electric service for four commercial businesses. Pad-mount transformers and underground primary conductors will be installed for all four operations. Westmore Church of God Sanctuary will receive a 300 kVA transformer to serve the new 275 kW load; Paul Huff Corners Development, two 150 kVA transformers to serve the projected new 250 kW load; Office Buildings at 4462 Keith Street NW, a 15 kVA transformer to serve the new 15 kW load; and Raceway Fueling Station will receive a 150 kVA transformer to serve the new 90 kW load.
7. Line construction crews installed underground primary and a 37.5 kVA pad-mount transformer to serve four new lots in the Arthur's Mill Subdivision located on Lead Mine Valley Road SE. The expected new load when built out is 40 kW.
8. An update was provided for the Cherokee Gateway Substation. CU was notified in March by Substation Engineering and Design that the steel structures had been manufactured and bus work, switches and equipment were delivered to them and all were ready to ship. Due to delays with the fencing, walls and ground grid installation, CU was unable to take delivery. The supplier agreed to hold the materials provided payment was made. Employees from engineering and operations were sent to inspect all the material and approve them prior to payment. Inspections passed and payment has been made.
9. The 50 year old fencing and gate have been replaced at the Power Service Center rear lot access. The new gate, fence and slats look really good and will provide added security to CU's operation.
10. CU Standby Supervisors participated in TVA's required emergency load curtailment drill on March 27. The planned drill prepares local power companies to respond to emergencies when load shedding may be required. The training session is a NERC requirement.
11. A report was presented regarding traffic lighting:
 - Due to the road project at the 25th Street and Georgetown Road intersection, additional signal heads will be required of the signal contractor that was awarded by TDOT. To prepare for this, Cleveland Utilities will be replacing the existing traffic control cabinet and signal conductors to accommodate the addition of the signals.
 - CU traffic light crews installed radar detection at the APD-40 and McGrady Drive intersection in conjunction with TDOT's resurfacing project on APD-40. Also, the City of Cleveland conducted a sight distance study and the results allow for the removal of the "No Right Turn on Red" restriction from McGrady onto APD-40 when safe passage is available. The stop bars will be moved to accommodate the change in passage and should really help with the traffic flow.

Water Division

Craig Mullinax reported on the following:

1. TriCon Construction has completed the new maintenance building at the Wastewater Treatment Plant (WWTP). The project cost was \$362,409.

2. Cherokee Construction completed the screening compactor area site improvements at the WWTP at a lump sum of \$53,328.
3. Haren Construction has completed 95 percent of the Flocculation/Sedimentation Basin Improvements Project at the Cleveland Filter Plant (CFP). A substantial completion meeting was held with CU staff today at 10:00 a.m. to make note of any remaining items requiring attention.
4. W&O Construction has completed the Raw Water Pump Station Project at the CFP. Final payments have been made in the amounts of \$78,020 and \$16,400 for the materials and construction respectively.
5. A meeting was held with AEED on April 2 to discuss the scope of work for the HVAC improvements at the CFP. AEED is now in the design phase.
6. A deconfliction meeting with TDOT is scheduled for May 2 concerning the Georgetown Road Utility Relocation Project from Davis Circle to Eureka Road. The project has a tentative bid date in August.
7. A project status meeting is scheduled for April 30 with CTI Engineers regarding the Cherokee Gateway Boulevard Water Storage Project.
8. Mayse Construction has completed 35 percent of the installation for the 2010 Annexation Sewer Project on APD 40.
9. The easement acquisition process is ongoing for the 2010/2012 Annexation Project on Benton Pike and Durkee Road. CU has acquired 5 of the 39 required easements. The design has been revised to eliminate some easements.
10. Engineering is reviewing the following plans:
 - Huff Avenue Townhomes (8 units) on Huff Avenue, consisting of 391 feet of 8-inch sewer main and 529 feet of 6-inch water main.
 - Barker Development on Georgetown Road and Paul Huff Parkway comprising one commercial lot and 637 feet of 8-inch sewer main and 583 feet of 8-inch water main.
 - Georgetown Place Apartments on Villa Drive. The water mains are being evaluated to determine whether they will be public or private.
11. Engineering approved plans for Stone Creek, Phase 3, on New Murraytown Road. The project scope includes 35 lots, 1,230 feet of 6-inch water main, 300 feet of 2-inch water main and 1,984 feet of 8-inch sewer main.
12. Several projects under construction are now complete including the Spring Branch Industrial Park, Fulbright Crossing, Greywood Farms Subdivision and Paul Huff Corners. The sewer project for Bradley Place at Bradley Square Mall has begun and is approximately 10 percent complete. The scope is 900 feet of 8-inch sewer main.
13. An update was provided for Phase 1 of the ongoing Basin 10A-8 Rehabilitation Project. The contractors have completed 96 percent of the service lateral rehabilitation and 59 percent of the manhole rehabilitation.
14. The Meter Department set 45 meters through March 2019 compared to 54 for March 2018 and 44 for March 2017. A total of 263 meters have been set for FY 2019. Of the 45 meter sets, 30 were single-family homes, 6 were townhomes, 7 were apartments and 2 were commercial.
15. The total amount of rainfall recorded at the CFP as of April 24, 2019, was 3.97 inches for the month (1.22 inches below average). This brings the yearly total to 26.97 inches, which is 7.11 inches above average.

NEW BUSINESS

Approval of Engagement Letter for Fiscal Year 2019 Audit

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Utility Board voted to approve an engagement letter to audit Cleveland Utilities' accounts for the year ending June 30, 2019, for the contract amount of \$36,000 with the certified public accounting firm of Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC. There has been no increase in price for several years.

Approval of Purchase Order to Altec Industries

On motion by David May, Jr., and seconded by Joe Cate, the Utility Board took action to approve a purchase order to Altec Industries in the amount of \$255,590 for a bucket truck to replace Unit #118. The new truck will be a 2019 chassis equipped with an insulated aerial device. This unit will provide a working height of 60 feet. Altec Industries submitted the low bid meeting all specifications, and this is a budgeted item.

Approval of Resolution No. 2019-02

On motion by David May, Jr. and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve Resolution No. 2019-02 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 \$1,771,000 loan for the Durkee Road Sewer Extensions Project. The project is budgeted for FY 2019 in the amount of \$30,000 and FY 2020 in the amount of \$1,670,000.

Approval of a Contract with S&ME Inc.

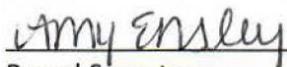
On motion by Joe Cate and seconded by David May, Jr., the Utility Board took action to approve a contract with S&ME Inc. in the amount of \$988,560 for the Sanitary Sewer Evaluation Study (SSES) in the Sycamore Drive and East Keith Street Basins. The project is budgeted for FY 2019 and FY 2020.

OTHER BUSINESS

Future Board Meeting Dates

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

- Friday, May 24, 2019, 12:30 p.m.
- Friday, June 28, 2019, 12:30 p.m.
- Friday, July 26, 2019, 12:30 p.m.



Board Secretary



Board Chairman

5-24-2019

Date