

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
SEPTEMBER 27, 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; Debbie Melton, Cleveland Utilities Board; Tim Henderson, President/CEO; John Corum, VP Administrative Services; Amy Ensley, Utility Board Secretary; Craig Mullinax, VP Water & Wastewater; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Jimmy Isom, Electric Engineering Manager; Lisa Coffey, Water Treatment Plants Supervisor; Karen Hall, Industrial Pretreatment Coordinator; Darrell Hubbard, Operator; Pete Sampson, Operator; Matt Slifko, Chief Operator; Mike Ward, Wastewater Treatment Plant (WWTP) Supervisor; Mark Wells, Lab Analyst; Mark Lay, Arnett, Kirskey, Kimsey, Sullivan, Lay & Hall, PLLC; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Karen Hall delivered the invocation.

MINUTES OF AUGUST 23, 2019

On motion by Vice Chairman Eddie Cartwright and seconded by Debbie Melton, the Board of Public Utilities voted to approve the August 23, 2019, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

80th Anniversary Customer Appreciation Day Reminder

The Customer Appreciation Day will be held next Friday, October 4, from 10 a.m. to 2 p.m. Mix 104.1 will be onsite doing a live broadcast for two hours. There will be giveaways, service offering information, energy efficiency workshops, food, kona ice, etc., to enjoy as part of the festivities.

Columbus Day Holiday

Cleveland Utilities will be closed on Monday, October 14, 2019, in observance of Columbus Day. The Call Center will be open and regular emergency/standby services will be maintained 24/7.

CU Annual Picnic

Cleveland Utilities' Annual Family Picnic is scheduled for Thursday, October 24, 2019, at Fletcher Park beginning at 5 p.m. This is the seventh year the event has been held at this venue. Jordan's BBQ will be catering the food.

Cleveland Water Filter Plant 2019 Award of Excellence

Each year, The Kentucky/Tennessee Section of the American Water Works Association (AWWA) recognizes the contributions of utility water professionals and rewards those who have excelled in the industry. At the Water Professionals Conference, Cleveland Utilities was awarded the "2019 Award of Excellence in Water Treatment Plant Operations" in the medium plant size category.

CU was nominated and selected for the award based on criteria such as management, records, appearance, regulatory compliance, and the overall quality of plant operations. The CU Water Plant and Water System has also earned scores of 100 percent for the last three years on the Tennessee Department of Environment and Conservation's onsite review and evaluation of the water source, facilities, equipment, as well as the operation and maintenance of a public water system. The operational crew at the CU Water Treatment Plant consists of five state licensed water treatment plant operators and two operator trainees.

Lisa Coffey, Pete Sampson and Matt Slifko were in attendance as part of this acknowledgement. CU has a total of 12 operators between the Hiwassee Water Treatment Plant and the Cleveland Filter Plant. Coffey stated each operator at the water plants demonstrate a great sense of stewardship not only toward their responsibilities in providing a safe and quality drinking water but also in providing a service to the community. Everyone congratulated and expressed appreciation on this accomplishment.

Wastewater Treatment Plant (WWTP) Operational Excellence Award

The Clean Water Professionals of Kentucky & Tennessee bestowed the Operational Excellence Award to Cleveland Utilities for continued outstanding operation of the Hiwassee Wastewater Treatment Plant during the period of January 1, 2018, through December 31, 2018. The Wastewater Treatment Plant has received this award numerous times, but this is for two consecutive years.

The achievement of this award is very significant and extremely difficult to obtain. It is a direct reflection of the operations and maintenance staff at the WWTP. The facility is operated 24/7/365. CU is issued a National Pollutant Discharge Elimination System (NPDES) permit by the State of Tennessee and the U.S. Environmental Protection Agency (EPA). This permit requires wastewater to meet very stringent water quality criteria before being discharged into the Hiwassee River. The NPDES permit contains 3,853 individual discharge requirements that must be in compliance during the year. To qualify for this award, the utility is allowed only one exceedance; however, they completed the year with zero. This award is conferred to recognize the dedication, resolve, and outstanding effort of the employees of the WWTP.

Mike Ward, Darrell Hubbard, Mark Wells and Karen Hall were in attendance for this special recognition. Ward advised this is a true team award and it is shared with personnel from operations, maintenance and environmental compliance. Appreciation was expressed to all involved.

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 2015 through October 2019 was reviewed. For the month of October, the residential retail electric rate will change to 8.995 cents per kilowatt-hour, a decrease of 7.66 percent over the rate of 9.741 cents per kilowatt-hour for September. This rate change is driven by TVA's Fuel Cost Adjustment and the change to the transition month rates. As a continued trend, Cleveland Utilities will pass the TVA Fuel Cost Adjustment to its consumers.
2. The August 2019 financial and statistical statements were presented to the Utility Board. During August, the cost of purchased power as a percentage of retail sales was 77.7 percent. This can be compared to the budgeted percentage of 77.5 for FY 2020. The results for August 2019 are electric sales revenue of \$9,983,898, which was offset by a purchased power expense of \$7,760,583. This resulted in an operating margin of \$2,223,315. Operating expenses for the month were \$1,727,380. This is compared to a budgeted operating expense of \$1,815,145. These revenue numbers were driven by a customer base of 31,978. The net income for the month was \$688,448 and can be compared to the budgeted amount of \$641,627.
3. For August 2019, water sales revenue was \$1,464,390. As a comparison, the budgeted amount was \$1,438,989. Other revenue sources contributed an additional \$171,903 for the

month. The division serviced 32,313 customers. Operating expenses for August totaled \$1,347,054. This is compared to the budgeted amount of \$1,313,413. The division recorded an operating income of \$289,239, which is compared to a budgeted operating income of \$270,917.

4. For August 2019, wastewater treatment revenue was \$1,113,941. Other revenue sources contributed an additional \$105,300 for the month. The division serviced 19,383 customers. Operating expenses for the month were \$982,924 and can be compared to a budgeted amount of \$1,027,319. An operating income of \$236,317 was recorded, which is compared to a budgeted operating income of \$182,901 for the month.

Electric Division

Jimmy Isom presented the Electric Report in the absence of Bart Borden. Electric Operations Manager Dean Watson was originally scheduled to deliver the report; however, he had an uncle pass away. Isom requested prayers for Watson and his family.

1. The concrete pillar foundation work at the Cherokee Gateway Substation site is approximately 95 percent complete. All that remains is the application of concrete sealer and backfilling around the pillars. Concrete pads for the power transformers and switch house will also be bid and awarded once the pad details are known. After completion of the concrete foundations, CU substation personnel will begin the installation of the copper grounding grid.
2. In reference to the Lang Street to District Substation Transmission Line Replacement Project, Phase II, CU crews have completed the framing and installation of all steel transmission poles and are making preparations to begin wire pulling operations. All but two of the old poles have already been pulled to aid in the installation of the new parallel #556 AAC conductor.
3. All necessary materials for the Valleyhead V-234 Underground Feeder Conductor Upgrade Project have been received, and Operations personnel are ready to begin the work. The start of the project has been delayed, however, due to the unusually hot weather and the increased risk to system reliability to take Valleyhead Substation out of service while system loads remain high. The scheduled work will take place as soon as cooler temperatures arrive.
4. Engineering is working with a customer regarding the installation of a new asphalt plant on Boss Road off South Lee Highway. The estimated electric demand of the facility is 350 kW, and the customer has the option to purchase the transformer or sign a power contract due to the plant not operating year round. The customer has agreed to underground service, and approximately 800 feet of conduit will be installed by the customer. Details of the electrical facilities will be finalized in September.
5. CU operations crews installed 750 feet of #1/0 aluminum underground primary and a 225 KVA 277/480 volt pad-mount transformer to serve a new medical office building on Holiday Inn Express Way Lane. The customer's secondary conductors will be connected once a good electrical inspection has been received. The expected demand of this new building is 190 kW.
6. Engineering personnel met with a developer regarding electrical service for seven lots in Spring Crossing Subdivision on 21st Street SE that will house two, 2-unit townhomes and five, 3-unit townhomes. Initial plans are to install 410 feet of underground primary, 170 feet of underground secondary and two pad-mount single phase transformers. Additional secondary will be installed as the townhomes are constructed.
7. Stubbs Construction Services completed the installation of the new chain link security fencing around the back lot at the Harrison Building on Freewill Road NW. Additionally, CMS Utility Services completed the installation of the new pole rack storage system which consisted of

performed concrete bases and steel rails. Crews will now begin the relocation of stock transmission poles and equipment to the Harrison property to free up needed storage space on the lower pole yard.

8. A report was presented regarding traffic lighting:
 - A work order has been issued to allow a right turn on red at APD-40 and McGrady Drive. The dual right turn signal heads were relocated to better align with the two turn lanes, and signage was replaced to indicate “Right Turn on Red Arrow After Stop.”
 - Traffic Signal Coordinator Tad Bacon met with a representative of Bike/Walk Cleveland to program bicycle detection at intersections along Keith Street that had dedicated bike lanes on both the north and southbound approaches where radar detection was present. The intersections of Keith at Ocoee Crossing, Keith at Raider and Keith at Willow now have working bicycle detection that will hold the signal green and allow a bicycle to safely cross north or southbound when traveling inside the marked bike lanes.
9. As in July, there was a large amount of activity in the site plan and plat review process for the month of August. Several to note were Quail Ridge Subdivision off North Lee Highway, the Morrison Lane Apartments on Morrison Lane NE, Cobblestone Phase 1 located off Old Chattanooga Pike, the Murray Ridge Subdivision off Johnson Boulevard, Dashwood Subdivision off Weeks Road, the new Veterans Home off Westland Drive and the new Harbor Freight on Wyatt Road off Mouse Creek Road. Copies were available for viewing.

Water Division

Craig Mullinax reported on the following:

1. J.R. Wauford & Company has completed the blower system study for the Wastewater Treatment Plant. CU currently manually throttles air valves to reduce energy costs. J.R. Wauford’s team looked at two alternatives to maximize the efficiency of the blowers. Alternative 1 consisted of installing dissolved oxygen sensors and automatic throttling valves in the amount of \$490,000. Alternative 2 was to install new turbo blowers in the amount of \$1,700,000. CU is going to budget Alternative 1 in FY 2021.
2. W&O Construction has completed the rehabilitation of spiral lift pump no. 205 at the WWTP in the total contract amount of \$62,800. CU is awaiting the final invoice.
3. AEED Inc. submitted the final drawings for the Cleveland Filter Plant HVAC improvements to CU on September 20, 2019. The project will be advertised for bids in the near future.
4. In reference to the Georgetown Road Utility Relocation Project, four easements will need to be obtained. CU’s engineering staff has started the process.
5. CTI Engineering has completed the design for the Cherokee Gateway Boulevard Water Storage Tank. A few minor electrical revisions are required, and the plats and easements are being prepared. CU will be ready to meet any needs to serve future occupants in the Spring Branch Industrial Park.
6. Hampton Backhoe has completed the work for the Candies Lane Water Main Relocation Project which developed as a result of the city making improvements to Candies Lane. Mullinax presented a slide and highlighted the process. Two services had to be temporaried for about one month, and two manholes will be raised when grading is complete. The final invoice has not been received.

7. Yesterday, the city installed drainage infrastructure at the intersection of Georgetown Road at 25th Street. CU crews relocated a 6-inch water line on Georgetown Road and an 8-inch water line on 25th for this section of the city's improvement project.
 8. Another slide was presented concerning the Norman Chapel Road NW 12-inch waterline extension. The city is completing a drainage improvements/curb/sidewalk project on Norman Chapel Road that is in conflict with CU's waterlines. In order for the city's contractor to continue with the work, CU needs to move as quickly as possible with the new proposed waterline installation. This is an item under new business.
 9. Hampton Backhoe is scheduled to begin the Haney Road Sewer Line Extension Project the week of September 30.
 10. Engineering approved the following plans:
 - Quail Ridge Subdivision on North Lee Highway which includes 33 lots, 1,250 feet of 6-inch water main, 658 feet of 8-inch gravity sewer main and 650 feet of 2-inch sewer force main. River Stone Construction, LLC, is the developer.
 - The Haven @ The Grove, Phase 2, on North Lee Highway comprising 1,200 feet of 6-inch PVC/DIP water main and 520 feet of 8-inch gravity sewer main.
 11. An update was provided for the following developments under construction:
 - The Bradley Place Project at Bradley Square Mall is now complete. A total of 900 feet of 8-inch sewer main was installed and the 10-inch water main was relocated.
 - Barker Development on Georgetown Road and Paul Huff Parkway is also complete. The project included 637 feet of 8-inch sewer main and 583 feet of 8-inch water main.
 - Cherry Glen Townhouses (formerly Huff Avenue Townhouses) on Huff Avenue has been delayed due to availability of contractors and other factors. The project scope is 391 feet of 8-inch sewer main and 529 feet of 6-inch water main.
 12. A report was provided for the ongoing Wastewater Rehabilitation Project:
 - Phase 1 of the Basin 10A-8 Rehabilitation Project has been completed. Final paperwork is being compiled to close out the project.
 - Contracts have been signed for the Basin 10A-8 Phase 2 Rehabilitation Project. A preconstruction conference was held September 17, and a notice to proceed was issued for September 18.
 - In reference to the Sycamore Drive and East Keith SSES Project, manhole inspections have stopped due to the extremely dry weather; this is typically a wet weather activity. Smoke testing has begun and should be completed this month.
1. The Meter Department set 27 meters through August 2019 compared to 22 for August 2018 and 30 for August 2017. Of the 27 meter sets, 18 were single family homes, 3 were irrigation and 6 were commercial.
 2. The total amount of rainfall recorded at the CFP as of September 24, 2019, was 1.75 inches for the month. This brings the yearly total to 66.18 inches. It has been really dry for the past three to four months. Beginning August 29 through today, there was no rainfall except for 1.0 inches on September 10 and 0.75 inches on September 26. As a result of the lack of rainfall, the water demand continues to be very strong.

OLD BUSINESS

Presentation of FY 2019 Audit Report by Mark Lay

Mark Lay, representing Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC, reviewed the Required Auditors' Communications in relation to the 2019 audit report. He reported the financial statements present fairly, in all material respects, the respective financial position of each major fund and the aggregate fund information of the Board of Public Utilities as of June 30, 2019 and 2018. Lay expressed appreciation to Stinnett and his staff for their cooperation and commended them for the good job on preparation of the financial statements.

Both divisions experienced an increase in net position for the year. The increase in the Electric Division was \$4,021,087, and the Water and Wastewater Divisions was \$2,732,739. In 2018, the Board adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which had a negative impact on the net position of both divisions in 2018. The Water Division ended FY 2018 with a negative unrestricted net position. Lay advised he was glad to report both divisions had a positive balance in the unrestricted net position for 2019.

The Other Post-Employment Benefits (OPEB) Trust grew by \$700,575 in FY 2019, largely from employer contributions made to the fund. The 2018 balance was \$388,647, and as of June 30, 2019, the balance was \$1,089,222. As the trust is funded, the OPEB liability will reduce on the balance sheet. Lay applauded CU for taking this step and the continued commitment to funding the OPEB trust, and Chairman Ector expressed appreciation to Stinnett. A new schedule included in the audit this year and required by the state is *Changes in Long-Term Debt By Issue*.

Henderson thanked Lay and his firm for the partnership and work they perform. Board members were advised to contact Lay if there are any questions. The acceptance of the audit report will be voted on at the next board meeting.

Approval of Contract with CSL Services, Inc.

On motion by David May, Jr., and seconded by Joe Cate, the Board of Public Utilities voted unanimously to approve a contract with CSL Services, Inc., in the amount of \$115,500 for long term flow monitoring of 19 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 that flow is being eliminated. CU has been under contract for the last six years with CSL Services, Inc. Their annual unit prices have remained the same for the last five years. The monitoring is budgeted for FY 2020 in the amount of \$110,000.

NEW BUSINESS

Approval of Purchase Order to Superior Concrete Products

On motion by Vice Chairman Eddie Cartwright and seconded by Debbie Melton, the Utility Board took action to approve a purchase order to Superior Concrete Products in the amount of \$128,070 for the installation of a concrete screening wall at the Valleyhead Substation. The cost includes engineering, permits, materials, installation, footings and freight for the project. Superior Concrete Products submitted the low bid meeting all specifications. This is a budgeted item for FY 2020. A portion of the cost will be reimbursed from a neighboring property developer.

Approval of Purchase Order to Altec Industries

On motion by Joe Cate and seconded by David May, Jr., the Board of Public Utilities voted unanimously to approve a purchase order to Altec Industries in the amount of \$185,075 for a 2020 Ford F550 XL 4x4 Super Cab Chassis equipped with an insulated 46-foot working height, telescopic aerial platform lift. This unit will replace the existing Unit #138, which will be sold on GovDeals. The

purchase is being made through Sourcewell, formerly National Joint Powers Alliance (NJPA), and is a budgeted item.

Approval of Purchase Order to Versalift Southeast

On motion by Debbie Melton and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a purchase order to Versalift Southeast in the amount of \$153,644 for a 2020 Ford F550 XL 4x4 Super Cab Chassis equipped with an insulated 45-foot working height, telescopic aerial platform lift. This new unit will be identified as #137 and is the budgeted replacement of the existing standby truck #143, which will be retained and utilized as a daytime service truck. The purchase is also being made through the Sourcewell Contract and is budgeted for FY 2020.

Approval for Water Main Installation Project on Norman Chapel Road

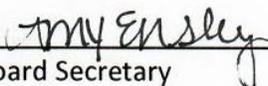
On motion by David May, Jr., and seconded by Joe Cate, the Board of Public Utilities voted to approve for CU to proceed with work based on an estimate in the amount of \$281,025 for the installation 2,145 lineal feet of 12-inch ductile iron water main on Norman Chapel Road. The timing of this project is critical and necessary due to the City of Cleveland's sidewalk and storm drainage project extending along Norman Chapel Road from Peerless Road to Westside Drive NW. There will be underground conflicts between the storm drainage system and the existing waterline. Cleveland Utilities will be upsizing the proposed water main. The project is not budgeted, but will be funded from the Annual Capital Improvement Program account budget of \$300,000. Henderson pointed out CU will benefit and the water system will be strengthened as a whole by upsizing the line. Mullinax advised bids for this project will be opened on October 3. Cate asked what would happen if the bids come in above the estimate. Henderson advised he has the authority to approve any individual change order up to a maximum amount of \$50,000, not to exceed 10% of the original contract price. Chairman Ector advised a called board meeting could be held if necessary.

FUTURE BOARD MEETING DATES

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

Friday, November 1, 2019, 12:30 p.m.

Friday, November 22, 2019, 12:30 p.m.


Board Secretary


Board Vice Chairman

11-1-19
Date