

**FAYETTEVILLE CITY COUNCIL
SPECIAL MEETING
MINUTES
COMMISSION CONFERENCE ROOM
PWC MAIN MEETING ROOM, 1ST FLOOR - 955 OLD WILMINGTON ROAD
FEBRUARY 20, 2008
5:00 P.M.**

Present: Mayor Anthony G. Chavonne
Council Members Keith A. Bates, Sr. (District 1); Council Members Charles E. Evans (District 2); Robert A. Massey, Jr. (District 3); Darrell J. Haire (District 4); Bobby Hurst (District 5); William J. L. Crisp (District 6); Valencia A. Applewhite (District 7); Theodore W. Mohn (District 8); Wesley A. Meredith (District 9)

Others Present: Kyle Sonnenberg, Assistant City Manager
Karen M. McDonald, City Attorney
Lisa Smith, Chief Financing Officer
Steve Blanchard, PWC CEO/General Manager
Michael G. Lallier, PWC Commission Chair
Wilson Lacy, PWC Commission Vice Chair
Terri Union, PWC Commission Secretary
Luis J. Olivera, PWC Commission Treasurer
Press

1. CALL TO ORDER

Mayor Chavonne and Mike Lallier, Chairman of the Public Works Commission, called the joint meeting between the City Council and Public Works Commission to order.

2. APPROVAL OF AGENDA

MOTION: Council Member Meredith moved to approve the agenda.

SECOND: Council Member Mohn

VOTE: UNANIMOUS (10-0)

3. PROPOSED TRANSFER AGREEMENT

Steve Blanchard, PWC CEO/General Manager, stated there was currently no formal written transfer agreement between the City and PWC. Mr. Blanchard provided a detailed review of a proposed transfer agreement that outlined how payment in lieu of taxes and streetlight services costs would be handled by PWC and the City.

Mr. Blanchard explained the existing methodology used to transfer money to the City's general fund. Mr. Blanchard stated PWC currently calculates five percent (5%) of gross electric sales for residential, commercial and industrial customers, plus the cost of streetlight services inside the City of Fayetteville. Mr. Blanchard stated under the proposed methodology, the amount transferred to the City would be based on electric fund assets, not revenue, and the proposed transfer formula would be four percent (4%) of PWC's electric fund net assets based on the annual audit. Mr. Blanchard further stated under the proposed agreement, the City would pay street lighting costs inside the City. Mr. Blanchard reviewed the transfer history for the past ten years and the projected ten-year growth.

Mr. Blanchard highlighted the benefits from the proposed transfer agreement as follows:

- First written agreement that reflects financial procedure by the City and PWC.
- Written agreement eases the concerns of the Bond Rating Agencies when reviewing the City and PWC's Bond Rating.
- Uses the audited financial statements to calculate future transfers.
- Payment in lieu of taxes would be based on net electric assets instead of revenues.
- Removes the negative relationship between rates and payments to the City.
- Removes the negative relationship weather has on gross electric revenues and payments to the City.
- As PWC grows, the City transfer grows.

Mr. Blanchard stated PWC and City staff were still working to finalize the transfer agreement and would bring the document back to Council and the PWC Commission for consideration and approval.

Discussion ensued. Mr. Blanchard responded to a variety of questions from Council regarding the proposed transfer agreement and issues related to streetlights.

4. PHASE V SANITARY SEWER SCHEDULE AND FUNDING PLAN

Mr. Blanchard discussed the proposed Phase V sanitary sewer schedule and funding plan. Mr. Blanchard stated in reviewing the proposed schedule and funding plan for the remaining projects in Phase V, it was decided to install water and sewer at the same time and to downsize the projects from 1,000 homes every two years to 500 homes per year for 14 years (7,000 homes total). Mr. Blanchard commented that approximately 600 homes in the project needed water.

Mr. Blanchard reviewed the project guidelines and stated the City and PWC would share equally in the cost to get sewer installed to the residents in Phase V. Mr. Blanchard also commented assessments for this project were capped by City Council at \$5,000 per lot and it was the City's responsibility to order the assessments. Discussion ensued regarding assessments.

Discussion continued regarding strategies developed to fund and manage the Phase V project. Mr. Blanchard stated a Capital Project Fund would be established to manage the project funds and all expenses would be paid out of the fund. Mr. Blanchard further stated in addition to assessments, bond money would be used to help pay for the project. Mr. Blanchard explained PWC would also budget \$1.5 million per year for the project and due to escalation in construction costs, PWC would escalate their contribution by 3% per year, with a cap of \$3 million per year until the total commitment was completed. Mr. Blanchard further explained the City would commit the anticipated increases in Electric Fund Transfers until their total commitment was complete.

Mr. Blanchard reviewed the latest project cost for the remaining projects in Phase V annexation as outlined below:

- Total project cost: \$132 million
- Total assessments: \$ 35 million
- Financing proceeds: \$116 million
- Debt payments: \$226 million
- PWC contribution: \$ 89 million
- City contribution: \$ 89 million

Council and Commission were reminded the 14-year project consisted of approximately 7,000 lots and the construction completion date was Fiscal Year 2023. Mr. Blanchard noted City funding would end in Fiscal Year 2032 and PWC funding would end in Fiscal Year 2046. Mr. Blanchard stated PWC would manage the total project, including all financial risks, until the project was completed.

Mr. Blanchard commented City and PWC staff worked together to come up with the proposed project schedule and funding plan. Mr. Blanchard state the information would be put into an agreement and would be presented to the Commission and Council for consideration at a later date.

5. OTHER BUSINESS

There was no other business.

6. ADJOURNMENT

MOTION: Council Member Crisp moved to adjourn.

SECOND: Council Member Hurst

VOTE: UNANIMOUS (10-0)

There being no further business, the meeting adjourned at 6:35 p.m.