

ORANGEBURG CITY COUNCIL AND DPU
BUDGET WORKSHOP SESSION MEETING MINUTES – JULY 14, 2020

2915

Orangeburg City Council and the Department of Public Utilities held a Budget Workshop Session Meeting on Tuesday, July 14, 2020 at 9:00 a.m. via GoToMeeting with Mayor Michael C. Butler presiding.

PRESENT: Michael C. Butler, Mayor
Dr. Kalu Kalu, Mayor Pro Tem

PRESENT BY TELEPHONE: Councilmember Bernard Haire
Councilmember Jerry Hannah
Councilmember L. Zimmerman Keitt
Councilmember Sandra P. Knotts
Councilmember Richard F. Stroman

Mayor Butler welcomed everyone to the meeting and took a roll call.

Manager Harley thanked City Council for joining the meeting and informed them that the DPU would like to get their input on what we are doing. He introduced Mr. Daniel Driggers, DPU Budget Director to City Council and introduced everyone else on the call. Manager Harley stated that we will begin in the order of the Directors. Our goals are always to focus on the safety of our employees and customers. We strive to be efficient, effective and innovative to create system reliability. We invest in things that keep our system running and our people safe. Manager Harley stated that we always want to focus on development and we have plans to begin our strategic planning process. He asked if there were any questions.

Director Josh Nexsen informed City Council of the Goals and Objectives of the DPU. He stated that our purpose is to meet the obligations of the DPU and to ensure that it remains as one of the most respected utilities in South Carolina. This budget allows us to continue providing quality utility services to our customers at just and reasonable rates and lays the foundation for the future. He stated that there are two parts to the Budget; the Operational Budget and the Capital Budget. The economic impact of COVID-19 has significantly impacted the current year we are in from March on which is right at the halfway mark and we believe it will affect the next year as well with some significant economic impacts in the Orangeburg area. The DPU's bad debt has historically been around \$100,000 - \$150,000 and we are estimating a significant increase in that number in the upcoming year. The DPU did not do collections for around three months and even though we are doing collections going forward, we understand the hardships people and businesses are going through and are trying to work with them by giving them long lenient payment terms so they can remain in good standing with the DPU. The cost of the purchase of gas and electricity are projected to decrease slightly in the upcoming year. Total expenses are projected to increase slightly mainly due to the increase in depreciation and few operating expenses). The Budgeted 2020-2021 Operational Statement of New Position is as follows: Total Revenues - \$98,789,400; Cost of Sales - \$47,701,000; Operating Expenses - \$37,365,017; Non-operating Income (Loss) - \$457,000; Net Profit before Transfers - \$13,266,383. Capital Contributions Transfer – General Fund - \$5,600,000. Net Profit after Transfers - \$7,666,383. The Overview of Budgeted Cash-flow Statement is as follows: cash provided by operations is budgeted to decrease; General Fund transfer is budgeted to remain the same; cash used for capital improvements is budgeted to decrease; total cash is budgeted to be drawn down by \$11,184,800 during FY20-21.

Administrative Division – Director Josh Nexsen

Director Nexsen informed City Council that the Administrative Division has two projects.

Administrative Division Project #1 – DPU Operations Center Crew Quarters and Assembly Building (Previously Approved Project) – Cont’d.

2916
Director Nexsen stated that this project got off to a late start but is now in process. The Crew Quarters are being built to accommodate the DPU for the next 50 years.

Administrative Division Project #2 – Main Office Datacenter Replacement Project (Proposed Project) - New

Director Nexsen informed City Council that this is a new project. Our current datacenter will be unsupported after December 31, 2020. The new datacenter will provide better performance to the operations of the DPU and includes warranty and support for 7 years fully covered by the manufacturer. This project is estimated to take 3-6 months to complete and the cost is \$600,000.

Capital Project Budget – Administrative Division

Director Nexsen stated that Project #1 – DPU Operations Center Crew Quarters total project cost is \$15,000,000 and the expenditures to date is \$11,550,000 and the proposed expenditures for FY20-21 is \$3,450,000. Project #2 – Datacenter Replacement Project total project cost is \$600,000 and the proposed expenditures for FY20-21 is \$600,000.

Electric Division – Director Wade Holmes

Director Holmes informed City Council that the Electric Division has seven projects.

Electric Division Project #1 – Rebuild – Substation #1 (Bull Street) (Previously Approved Project) - Completed

Director Holmes stated that this project was completed in March 2020 and is online and operating without any problems.

Electric Division Project #2 – Rebuild – Substation #12 (Berry Street) (Previously Approved Project) - Completed

Director Holmes stated that this project was completed in March 2020 and is online and operating without any problems.

Councilmember Hannah asked on these two projects if the \$100,000 the actual closeout amounts or an estimate. Director Holmes stated an estimate. Manager Harley stated that Substation #1 and Substation #12 were at their end of life; they are now no longer a problem.

Electric Division Project #3 – Rebuild – Substation #18 (SI Group) (Previous Approved Project) – Cont’d.

Director Holmes stated that the rebuild for Substation #18 will be on Substation #4 property and will add a significant level of distribution reliability. This system will backup Substation #9 and will be on the 115kV transmission loop.

Electric Division Project #4 – Rebuild – Substation #20 (Previously on Hold) - New

Director Holmes informed City Council that this project is a transformer upgrade and is part of the overall system improvement plan. This project is to re-purpose the existing power transformer which is 30 years old on-site to serve an industrial customer. It will add a significant level of distribution reliability for Industrial Parks and the Wastewater Treatment Plant. Councilmember Kalu asked what the cost of this project is and Director Holmes stated \$3.2 million.

Electric Division Project #5 – New Substation #25 – Consolidation of Substations #2, #7 and #9 (Proposed Project) - New

Director Holmes stated that Substation #25 will replace Substations #2, #7 and #9. This project increases system flexibility, reliability and protections and will be Loop fed from DPU's 115kV transmission system. This new substation will consolidate three substations which are between 48 – 68 years old. 2917

Electric Division Project #6 – Rebuild – Substation #19 (Proposed Project) - New

Director Holmes stated that this project requires a new transformer which is part of the overall system improvement plan. The existing transformer has experienced lower than expected performance. This substation serves as backup to Substation #20 on Rowesville Road. This project would also create a possible injection point for Solar Energy and/or a Renewable Energy for the DPU Service Territory. Renewable Energy is a big item for large industrial customers now. This project will expand its property footprint to accommodate more loads and will accommodate a second power transformer to serve remaining Substations #3 and #6 loads.

Electric Division Project #7 – Substation #16 – Take Off Tower (Proposed Project) - New

Director Holmes stated that this substation serves two 46kV sub-transmission feeders in addition to 25kV distribution. This Substation presently connects to the 46kV sub-transmission system by underground power cables which are approximately 30 years old. The proposed new work will result in the 46kV feeders leaving the Substation overhead instead of underground.

Director Holmes asked if there were any questions. Councilmember Haire asked if there is a footprint on Solar Power. Director Holmes stated that the impact is still small; a third of what the customer uses. Councilmember Hannah asked if projects that are upgrades require more manpower or less. Director Holmes stated the upgrades require less manpower; most upgrades will be controlled electronically. Councilmember Haire stated that for Substation #1 and Substation #12 upgrades DPU utilized in-house resources; do we see a savings doing some of the work ourselves or using a contractor. Director Holmes stated that we save money using our guys to do some of the work.

Capital Project Budget – Electric Division

Director Holmes stated that Project #1 – Substation #1 Rebuild total project cost is \$2,900,000 and the expenditures to date is \$1,995,000 and the proposed expenditures for FY20-21 is \$100,000. Project #2 – Substation #12 Rebuild total project cost is \$2,900,000 and the expenditures to date is \$1,850,000 and the proposed expenditures for FY20-21 is \$100,000. Project #3 – Substation #18 Rebuild total project cost is \$6,200,000 and the expenditures to date is \$2,300,000 and the proposed expenditures for FY20-21 is \$2,600,000. Project #4 – Substation #20 Rebuild total project cost is \$3,200,000 and the proposed expenditures for FY20-21 is \$2,500,000. Project #5 – Substation #25 total project cost is \$7,700,000 and the expenditures to date is \$500,000 and the proposed expenditures for FY20-21 is \$1,800,000. Project #6 – Substation #19 Rebuild total project cost is \$7,750,000 and the expenditures to date is \$150,000 and the proposed expenditures for FY20-21 is \$1,500,000. Project #7 – Substation #16 total project cost is \$505,000 and the proposed expenditures for FY20-21 is \$505,000.

Gas Division – Director Dave Durgin

Gas Division Project – DIMP Improvements to Natural Gas Service Phase 1 & 2 (Previously Approved Project) – Cont'd.

Director Durgin stated that this is a continuing project and will improve reliability to the Belleville Road area. The estimated cost is \$1.1 million and will replace approximately 17,000 ft. of 2 and 4 inch steel pipe. This project will remove pipe from the system with coating no longer used in the gas industry. This is a systematic approach to address the

aging infrastructure of the DPU system. The proposed expenditures for FY20-21 is \$1,100,000.

2018
Gas Division Project – SCDOT Replacement of US Hwy 301 Bridge over the Edisto River (Previously Approved Project) – Cont'd.

Director Durgin stated that the SCDOT is replacing the Highway 301 Bridge which require the DPU to remove our pipes connected to the Bridge. The new pipes will be located under the river. The estimated cost of this project is \$850,000. Councilmember Haire asked if moving the pipes off the bridge and under the river would make it safer. Director Durgin stated yes and the new pipes have modern protection on them and will require less maintenance. The proposed expenditures for FY20-21 is \$850,000.

Gas Division Project – Improvements to Natural Gas Service along Edisto Drive Area (Proposed Project) - New

Director Durgin stated that the estimated cost of this project is \$1,750,000. This project consists of removing pipe from the system with coating that is no longer used in the gas industry which will also remove pipe with repairs out of the system which will improve safety to our employees and the public. This project is part of the systematic refurbishment of the natural gas system and should last approximately 18 months. The proposed expenditures for FY20-21 is \$1,000,000.

Water Division – Director Eric Odom

Director Odom stated that the Water Division does not have any new projects; just existing projects. Project #1 which was the 10" Water Main Replacement on Shillings Bridge Road has been completed.

Water Division Project #2 – Relocate of 12" Water Main Across Edisto River due to Hwy 301 Bridge Replacement (Previously Approved Project) – Cont'd.

Director Odom stated that the projected cost of this project is \$2 million which includes an increase of \$400,000 for FY21. This project will be replaced with an 18" pipe instead of a 12" pipe to increase capacity for future growth. The size of the bore needed has raised the cost of this project. This project will also replace the old cast iron pipe that is subject to cold weather breaks with new ductile iron with upgraded valves meeting today's standards.

Water Division Project #3 – Replace Flocculators 1-3 and Sludge Collectors 12-16 at the John F. Pearson Water Treatment Plant (Previously Approved Project) – Cont'd.

Director Odom stated that the proposed cost of this project is \$2,000,000 and will improve the Water Treatment Plant reliability at higher flow rates. This project will also reduce maintenance costs and improve solids handling capabilities and reduce down time with new sludge collectors. The new equipment will last as long as the current equipment with a lot less maintenance.

Capital Project Budget – Water Division

Director Odom stated that Project #2 – Relocate of 12" Water Main Across Edisto River due to Hwy 301 Bridge Replacement total project cost is \$2,000,000 and the expenditures to date is \$66,500 and the proposed expenditures for FY20-21 is \$1,933,500. Project #3 – Replace Flocculators 1-3 and Sludge Collectors 12-16 at the John F. Pearson Water Treatment Plant total project cost is \$2,000,000 and the proposed expenditures for FY20-21 is \$2,000,000.

Wastewater Division – Director Richard Labrador

Director Labrador stated that the Wastewater Division has three projects.

Wastewater Division Project #1 – Biosolids Dryer Replacement (Previously Approved Project) – Cont'd.

Director Labrador stated that the Biosolids Dryer Replacement is a continuing project. The amended estimate cost of this project is \$5,828,700. The amount spent to date is \$1,030,000 and the FY21 proposed expenditures is \$4,798,700. 2919

Wastewater Division Project #2 – Highway 601 / I-26 Wastewater Extension (Previously Approved Project) – Cont'd.

Director Labrador stated that the estimated cost of this project is \$3,500,000 and \$1,130,000 has been spent to date. The FY21 proposed expenditures is \$400,000. Tri-County Electric Cooperative will reimburse 100% of the cost of this project which should be completed by the end of 2021.

Wastewater Division Project #3 – Country Club Estates Rehabilitation (Proposed Project) - New

Director Labrador stated that the Country Club Estates Project is a new project. The estimated cost of the project is \$375,000. The project is estimated to last approximately three years. This project replaces deteriorated pipe and manholes that causes sanitary sewer overflows and high pump run times. This project will reduce the excessive flow into the wastewater system and the associated costs such as the wear on the pump station components and electrical consumption. Manager Harley stated that we have a high inflow in the system in this area and that is why we need to manage this area. Director Labrador stated the FY20-21 proposed expenditures is \$125,000.

Wastewater Division Project #4 – Highway 301 Bridge Replacement (Proposed Project) - New

Director Labrador informed City Council that the Highway 301 Bridge Replacement came to the Wastewater Division's attention recently. The SCDOT has asked the DPU to remove and replace some of our lines. This project would relocate 24-inch and 8-inch wastewater mains. This project will reduce cost by replacing mains during the SCDOT construction project. This project should last approximately one year. This estimated cost of this project is \$250,000 and will qualify for roadway utility relocation funding.

Director Nexsen thanked City Council for taking time to go over the DPU Budget. Manager Harley stated that as we wrap up this session did anyone have any questions. He also informed City Council that the Department Wide Routine Capital Items are listed and we did not go through them. We are asking for no rate increases at this time. He stated that the DPU will be working with the Joseph P. Riley Institute to complete the Strategic Plan and City Council will be included in the process. Councilmember Stroman asked about the Department Wide line item renewal and replacement. Director Nexsen stated that line item is for software support. Councilmember Hannah asked on behalf of some citizens of Orangeburg when DPU will have more diversified employment; when will DPU have more diversified contractors and subcontractors. Manager Harley stated that on the employment side we have attempted to be fair and diverse in our hiring practices. We have done a review of our employment to make sure where there are opportunities to improve we take those opportunities. One of the things we do have at DPU is that we have a lot of long tenured employees. The average length of employment is 17 years which means we don't have a lot of turnover so in areas where there is low diversity the process could be slow. As far as contractors, we are working on our procurement practices. Mr. Walsh is preparing an ordinance that we will bring to you for review and consideration. It does not address your concern to the extent you would like. We have a statement about fairness in our procurement practices. We don't have a process or program in place specifically addressing minority contractors. That is something that Council, DPU and the City need to do in concert so that we can be on the same footing. The communities that have a process in place actually have staff dedicated to handling this issue. Councilmember Hannah thanked Manager Harley and said it will

2920
be good news to the ears of my constituency, particularly in District 3, and the City as a whole, and the community coming together to help the situation. Coming to a common goal will only help the situation because it's not one issue or one department, this is the whole which the questions were geared towards the whole segment and DPU is doing a good job and you just stated what is needed. Councilmember Kalu said to piggyback on what Mr. Hannah asked in terms of employees and environment does DPU have room for advancement. For example, if I have been with the company for 2-3 years and I went back to school and graduated with a business degree is there any room for me to advance in the business department. Manager Harley stated that we are a small organization in the number of employees we have, about 200 approved positions/slots. The challenge again is that many people work here for longer periods of time, 15-17 years average on employment tenure, which means people reach a higher level and don't leave those slots. There are limited opportunities for upward mobility in position but what I have instructed staff to do is to look for opportunities to enhance positions when possible. So if Director Nexsen has an employee who has gained and picked up skills they may be able to grow in a position and not necessarily move up a slot. This is why workforce development is such a big part of what I feel we should be funding; to look for opportunities to enhance people where they are and grow the opportunities in a position versus the limited opportunities we have in an environment to move up. To answer your question directly, there are few opportunities based on our tenure and size for people to move up but I think there are more opportunities for people to enhance their positions and grow the opportunities where they are. So if you are a secretary that gained certain skills and got your degree in business and a CPA certainly those people would probably leave but I am certain Director Nexsen would find ways for that employee to stay in that position and take on responsibility that they can pull and add to the job that makes it more beneficial for both DPU and the employee. That's the way I think we are going to face the challenge within a small and limited environment. Human Resources Director Cheryl Lynch stated that the DPU is working with Dr. Tobin at OCTech regarding two new programs at the college; one electrical lineman apprentice type work as well as one in fleet management working with maintenance kind of skills which have truly been difficult for us to find in the local market. In the past we have pulled people from Charleston, Summerville and the Columbia areas. Dr. Tobin has already started these programs with local candidates that will obtain the skills they need that we can bring them in and begin to impact our workforce in the near future. Manager Harley stated that the process has been slowed by COVID-19 but that this is another opportunity to grow our pool of potential employees in those areas. Director Nexsen stated that in the City's Handbook it allows for employees to go back to school and the City will pay 70% of their tuition and book costs if it is in an area that the City needs to fill that skill set. He thinks at the current time the City employees that are participating in this program is 2/3 women and minorities. He believes the City and DPU both post positions using the same website and tracking mechanism which is important to know who applied and what gender, what race and what protective class people fall into if they choose to divulge that information on the website which is optional. All that information is able to be reviewed and tracked. Mayor Butler asked if there were any other questions. Councilmember Keitt thanked the DPU staff for preparing them for the meeting; everyone was able to follow along.

Mayor Butler thanked everyone; "God bless and have a wonderful day." The meeting was adjourned.

Respectfully submitted,



Carol E. Franklin
Executive Administrative Assistant to the Manager
Department of Public Utilities