

FAYETTEVILLE CITY COUNCIL

WORK SESSION MINUTES

LAFAYETTE ROOM

August 5, 2013

5:00 P.M.

Present: Mayor Anthony G. Chavonne

Council Members Keith Bates, Sr. (District 1); Kady-Ann Davy (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) (arrived at 5:05 p.m.); Wade Fowler (District 8); James W. Arp, Jr. (District 9) (arrived at 5:07 p.m.)

Others Present:

Theodore Voorhees, City Manager
Kristoff Bauer, Deputy City Manager
Rochelle Small-Toney, Deputy City Manager
Karen McDonald, City Attorney
Lisa Smith, Chief Financial Officer
Dwayne Campbell, Chief Information Officer
Tracie Davis, Corporate Communications Director
Randy Hume, Transit Director
Jerry Dietzen, Environmental Services Director
Rebecca Rogers-Carter, Strategic Planning Manager
Steven Blanchard, PWC CEO/General Manager
Dwight Miller, PWC Chief Financial Officer
Wilson Lacy, Public Works Commission Chair
Lynn Greene, Public Works Commissioner
Wick Smith, Public Works Commissioner
Mike Lallier, Public Works Commissioner
Pamela Megill, City Clerk
Members of the Pres

1.0 CALL TO ORDER

Mayor Chavonne called the meeting to order.

2.0 INVOCATION

The invocation was offered by Council Member Haire.

3.0 APPROVAL OF AGENDA

MOTION: Council Member Bates moved to approve the agenda.

SECOND: Council Member Massey

VOTE: UNANIMOUS (8-0)

4.0 OTHER ITEMS OF BUSINESS

4.1 Approval of System-Wide Transit Service Standards.

Mr. Randy Hume, Transit Director, presented this item with the aid of a PowerPoint program and stated the City of Fayetteville is the recipient of Federal Transit Administration (FTA) grants for support of the Fayetteville Area System of Transit (FAST). FTA requires recipients of federal transit funds to prepare plans and procedures to ensure compliance with Title VI of the Civil Rights Act. Since the enactment of the new MAP-21 surface transportation legislation, FTA has issued a new circular and guidance regarding Title VI plan submissions. The City and FAST are required to submit an updated Title VI plan to reflect all of the provisions of the new circular to FTA for approval in 2015 pursuant to its normal three-year recertification cycle. Although some of the submission requirements have been reduced due to FAST's system size (less than 50 peak fixed route buses), the new circular requires all grantees to submit "system-wide service standards and policies" approved by their governing board to FTA in 2013. These standards need to be uploaded to the FTA grants management system prior to implementing any service changes occurring after April 2013. A draft set of service standards was included in the 2008 Transit Development Plan. FAST has used these as service guidelines since that time although

these were never completed and approved by Council. Attached is an expanded set of recommended service standards that meet the requirements of the new circular. These standards have been reviewed by the Fayetteville Advisory Committee on Transit (FACT) who recommends approval. Upon Council's review, the service standards will be presented for formal approval.

A brief discussion period ensued.

Consensus of Council was to bring this item forward for formal approval at the August 12, 2013, City Council regular meeting.

4.2 Support Service Recommendations for PWC from DavenportLawrence Study.

Mr. Kristoff Bauer, Deputy City Manager, introduced this item and stated this item addresses the results of a six-month alignment study. Mr. Bauer introduced Mr. Andy Honeycutt, Managing Director, Governmental/Utility Operations Consultant. Mr. Honeycutt introduced present members of the Project Team: Allen O'Neal, Project Lead; Jeff Davenport, Technology Consultant; Brent Mcabee, CPA/Financial Consultant; and Lauren Brown, Analyst.

Mr. Honeycutt stated the City of Fayetteville engaged DavenportLawrence in February of 2013 to evaluate opportunities to align services, reduce redundancies and improve efficiencies between the City and Fayetteville PWC to better serve the interests of local citizens and customers. As part of the study, DavenportLawrence established a Functional Alignment Project Team comprised of City and PWC staff and board members to assist in information gathering and organizational reviews. The Functional Alignment Team enabled both the City and PWC to participate in the study process. DavenportLawrence conducted numerous independent interviews over six months with governing body members, administrative managers, department heads, and key staff in order to compile a comprehensive understanding of the various functional processes and the historical makeup of organizational and process design. The collection of financial, transactional, and process oriented documentation established a baseline for financial analysis and consolidated operational opportunities. The collection of information and processes provided the tools necessary to validate, test, and benchmark data for the analytical process. Key elements of the research included:

- Functional interviews and data collection by department
- Data collection and validation
- Asset and human capital financial analysis
- Customer service delivery evaluation

Mr. Honeycutt stated the study conducted by DavenportLawrence of Aberdeen found that the Fayetteville PWC operates effectively in the delivery of electric, water and sewer services to area residents. The study also found that PWC functions in a manner that is contrary to the City Charter and at times that is not in the best interest of the City. Furthermore, the City Council is compelled by the City Charter to increase its oversight of PWC finances. Mr. Honeycutt continued saying that early in the process of identifying ways to align the financial operations of the two organizations, DavenportLawrence identified conflicts that resulted from significantly different financial software platforms, cultures and processes. With Fayetteville PWC just beginning its transition to a new Oracle Platform to manage its financial and operational functions, they did not see an immediate opportunity to align the financial processes of the City and the Commission. The City and PWC are segregated from each other not only in technology but in history and culture as well. Recognizing this, they determined that there was a better way to align the organizations and achieve success and that was to engage in a multi-faceted study that looked at a broader scope of services than just finance.

Mr. Allen O'Neal, Project Lead, stated the study recommends a phased implementation of changes over the next 18 months. DavenportLawrence has developed a prioritized action list that takes into consideration the City's financial, political and historical capacities to initiate a comprehensive change. Proposed changes, in order of priority, include:

- The City should fulfill its responsibilities as "Parent Municipal Corporation" of Fayetteville PWC as detailed in the City Charter, including Treasury functions

- The Commission should transfer all legal services to the City's internal Legal Division, as well as the associated legal support funding allocated in the FY14 budget
- All lobbying activities to be coordinated with City Council and contracts to be ratified by City Council
- The City should lead all communications involving Fayetteville PWC and the process by which communication is managed and delivered
- The City should amend its 2006 Fort Bragg Water Agreement with the Commission to revise the interest rate, apply historical pre-payments to the balance and modify the agreement to allow a pre-payment of balance
- The City should amend its Fiber Optic Network Agreement with Fayetteville PWC to align ownership and planning under the City and develop Internal Standard Services that detail service delivery, capital and cost allocation, and responsibilities
- The City should amend its Fleet Agreement with the Commission to functionally align with the City to reduce personnel costs, recalculate charges to the City on a cost basis and develop Internal Service Standards to improve efficiencies
- Establish a Support Services Department in a phased approach to identify additional opportunities to share support services in Organizational Development, Finance, Fleet, Purchasing, Audit, Communications and IT
- Define alignment of Oracle Platform for both the City and Fayetteville PWC and implement integration.

Mr. Brent McCabe, CPA/Finance Consultant, stated DavenportLawrence deployed eight consultants over five months at the City and Fayetteville PWC to collect data, validate work processes and explore corporate cultures. From these observations, DavenportLawrence developed the following statements regarding organizational conditions:

- Fayetteville PWC operates effectively and efficiently in the delivery of electric, water and sewer services with competitive rates to other regional utilities
- The City provides services to citizens in a fiscally responsible manner
- Fayetteville PWC autonomy (operational independence) has expanded beyond what we believe to be was originally granted (or intended) by Charter and what is typical for a municipal utility
- While possessing the assets of minimal transmission service and a generation plant within its electric utility, the Commission does not operate in a manner that is substantially different than its municipal utility counterparts
- The autonomy of Fayetteville PWC has created an internal control culture and "private company" philosophy that reduces public transparency and support to the City as a Commission of the City
- Current governance structure yields cooperation between the City and the Commission only to the level required to operate between the City and the Commission
- The lack of cooperation between the City and the Commission erodes public trust and sustains an "us and them" culture
- Fayetteville PWC utilizes its current autonomy to invest in external messaging and community relations beyond what is necessary for the purposes of utility operations and customer service by a public utility
- Fayetteville PWC's utilization of complex cost accounting methods is used as a basis for atypical fees and chargebacks to the City, thereby unnecessarily impacting taxpayers
- The City of Fayetteville maintains a strong cash reserves condition and is considered financially strong with its Aa1/AA+ rating
- Fayetteville PWC routinely brands facilities and vehicles simply as "PWC," thereby further separating itself perceptually from the City
- The City of Fayetteville has a historical lack of political cohesion that negatively influences its position as the "Parent Municipal Corporation" to the Commission
- The City has participated in cost-sharing and "agreements" with the Fayetteville PWC that have directly impacted taxpayers through inequitable terms and conditions

- The City of Fayetteville income from valuation is less than that of its peer municipalities and significantly impacts its abilities to meet operational needs
- The City generally funds operations at a "basic" level, thereby forgoing some efficiency gains, technology leverages, or enhanced customer service
- Functional alignment between the City of Fayetteville and the Commission will succeed only after the barriers of cooperation (history and culture) are eliminated and both organizations recognize acting in the best interests of the public transcends independent organizational interests.

Mr. Andy Honeycutt stated before implementing any of these changes, a resolution must first be considered by City Council for approval. "The City and Fayetteville PWC are at the threshold of a great opportunity to collaborate and align their operations in a manner that is a win-win for both organizations, and most importantly, for the citizens of Fayetteville," said Mr. Honeycutt. Council Member Davy asked if a time could be set aside for PWC officials to respond to the results of the assessment.

Council Member Fowler stated the "us versus them" attitude has to end; we need to be very clear about our expectations, and we need to take responsibility.

Mr. Voorhees asked that everyone take time to review the report in its entirety and then submit all questions via e-mail to him directly. Mr. Voorhees stated the City needs to pass a resolution that directs certain actions for both the City and Fayetteville PWC to carry out as statement of intent, if you will.

Council Member Massey thanked Mr. Voorhees for moving this item along.

Council Member Crisp suggested the City and Fayetteville PWC hold a joint one-day retreat to discuss the findings.

Mayor Chavonne thanked the DavenportLawrence team for great work.

5.0 ADJOURNMENT

There being no further business, the meeting adjourned at 7:10 p.m.