ORANGEBURG CITY COUNCIL AND DPU
BUDGET WORKSHOP MEETING MINUTES – JUNE 30, 2026

Orangeburg City Council and the Department of Public Utilities held a Budget Workshop Meeting on Tuesday, June 30, 2026 at 10:00 a.m. at the DPU Operations Center.

PRESENT: Mayor Michael C. Butler
Councilmember Annette Dees Grevious
Councilmember Jerry Hannah
Councilmember Jordan E. Hawkins
Councilmember Dr. Kalu Kalu, Mayor Pro Tem
Councilmember L. Zimmerman Keitt
Councilmember Sandra P. Knotts

Mayor Butler opened the meeting and turned it over to Manager Harley who thanked Council for taking time out of their busy schedules to meet with us. Today, as always, we have a list of things that we are going to go over with you. Manager Harley said that we always start the day with our financial forecast so we will have our team from Raftelis, Mr. Bart Kreps and Mr. Will Kerr present to us and tell us the financial forecast. As you know we do these in five-year blocks; we look out five years and try to project what our rates need to look like today and going forward into the future based on the financial needs of the utility. Manager Harley said after they are finished with the forecast and any discussions that you may have with them and us about the financial forecast as it relates to your rates, each division will go over their capital projects and tell you what they are planning over the next few years. Remember, reliability, safety, workforce development, new technology, and economic development are all packed into our budget so if you look at everything we are doing it is to support those efforts and what we spend money on and you will hear that theme today as we talk about what we are doing and how we are doing it. Manager Harley thanked the City Administrator Sidney Evering, II and the Wastewater Treatment Plant Superintedent Rachel Cooper, for their attendance at the meeting today. He also thanked Mike Smoak from IT and Carol Franklin for their assistance.

Mr. Kreps thanked Council for the opportunity to visit with Council today. He said that as Manager Harley stated, one of the things that DPU is focused on is looking at a financial plan. The financial plan is a road map so every year we come in and look at where we are as a utility from a financial standpoint and project out over the next five years where we are going. We look at what the revenue stream looks like, what the costs look like, operational and capital, and making sure we have a forward-looking plan is really important because the utility business is a very capital-intensive business. Mr. Kreps said he will talk about where we are today and some of the issues that we have seen since the last time they were here and Mr. Kerr will talk about some of the drivers of the forecast; we are going to talk about what the capital improvement planning costs are and our assumptions on funding them. We will talk about the reserve position and how we look at that in terms of money we have in the bank and what it is for and then we will look at the results of the forecast. He said we will then get into the projection we have for rate recommendations for the upcoming fiscal year and where we are going in the next five years. We will also talk about bench marking so you can see how the city compares to other communities in South Carolina. Mr. Kreps said that when we look at the reserve position of the DPU and its four utilities the reserve position is solid and pretty consistent to where it was but again as we talked about before in the plan if we don't do anything on rates, costs are going up and unfortunately inflation is very sticky and things that have happened more globally have affected inflation we are still seeing that impact through our operational costs and our capital costs so without any rate adjustments we would eat into those balances relatively quickly. Capital is still a big driver in terms of rates so we always work with DPU staff to update the capital improvement plan and what we are seeing over the next years is about $190 million in capital that we need to finance that has to be incorporated into our analysis. Mr. Kerr said there is an adjustment that they made regarding the transfer to the General Fund to get increased to $3 million. He said previously when they were here last year we were assuming that would phase out over the five-year forecast period but this year we have been directed to keep that additional amount constant over the five-year forecast period so that has been factored in. There have also been some things that have not gone our way in terms of some of our larger users we have seen a reduction in demand particularly of gas and electric, but gas is probably a little more predominant. However, there is some encouraging news about a new larger industrial customer that the city has done a great job attracting and potentially could provide some tailwinds a little bit more down the line than immediately if everything comes to fruition. Mr. Kreps then asked Mr. Kerr to come up to go through the details of the forecast. Councilmember Hannah asked what is the General Fund transfer amount at the present time? Mr. Kreps said that amount for this fiscal year 2026 is $9.1 million and the last several years before that amount was $6.1 million so that is a $3 million increase that happened in the current fiscal year. Manager Harley said we have this current amount built to stay in the transfer. He said part of what we had hoped was that this amount would drop off by at least $2 million over the next five years but it doesn't look like that will happen so it will have a negative impact on the rate going forward. Mr. Kerr said one of the big drivers for the forecast is capital project costs. Based on what they have received from the DPU, it looks like there is $200 million in projects planned over the next five years which is a lot of needs in the system. He said we have some outside funding identified for certain projects but a lot of this would be funded through cash, reserves, or annual rate revenue. We have also assumed there will be a little bit of borrowing for these projects, roughly $26 million over five years, which is not a huge amount. Mr. Kerr said if you look at the DPU balance sheet and thinking about how that cash needs to be set aside and saved for things like working capital and to cover short-term liabilities like our electric and gas under cost recovery or customer deposits we think a good target balance is closer to $50 million so that only leaves about $15 million available for capital projects. Mr. Kerr said they got a lot of their data from DPU to prepare their model; they project customer demands, revenues, expenses, capital projects, capital funding. He said as you can see on the chart there is a pretty steady slide if we didn't touch rates, didn't make any changes over the next five years. Our costs are growing year after year related to inflation and delivering projects. Slowly we would start to drop in the negative where we are basically not making any money and losing money by 2030. Councilmember asked if this includes capital projects and Mr. Kerr said it does, it includes funding the entire CIP. He said theoretically if you were raising rates and the money wasn't there you probably would not be doing projects you need to do. Manager Harley said we always give Council the projection of what the rates should look like going forward and in the current year we raised rates across all divisions and that raised $3.9 million and $3 million of that amount went to the General Fund transfer. Mr. Kerr said this helps to set the stage for the projected rate increases that we have. He said we believe that additional rate revenues are going to be necessary to be able to deliver the capital projects that need to be done and to fund operations. We have between $2 and $2½ million increases each year which is slow and steady increases. On a grand total percentage basis it is not a huge percentage, it is actually less than 2% each year. We do understand that increases mean impacts to customers. Mr. Kerr said that looking at our baseline forecast for now, we are not including any increased demands and revenues from Ferrara. As we understand it, Ferrara's demand and revenue would start in FY 2029 and then ramp up thereafter. Assuming everything goes as planned, one would hope that we will see some benefits from Ferrara and it would reduce the level of rate increases projected in the future but it is still a couple of years off and he thinks that making a decision now for something that is a few years out and not a done deal and there are still some unknowns may not be wise. He said based on the information they have with Ferrara ramping on we will have to see what impact this will have to our future rate increases. If we can get to 2028 and into 2029 there will be more knowns and we will be able to do a little more careful job of making projections and hopefully at that time Ferrara has come on full board and we are able to kind of ease off on the annual rate increases. Mr. Kerr said they like to look at things on a cash flow basis which they feel is the best way to make a plan. Our operating costs creep up every year with inflation year over year. Looking at the chart you can see in years 2027 and 2028 we are spending a little more than we are bringing in, which means we are spending our reserves down to that target balance. He said if we don't touch rates and our costs continue to grow year over year the cash flow would slowly be dwindled away probably to the point where there is nothing left. Manager Harley said that we can control our capital spending on the DPU side but we can't control inflation. Holding back on the capital spending will have a direct impact on the quality of the service that we provide and economic development we can do. Councilmember Kalu asked with all the development popping up in Orangeburg wouldn't that help the DPU revenue? Manager Harley said it would help. The revenue that we would see in some of this development is going to be positive but two things are cutting into our revenue which is the increase of the transfer but we do hope to see some development that could ease some of that pressure; we just can't predict precisely how much and then we are still working through things with Ferrara which there are some things that we have to spend money on to be able to serve them. He said he has an aversion of pulling the reserve fund down too low because we are near the coast and we have four utilities that if something goes wrong with all four in an event we can't wait on anybody to bail us out and put us back together. We would have to start spending the money immediately and there is no guarantee that we would get that money back. Mr. Kerr said in terms of the proposal for this coming fiscal year there are no increases planned for electric and gas and the rates they are projecting for water and wastewater are largely consistent with what they had before. At this time we are suggesting across the board percentage-based increases for the base and capacity charges, which would be around a 1.6% change for customers inside the city and around a 2.7% increase for customers outside the city. Manager Harley said most of our complaints come from outside the city customers and at some point the city should perhaps look at trying to bring those inside rates up some to help balance this out. Mr. Kerr gave an update on where we stand in comparison with other utilities in South Carolina. He said water and wastewater in Orangeburg continues to be a great deal. Orangeburg also continues to be very competitive on a four-utility basis. Manager Harley said that we remain in line with the market but as Council always says you do not want to be like everyone else but be better. Councilmember Keitt said in Orangeburg we ae always thankful of how we have kept the prices down. Manager Harley then informed Council that Director Josh Nexsen will start off the presentations and we will go down the line with the other directors.

Director Nexsen thank Council for taking their time to help the DPU plan for the upcoming year. Our goal is to responsibly manage the utility of the City of Orangeburg by making wise a thoughtful decisions with the resources entrusted to us. We believe that this budget addresses the needs of the utility be providing reliability, customer service, and opportunities to increase economic development opportunity in the greater Orangeburg area.

Administrative Division Capital Projects

Director Nexsen informed Council that the Administrative Division has five previously approved projects which two of these projects are substantially complete and came in under budget. Three of these projects are currently in the design and planning phases and there is one new project that is aimed at enhancing land located off Sprinkle Avenue for potential future economic development within the city limits of the City of Orangeburg.

Administrative Division Project – Main Office Flooring Replacement (Previously Approved Project) – Cont'd.

Director Nexsen said that this project is to replace the flooring at 1016 Russell Street and the project is active and in the design stage and is about to go for RFP. The flooring will be similar to the flooring we have here at the Operations Center. Some of the areas in the Main Office are high traffic areas such as customer service lobbies and they were last replaced in the early 2000s. The project is approximately 25,000 square feet of commercial carpet or LVP and once the project is bidden out we think it will take approximately three months to complete.

Administrative Division Project – Warehouse Facility Updates (Previously Approved Project) – Cont'd.

Director Nexsen said that the Warehouse and former crew areas were built in 1967. The crews were moved into the new crew quarters but the warehouse has not had a lot done to it in 15 - 20 years. This project is currently active and he refers to it as several mini projects which address electrical issues, lighting issues, as well as plumbing and storm water issues. We believe this project will be completed by the end of the current fiscal year and completed under budget.

Administrative Division Project – Enterprise Server Project (Previously Approved Project) – Cont'd.

Director Nexsen informed Council that the Enterprise Server Project is like the heart of DPU's systems. This Enterprise Server area which was called the datacenter was last updated in 2019-2020. The former hardware lasts about 5-7 years and it hosts all the critical business systems of the DPU; customer service, the telephone system, the outage management system, SCADA, everything resides on these. We believe it will cost approximately $600,000 and it is currently in design and out for RFP and should be completed in the Spring of 2027.

Administrative Division Project – Sprinkle Avenue – Land Clearing and Grading (New Project)

Director Nexsen said the only new project that the Administrative Division has for Council's consideration this year is the land located directly behind a railroad track shown on a PowerPoint. He said a few years ago the Orangeburg County Forfeited Land Commission gave us about a 60 –

80-foot stretch of land that went back about 600 feet and is currently a stockpile site for when Director Holmes built Substation 25 and has quite a bit of fill excavated. We plan to clear and mass grade this site, improve the stormwater on it, and have it ready to be marketed for a potential economic development site in the city limits. Manager Harley said that this could be a potential revenue benefit for the DPU and also a tax base increase for the city to use such as a business license and jobs so we think it is a prime location for development. The estimated project cost is $500,000. Councilmember Hannah asked if the $500,000 is just for clearing the lot and Director Nexsen said the cost would be for getting the property to the proper grade for a pad-ready site, as well as storm water, and to build a road into the site. Councilmember asked if we have to pay for an access road and Director Nexsen said that we have an agreement with the county that Council wisely approved for or five years ago that when the county wanted something from us they would give us something in kind and so we have quite a bit of money set aside and it would be prudent for Council or the Manager to send a letter to the county to ask for help to pave that road. Manager Harley said that what Director Nexsen is talking about is every time Council waives some things for the county such as building permits, water and wastewater impact tap fees and some other things to the tune of $60,000 the ordinance says this is an in-kind trade so what we have done is just kept the tally and he has reminded the county administer of this so when we do that road we will ask for assistance.

Electric Division Capital Projects

Director Wade Holmes informed Council that the Electric Division has four previously approved projects and six new projects that he will be talking about today. He said previously approved projects the upcoming fiscal year will cost approximately $4.2 million and for the new projects a little under $10 million. Over the last seven to eight years we spent roughly $50 million into either rebuilding, repairing, or upgrading some of our substations. Director Holmes said that any substation on our system that was built before 1980 is a substation that has basically lived past its life cycle. Most substations last anywhere from 35-40 years and ours last a little longer because we don't load them above 60%. The power demand that we see in Orangeburg County is unprecedented so we have to rebuild or upgrade to handle these demands. He said we thank Council for the investments that you have allowed us to make in our substations over the past eight years because without those investments and the investments we are talking about now would constrain growth.

Electric Division Project – Substation 25 (Sprinkle Avenue) (Previously Approved Project) – Cont'd.

Director Holmes informed Council that Substation 25 is 95% complete and we expect to have it on line later July or early August. This substation will replace Substation 2 which is 69 years old and is located behind the fairgrounds; Substation 7 which is 63 years old and is located at the corner of Five Chop and Sprinkle Avenue; Substation 17 which is 47 years old and is located between South Carolina State University and Claflin University; and Substation 9 which is 54 years old and is located on Glover Street. All these substations are past their life cycle. Councilmember Hannah asked if we are going to cut the old substations loose and glaze the land. Director Holmes said that once all the load is moved off the old substations they will be decommissioned and the land will go back to the city. Manager Harley said once the older substations are decommissioned we will hold on to the things that we can use and the things we can't use we will put it on the market for sale.

Electric Division Project – SCADA Replacement (Previously Approved Project) – Cont'd.

Director Holmes said the SCADA (Supervisory Control and Data Acquisition) Replacement Project allows us to bring all the data back from our substations, water tanks, etc. All the divisions that have any type of devices out in the field the information can be brought back to our dispatch center. We are upgrading the SCADA system so it is a more updated system with more technology so we can be able to expand and it puts us in a position for future growth. There are key benefits across all our divisions.

Electric Division Project – Substation 24 (OCCIP) (Previously Approved Project) – Cont'd.

Director Holmes informed Council that the Substation 24 upgrade adds a second transformer bay to the substation. This will improve the power to the OCCIP along with having a backup for Substation 15 and Substation 20 if we need it.

Electric Division Project – Substation 9 46kV Upgrade (Previously Approved Project) – Cont'd.

Director Holmes said earlier we had talked about taking Substation 9 (Glover Street) offline but now we would like to put some money into it to actually keep it online longer while we get all the circuits transferred over to Substation 25. He said Substation 9 has some overhead switches that are very old so we are going to put an 115 breaker over there which would make this substation more operational and if we would need to add extra load to that substation we would be able to do so.

Electric Division Project – Smart Lighting Upgrade (Previously Approved Project) – Cont'd.

Director Holmes informed Council that the Smart Lighting upgrade is a $6.9 million project. In the industry when it comes to streetlighting and yard lighting LED is the new way to go. We have a lot of high-pressure sodium and vapor lights on our system that we will be changing out and replacing with LED lights with smart sensors which will allow us to remotely turn on and turn off their lights when people move in and move out. The smart sensors will also send back data whether the light is cycling, is out, if there is a problem with the voltage. Director Nexsen said the savings on the electricity changing over to LED lights as well as the reduction to trips made when people move in and out; the project pays for itself in about six years.

Electric Division Project – Joe Jeffords Project (New Project)

Director Holmes said the Joe Jeffords widening project with an overall cost of around $2.2 million but 65% of that cost will be reimbursed to DPU bringing our total cost to around $770,000. This project is widening the road on Joe Jeffords from Five Chop to Charleston Highway; changing Joe Jeffords from a two-lane road to a five-lane road which will consist of four traffic lanes, a median, sidewalk, and some shared pass space. We are required to have this project done by the SCDOT. Manager Harley said that all four of our utilities will be affected by this widening project and it is not cheap and we do not get any benefits from it; we are just moving our utilities and it is costing us money to do so. Director Nexsen said this is also going to affect our customers in that area.

Electric Division Project – Diesel Generator Engine #2 Overhaul (New Project)

Director Holmes said the Diesel Generator Engine #2 overhaul is estimated to cost is around $300,000. This generator was probably built in the 1970s but has extremely low run hours on it. We use this generator to generate energy when Duke Energy calls and they are running at peak or on these hot days which we will be running because of the temperatures and the peak capacity. The benefit we will see with doing the overhaul is extending the life of that generator engine for another 10-15 years.

Electric Division Project – Substation 26 (New Project)

Director Holmes said another new project for the Electric Division is Substation 26. This substation will be located on Rowesville Road and the project will cost us around $3.2 million. We have a large industrial customer that is being fed out of Substation 15 which is roughly nine miles away and one of the issues they always have is that nine miles is a lot of overhead exposure so every time someone cuts down a tree, an animal gets tangled in the line, or we have a car hit a pole, they are seeing outages. The new substation would alleviate these problems. The substation transformer is one of the spares we have which is in the 30 – year timeframe but it was run under very light schedules so we can actually have another ten years of life out of it. Using this transformer would save us some money and would help this large industrial customer as well as other customers.

Electric Division Project – Transmission Line Upgrade (New Project)

Director Holmes said a new project is the transmission line upgrade for $5 million. We have 35 miles of transmission lines that help operate our system. We would like to start with Segment 7 because Ferrara will be moving near Substation 20 and before they get there we want to update some of the poles and lines that will be feeding that plant. Once we did a survey we discovered that we have 23 poles and conductors that need to be replaced. Director Holmes said these poles will be replaced with steel poles which will give us a life span of round 80 years. Manager Harley said that our system has a 250 megawatts capacity which means that is all the power we can take on the system. With all the future growth coming to Orangeburg we have to upgrade all sections on our system over time or we will not be able to take on more customers.

Electric Division Project – Distribution Circuits Conversion (New Project)

Director Holmes said the next project is a distribution circuits conversion which is a new project. He said once we bring Substation 25 online we will be taking the circuits from Substation 2, 7, 17, and parts of Substation 9 and adding that to Substation 25. We will be adding to our system reliability.

Electric Division Project – Ferrara (New Project)

Director Holmes showed Council a site layout of what the Ferrara plant would look like. He said that we have to do some investment up front for this project which will require 2500Kv transformers which we will have to buy ahead of schedule. We are looking to spend around $2.4 million in the next fiscal year, which will be the costs of purchasing the transformers and the switch gears for that plant.

Councilmember Grevious asked Director Holmes to talk about the Substation 19 project which is substantially complete and is already over budget. Director Holmes said that with the Substation 19 project this is one of the substations we did an upgrade on so a lot of the electrical mechanical equipment had to be changed over to fully electronic which is what pushed this project over budget. He said we have completed this project now and all we have to do is close out the work order and close it out in the accounting system so we will not be putting anymore money into this project. Manager Harley said that the way we work these projects we may be over or under so the total costs of the projects usually evens out so we don't have to come back to Council for additional funds. Mayor Butler said Manager Harley always puts cushions into his budget so it always balances out.

Gas Division Capital Projects

Director Dave Durgin informed Council that today he is going to give them updates on two previously approved projects and three new projects for the upcoming fiscal year.

Gas Division Project – Cannon Bridge Road Pipe Replacement (Previously Approved Project) – Cont'd.

Director Durgin said the Cannon Bridge Pipe Replacement project is our main feed to the DPU system that feeds all of our gas pipes from here to all the towns we serve. This pipe is 72 years old and we are currently about to begin actual construction activities; we've made it through permitting, material procurement, and its actually time to start laying the pipe and replacing it. This is one of our pipeline remediation projects to stay ahead of pipe failing.

Gas Division Project – Replacement of Gas Crossing – Zan Street (Previously Approved Project) – Cont'd.

Director Durgin said this project is the replacing of the gas railroad crossing located on Zan Street across from Claflin's new student center. This project has been held up for some time with permitting with the railroad which was completed last week and construction activities are scheduled to begin on July 13th. He said we hope to have this project done before the students are back in session.

Gas Division Project – Joe Jeffords Widening SCDOT Relocations (New Project)

Director Durgin said that the SCDOT is looking to widen Joe Jeffords Highway in anticipation of the economic influx that they hope to see here and all four utilities are impacted. He said that we anticipate the gas division's impacted will cost approximately $750,000. We do not have a timeframe when these expenditures will incur as we are still waiting on SCDOT's final design and when their let dates actually occur.

Gas Division Project – Replacement of Gas Crossing – Whaley Street (New Project)

Director Durgin said our next railroad crossing we would like to work on would be our Whaley Street crossing near Mirmow Field and the pipe is 72 years old. We anticipate this is going to cost around $350,000. Our goal is to attempt to do one of these railroad crossings each year for approximately the next ten years. Director Durgin said going under a railroad crossing is very expensive and hopefully we will have to do it only once every 100 years.

Gas Division Project – I-26 Widening SCDOT Relocations (New Project)

Director said the I-26 widening is related to the SCDOT project. He said the relocations are at the Hwy 33 and I-26 interchange and the Hwy 301 and I-26 interchange. At Hwy 33 we are going to have to move the pipe someplace else and at Hwy 301 he thinks there is a possibility of a relocation. He said we are anticipating the impact of this work to cost approximately $500,000, which may change as we learn more about the scope of the actual projects.

Water Division Capital Projects

Director Eric Odom informed Council that he would like to provide a brief overview of the Water Division's six previously approved projects and two new projects for the upcoming fiscal year. These projects are focused on maintaining reliable service, replacing aging infrastructure, ensuring regulatory compliance, and preparing our system for future growth. The total capital projects represent $41.3 million in active and planned water system improvements. Approximately $19.4 million has already been expended and we are proposing approximately $8.8 million during fiscal year 26-27.

Water Division Project – Water Treatment Plant Residuals Process Upgrade (Previously Approved Project) – Cont'd.

Director Odom said the Water Treatment Plant Residuals Process Upgrade is our largest ongoing project in the water division. This project provides additional storage capacity for our water treatment plant residuals which is basically the color that we remove out of the river. During periods of poor raw water quality it also reduces hydraulic loading on the wastewater treatment plant and creates a redundant residuals handling process so in the event that we can't send something to the wastewater plant we have an alternate way to keep treating water and dispose of our residuals that we produce during the treatment of producing drinking water. Additional important benefits of this project include extending the residual life of our residuals lagoon by more than 30 years, improving operational reliability and safety, and upgrading our Washwater pump station. Director Odom said that to date we have spent $8 million on this project and are proposing to spend another $3 million for this upcoming fiscal year.

Water Division Project – Bull Swamp Rural Water Acquisition (Previously Approved Project) – Cont'd.

Director Odom informed Council that the Bull Swamp Rural Water Acquisition project has a total budget of $12.9 million and we were able to acquire $10 million in skip funding and $500,000 in an additional RIA grant. Part of this project is replacing and upgrading 15 miles of pipe in this water system which will help reduce our maintenance efforts. DPU is investing $3 million out-of-pocket for a match for the grant. As a part of this project we are getting two refurbished overhead storage tanks, a new booster pump station, and any place out of these 15 miles where we put in new water lines we upgraded and replaced all the services for the customers. This project is very close to being completed and we hope by the end of September this project will be done and in service.

Water Division Project – Connection to Bamberg BPW (Previously Approved Project) – Cont'd.

Director Odom said that the Connection to Bamberg BPW is also funded by skip money. We assisted Bamberg Board of Public Works in putting together the grant application which they were awarded about $5.4 Million to interconnect our two water systems. A benefit to the Orangeburg DPU is that we gain about 14,000 feet of ductile iron pipe along US Hwy 301 that we can use to tie on additional customers with but the biggest thing is that one day we hope to wholesale water to the town of Bamberg which would be a big boom for the of revenue of DPU.

Water Division Project – Raw Water Pump Station Upgrades (Previously Approved Project) – Cont'd.

Director Odom informed Council that the Raw Water Pump Station Upgrades is a continuing project. This $1 million project addresses electrical equipment that is approximately 25 years of age and mechanical equipment which is over 50 years of age inside the pump station. He said this project includes the replacement of all the electrical components, swing check valves, and the refurbishment of existing piping and valves to allow a resilient pumping system for our water plant for the next 50 years. The upcoming fiscal year we plan to complete a preliminary engineering review as well as get all the design and bid documents put together with construction hopefully in fiscal year 2028.

Water Division Project – Elevated Water Tank Rehabilitation Program (Previously Approved Project) – Cont'd.

Director Odom said the Hillcrest Water Tank being repainted is a continuation of our water tank rehabilitation program and then they will be moving to the Whaley Street Water Tank. He said we are amending this project budget by adding another $1.5 million, which will bring the estimated project cost to $2.5 million. Our intent is to refurbish our OCCIP Water Tank, the Saddle Club Road Water Tank off I-26, as well as the Seawright Water Tank. We were able to get $1 million in grant money to cover the cost of the two water tanks we painted this fiscal year so we didn't spend that money out of our budget so we are going to add an extra $1.5 million to cover the three additional water tanks we have left to paint. Once we are done with the three tanks coming up in the next fiscal year we will have refurbished all of our water tanks on the DPU system.

Water Division Project – Replace Water Main on Hwy 400 to Slab Landing Road (Previously Approved Project) – Cont'd.

Director Odom informed Council that we have not done a lot with replacing the water main on Hwy 400 to date. There is about 800 feet along Hwy 400 from Orangeburg to Norway that is still an older PVC pipe. We have the plans done and we are waiting to try to seek some grant funding to cover the cost. He said this is not an emergency but we will try to get it replaced after the wastewater division gets their pump station for Northwood Estates completed and then we will reapply for a grant. This project is going to sit dormant this fiscal year until we can get some additional funding to help offset the cost of it. The total cost of this project is around $750,000 and once we start construction it should only take about six months to complete.

Water Division Project – PFAS – PAC System Install (New Project)

Director Odom said one of our new projects is the PFAS – PAC System Install. He reminded Council that sometime last year in executive session he and the Manager spoke about PFAS which they call forever chemicals in drinking water. The EPA has finally passed their federal regulation and we have until April 2029 to be in compliance with the new federal regulations. The total project cost is approximately $4.5 million which is an install of a Powder Activated Carbon (PAC) treatment system at our water plant. Director Odom said we have minimal amounts of PFAS (forever chemicals) in our source water. He said over time we hope with more federal guidelines and regulations that these chemicals will slowly disappear because these are man-made chemicals. When they stop people from dumping these chemicals in the environment we will see these things slowly disappear in our source water. We have to start working on this now and we are proposing to spend around $600,000 cost in the upcoming fiscal year for design, planning, and permitting, and hopefully starting construction in 2028 so we can be in compliance by April 2029.

Water Division Project – Joe Jeffords Project (New Project)

Director Odom said the SCDOT Joe Jeffords Hwy widening project is new and the water division is probably the largest expense out of all the divisions. Our anticipated project spend is about $4 million. We will have to relocate the entire water main and every service connection to all the existing customers. Between water and wastewater we will be eligible for around $1 million based on the SCDOT construction estimate through what they call Act 36 which is any time SCDOT does a project they have to allocate 4% of that project cost to relocating water and wastewater utilities that are in conflict. Councilmember Hawkins asked after the mandate from the federal government are there any type of grants that they are offering. Director Odom said that we are going to be researching that and the potential for litigation to offset some of the costs.

Wastewater Capital Projects

Director Richard Labrador informed Council that the Wastewater Division has two new projects for the upcoming fiscal year.

Wastewater Division Project – Northwood Estates – Pump Station #1 Replacement (New Project)

Director Labrador said the Northwood Estates Pump Station #1 Replacement replaces the oldest of the two existing pump stations in Northwood Estates and we anticipate completion during the upcoming fiscal year. This project increases personal safety, replaces antiquated equipment, improves reliability, and decreases operational and maintenance costs. The project estimate is $1.8 million and we have been awarded a $1.3 million Rural Infrastructure Grant. Our intent is to make the adjustments necessary to make this project as close to $1.3 million as possible and hopefully we will be successful with that.

Wastewater Division Project – Wastewater Treatment Plant Upgrade (New Project)

Director Labrador said the Wastewater Treatment Plant Upgrade provides a sequential upgrade of our plant capacity which includes a high strength wastewater pretreatment and pH control systems. This also replaces existing chemical disinfection with UV technology and we estimate completion in approximately three years. He said the main benefits of this project are that it maintains capacity for future economic development, increases personnel safety, improves efficiency and decreases operational and maintenance costs, and ensures compliance with all regulatory requirements. The State of South Carolina is going to fund the entire $28 million project and in this upcoming fiscal year we only anticipate spending $600,000 for design and preparation.

Routine Capital Items

Director Nexsen discussed the routine capital items that are capital in nature but individually not come to the rate of $250,000 for any single item and do not rise to a named capital project. Examples of these include vehicles and equipment, software renewals, replacements of pipes, poles, wire, and other utility infrastructure which requires replacement during the fiscal year as well as individual customer service points, metering points, and project studies for PERs that help us plan properly for large capital projects. He referred to a chart that outlines the request for the upcoming fiscal year and said that amounts tend to be relatively stable and do not fluctuate materially from year to year typically.

Operational Budget

Director Nexsen said the operational budget is also called the income statement. It is the sum of all the revenues and the expenses of the department over a given period of time. A healthy utility needs to produce a rate of return of approximately ten percent return on equity. The department's return on equity in the proposed budget is closer to seven percent and after the transfer to the city it is about four percent so it is a little lower than what industry average would prefer. The department makes nearly all its earnings from the sale of utility services. These services are a critical component of life in Orangeburg. The sale of these utilities provide necessity to thousands of customers in the Orangeburg area and it is our job to ensure that we responsibly manage our resources in order to provide the safe and reliable flow of these utilities that we are entrusted to serve. He said the DPU believes this budget does that by investing in many intangible benefits that you might not necessarily be able to see or touch. Some examples that are included in this budget are benefits paid to employees, safety training to keep accidents and injuries at the lowest possible level, and customer service training to ensure that we treat each customer as professionally as possible. A few facts to highlight these results of the departments operations is that the DPU has a very high morale level and one of the lowest turnover rates in the area. Directors Nexsen said regarding safety, the DPU has maintained one of the lowest workers comp experience modifiers on record for five years in a row which is a testament to the professionalism and attention to safe working conditions that management strives to obtain. Regarding customer service, our wait times and level of service are some of the highest in the state as measured by the APPA statistics annually. Regarding the delivery of utilities, DPU has a very high service level in all areas; rarely are there any outages, rarely are they below what is expected. Director Nexsen said that we believe that this budget for the upcoming fiscal year continues to provide for the safe and reliable delivery of utilities at the lowest responsible cost. Manager Harley said that the DPU has won in every division recognition awards and SAG, safety, water, and wastewater for the excellence of our plants and Director Holmes distinction as an RP3 designation in terms of our quality and best practices in the electric division. He said every group has hit a standard that recognizes how well we do. One of the things that Director Nexsen does is make sure that if you call you get a level of consistency and quality no matter who you talk to.

Overview of Staffing Levels

Director Nexsen said that the DPU has not proposed to change staffing levels in any division for the upcoming fiscal year. There are currently 225 positions at the company and there are around 210 positions that are filled. He said there are always a handful of positions that are open at any given time between retirement and changes that go on. Manager Harley said that if there is a vacancy in any of the division we try to work within context of what we have vacant so we do not have to come back to Council every time for a new person; if we can transition the position to something else we will do that.

Quick Hit Topics

Manager Harley asked Mr. Randy Etters to give a quick overview regarding economic development. Mr. Etters said to Council that they have heard a consistent theme throughout our meeting today in the fact that infrastructure is our key to our being able to be successful. With you and the previous Council's permission, we have been able to put DPU in a position to attract some really significant development; much of which has come over the last two years. Right now Director Holmes has nominated around 262 megawatts, which is what we buy every day from Duke Energy. If the projects that we have on the books through 2030 come to fruition that could increase by as much as 232 more megawatts. Consequently, those megawatts come with a cost and Director Holmes and his team have been working on exactly what that would look like. We also anticipate there will be residential and commercial development and we will have to invest significantly into our system for the next five years. Mr. Etters said we cannot be caught not being ready for development. Orangeburg is in the right place at the right time. He said we have grown our territory from the electric standpoint as far as we can go; we are constrained by all our other neighbors that sell electricity so we felt like we needed to enhance the revenue stream inside of our service footprint. To do this, we had to go out and find someone who could help us understand how to do this. We hired a group called Retail Strategies out of Alabama and what they do is go to all the ICSC shows which are where all the commercial developers go and they sell Orangeburg. Everything that you have seen such as Longhorn's, Dunkin Doughnuts, Firehouse Subs, Chipotle, Jersey Mike's, Wing Stop; this company was the initial point of contact.

Human Resources Director Cheryl Lynch informed Council that she will take a few minutes to talk about our biggest capital expenditure which is our employees. One of the things that we are constantly looking at is how we are able to recruit people into the jobs because many of the jobs are very hard to recruit for. Engineers, electrical, wastewater certifications, water certifications, are hard to find because of the skills that are required for the positions. One of things that we feel would be a very good recruitment tool that we want to introduce is a flexible work schedule. Most of you probably know that if you go to a doctor's office you probably cannot get an appointment on a Friday afternoon and many retail businesses are closed Monday and Tuesday and flexible work schedules. She said we would like to introduce to DPU and the city flexible work schedules which her, Manager Harley, City Administrator Evering, and Assistant City Administrator Williams have already had discussions about. We have a lot of young mothers and fathers who would like to leave early on an afternoon to attend a ballgame or start a weekend early. Of course, we realize that this could not have any type of impact on our customer service. We do a lot of those flexible work schedules currently in many of our division such as the electric division during the summer months when it is extremely hot. They start work early in the mornings and they work until early afternoons; and they are on-call in the afternoons. Director Lynch said we would like to introduce and get your permission to think about a flexible work schedule for our employees. Manager Harley said that we haven't come up with anything specific but we just wanted to let Council know what we are thinking about as we find something that works for everybody at some level and then he will bring this back to Council in the future. Director Lynch said the next thing that we would like to talk to Council about is employee pay and retention. As you know, we try to keep close tabs on what is happening in the labor market and we could have the potential to lose employees and we want to make sure that we stay above or ahead of the market in the general area. She said we also look at regularly compensation wages and what comparative data tells us that our other municipalities are doing from a salary increase standpoint. Manager Harley reminded Council that last year they wanted him and City Administrator Evering to do more of a system where we go to one increase a year based on performance. He said we will keep the annual merit and do away with the COLA and they hope that this is more meaningful to Council and we think it will be good for employees and will put an emphasis on what we do for them.

Manager Harley informed Council that the DPU will bring along with the budget an update to the General Terms and Conditions which will significantly cover our ability to increase the impact fees that we have. As we have told Council the current tap and impact fees are woefully below the standard. He reminded Council that he has the authority granted by them to update the tap fees but he has not done it and we are going to do it all within the context of the budget and the necessary changes to the General Terms and Conditions to make that happen.

Director Odom informed Council that we have started this year rolling out the Everbridge application that we purchased a few years ago. In an effort to improve communications and enhance public safety and service, and basically increase transparency in customer engagement with all of our customers we have implemented this Everbridge communication software which allows us to send preprepared messages, phone calls, text messages, and emails to all customer with a click of a button to notify them of water main breaks, boil water advisories, scheduled outages, upgrades to our system, etc. Director Nexsen and his teams have taken the initiative to work with our customers to update their information so that when we do reach out to them we ae reaching out to them in the right way. The goal is to try to get the information as efficiently as possible to our customers.

Manager Harley informed Council that since 2018 we average about 103 safety classes each year since the inception of that position and that role focusing on training. He feels this has paid off and has been a big benefit for us as we continue to make improvements on our safety program. We are not perfect but we do a very focused effort to keep our employees safe.

Manager Harley said that several years ago the DPU did our first strategic plan and we will invite the same group back to bring us up to date on our plan efforts. We will kick that off in earnest in October and as we did the last time we will involve Council.

Manager Harley informed Council that we have a planned update to our agreement with Tri-County Electric Cooperative and we will bring it to you for approval. As you know, we did an agreement several years ago where we ran utilities across the interstate to serve the park that they have and they have asked for some adjustments to that agreement and we have agreed with some conditions that benefit us. He said our agreement with Duke Energy has been executed. Duke Energy is doing a merger and we wanted to make sure it did not have a negative impact on the DPU and its customers.

Manager Harley said that the DPU has been working with Bull Swamp Colored School and the city attorney has sent a letter to them to make sure that they know that Council and the DPU staff has done all we can do for them and that at this point it is up to them to resolve the issue with the church going forward. This is an item that we do not have the ability to resolve for them.

Mayor Butler said that Council appreciates everything that was presented to them today and it all looks like it is for the improvement and betterment of the DPU. He said as the mayor he supports DPU and what you do and he is very proud of what he hears. Mayor Butler said Council trusts DPU's leadership ability, and we need to keep moving forward. He said we are trying to be collaborative and make it happen for our citizens.

The meeting adjourned at 1:17 p.m.

Respectfully submitted,

Carol E. Franklin

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