

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

November 14, 2016

Chairman Saffo called to order the Authority Meeting scheduled on November 14, 2016 at 9:00 a.m. and welcomed everyone present. The meeting was held at the Authority's office located at 1107 New Pointe Boulevard, Suite 17, Leland, North Carolina. Director Milliken gave the invocation.

In observance of Veterans Day, Director Milliken honored and acknowledged the service of all veterans who were present by having them stand. He then acknowledged those in attendance with veterans as family members.

Present: Norwood Blanchard, Trent Burroughs, Wayne Edge, Larry Johnson, Demetrice Keith, Al Leonard, William Milliken, Scott Phillips, Charlie Rivenbark, Bill Saffo, Larry Sneed and William Sue

Present Electronically by Telephone: Earl Andrews and Skip Watkins

Absent: None

Staff: Don Betz, Executive Director; John Wessell, General Counsel; Tony Boahn P. E., McKim & Creed and Amy Scruggs, Administrative Assistant

Guest: Jerry Pierce, Brunswick County Public Utilities Director; Heidi Cox, NC DENR Assistant Regional Engineering Supervisor, Public Water Supply Section Division of Water Resources and Mr. Bill Kopp, former Chairman and Director for Lower Cape Fear Water & Sewer Authority

PLEDGE OF ALLEGIANCE: Chairman Saffo led the Pledge of Allegiance.

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting October 10, 2016

C2 - Kings Bluff Monthly Operations and Maintenance Report

C3 - Bladen Bluffs Monthly Operations and Maintenance Report

C4 - Proposal for Painting Water Stains from Roof Leak

C5 - Approval of the Authority's 2017 Regular Schedule Meetings Calendar

C6 - Purchase Order 2016-1013 (McKim & Creed)

Motion: Director Blanchard **MOVED**; seconded by Director Burroughs, approval of the Consent Agenda Items as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

NEW BUSINESS

NB1 - Resolution Authorizing Chairman to Enter an Interlocal Agreement Between Cape Fear Public Utility Authority and Lower Cape Fear Water & Sewer Authority Regarding Repair of a Rupture in the Kings Bluff Raw Water Pump Station's Transmission Main Located in Columbus County, North Carolina

Executive Director Betz provided a PowerPoint presentation with pictures showing the cresting of the Cape Fear River during Hurricane Matthew at both the Kings Bluff Raw Water Pump Station and the Bladen Bluffs Regions Surface Water System. On October 13, 2016 as a result of rainfall from Hurricane Matthew, the Cape Fear River crested at 36 feet. On this same date, a section of the Kings Bluff Raw Water Pump Station's transmission line (line), located in Columbus County suffered a significant rupture. The actual rupture was located towards the bottom of the pipe and close to a separated joint. Executive Director Betz showed additional pictures depicting the ruptured main and the repair work including: the flooded pipeline right-of-way easement located on International Paper (IP) property; mobilization and clearing of trees for repair work and installation of the line stop and the bypass line. The immediate emergency response to assess and isolate the damage for repair was a joint effort by Brunswick County, Cape Fear Public Utility Authority (CFPUA) and the Authority. Mr. Boahn reported the damaged section of the pipe is removed and a visual inspection of the existing pipe to which the new pipe will connect looks good. The pipe manufacturer representative is on site to inspect the connecting joints with the installation of new pipe. Four joints will be replaced. At this time, it is still undetermined what caused the break. In looking at the pipe, it could be surmised the pipe settled downward which stressed the joints and pulled apart the pipe. The pipe manufacturer representative is expected to give an opinion as to what may have occurred. With the bypass line in place, approximately 17 million gallons of water per day (MGD) is now flowing while repair is

being made to the transmission main. The bypass should be able to maintain a flow of up to 19.5 MGD. In the new section of pipe, a valve and tee will be added for interconnection with the 60-inch parallel transmission main once installed. If all goes well, four new sections of transmission main should be installed by the end of the week. It should take an additional two to three weeks to clean, and restore the site to its original condition. An access road to the repair site was built and there is discussion as to whether this road should remain since it is in wetlands and there would be mitigation costs. There is a second access road, not in wetlands, which IP has indicated they may agree to leave in place. Executive Betz recognized Mr. Peirce expressing appreciation for the extensive hours worked and remarkable job performed by Brunswick County's team in repairing the line. Mr. Pierce said the repair has been a great collaborate effort between CFPUA and Brunswick and Pender Counties to ensure a continuous supply of water to customers. He stated a lot of lessons have been learned from this event with far reaching effects for consideration in providing water in the long term. Chairman Saffo commented that since the Kings Bluff Raw Water Pump Station transmission main has no redundancy, this event has been a good exercise about who can bring resources to the table to cover each other. Because there is no redundancy, he requested an action plan be created for the mobilization of resources in the event of another catastrophic line break. Mr. Boahn noted that beyond a plan, repair materials should be restocked so materials are immediately available when needed. This time it was fortunate to get needed materials so quickly but delivery time can easily be six weeks. Executive Director Betz said the Utility Advisory Committee will meet and prepare a written emergency plan mirroring this experience. Mr. Pierce said three things need to be considered: (1) a review and evaluation of this event; (2) inspection of the rest of the line; and (3) a plan to create redundancy for future reliability. With this event it was mutually beneficial for CFPUA to employ its emergency construction contractor to repair the line and for the Authority to reimburse CFPUA for all associated and substantiated costs because CFPUA has trained staff, technical knowledge and emergency construction contracts in place to provide a timely and effective response for repair of the line. Executive Director Betz explained the presented resolution authorizes the Chairman to enter into an Interlocal Agreement with CFPUA for reimbursement of costs incurred as a result of the ruptured line. The line damage is estimated to be \$1,500,000.00 to \$2,000,000.00. Mr. Wessell pointed out that of necessity; the agreement with CFPUA is essentially a blank check because until the work is finished the final cost is not known. The agreement provides the right for the Authority to contest any request for reimbursement that it deems not in order and for both parties to agree to work together in resolving the issue.

Motion: Director Phillips **MOVED**; seconded by Director Rivenbark, approval of the *Resolution Authorizing Chairman to Enter an Interlocal Agreement Between Cape Fear Public Utility Authority and Lower Cape Fear Water & Sewer Authority Regarding Repair of a Rupture in the Kings Bluff Raw Water Pump Station's Transmission Main Located in Columbus County, North Carolina* as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

NB2 - Resolution Designation of Applicant's Agent (North Carolina Division of Emergency Management Hurricane Matthew FEMA-4285-DR-NC)

Due to the effects of Hurricane Matthew, on October 10, 2016, the State of North Carolina received a federal disaster declaration for Public Assistance (PA) for 41 counties including Columbus County; the location of the Kings Bluff Raw Water Pump Station's ruptured transmission line. Executive Director Betz reported that on October 31st he attended a North Carolina Emergency Management FEMA Public Assistance (PA) briefing meeting. As instructed at that meeting, the Authority filed a Request for PA under the terms of the PA in order to initiate the process to receive reimbursement for response and recovery costs incurred because of the ruptured transmission line. The presented resolution authorizes and designates the Authority's Executive Director to execute and file applications for federal and/or state assistance on behalf of the Authority for obtaining certain state and federal financial disaster relief and emergency assistance.

Motion: Director Sue **MOVED**; seconded by Director Blanchard, approval of the *Resolution Designation of Applicant's Agent (North Carolina Division of Emergency Management Hurricane Matthew FEMA-4285-DR-NC)* as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

NB3 - Resolution Authorizing the Chairman to Execute Proposal for Consulting Services for Hurricane Matthew Disaster Recovery and Mitigation Funding with Disasters, Strategies and Ideas Group, LLC (DSI) For a Fixed Fee Amount of \$20,000.00

Executive Director Betz remarked that with his experience of working with FEMA at North Topsail Beach, he found there is lots of paperwork throughout the FEMA process and that having a consultant who knows the pathway through the process is very helpful. Disasters, Strategies and Ideas Group, LLC (DSI) submitted a consulting services proposal to the Authority for services to maximize FEMA Public Assistance funding available for recovery of the cost of damages incurred as a result of Hurricane Matthew. They will work with the Authority, providing services necessary to develop, process, and administer the transmission line project in meeting all financial, administration, bookkeeping, and monitoring

requirements established by the federal grants. Because Mr. Bill Kopp, a former Chairman and Director for the Board, is familiar with DSI; Executive Director Betz invited him to address the board. Mr. Kopp explained that he and Joe Myers, DSI's Chief Operating Officer, became friends when they both worked in Raleigh, North Carolina. During the eight years that Mr. Kopp worked with the North Carolina Department of Crime Control and Public Safety, Mr. Myers served as the Director of the North Carolina Division of Emergency Management. After leaving North Carolina Mr. Myers was the Director of the Florida Division of Emergency Management under two governors. Mr. Kopp said DSI is a consulting company that assists entities such as cities, counties and authorities in speaking the FEMA language to obtain the best reimbursement you can get. Mr. Myers has been involved in emergency management for over thirty years and the company has been in business for approximately six years. Mr. Kopp reached out to Executive Director Betz because DSI is a good company and he recommends the Authority utilize their services. Director Phillips commented that Brunswick County elected to use this type of FEMA consulting service and Mr. Kopp confirmed DSI is providing service to Brunswick County. Executive Director Betz met with DSI staff. He noted DSI has extensive experience with FEMA pipeline repairs in Florida and a significant key in this is the engineering report. Mr. Boahn has already reached out to DSI to see what is needed for the report. Executive Director Betz explained that 100% of DSI's \$20,000.00 service fee will be recovered. As stated in the proposal, 100% of DSI's services will be charged to the project as authorized by the FEMA Direct Administrative Cost (DAC) program. This means that 75% of all contracts cost will be reimbursed by FEMA, leaving only the 25% local match that will be paid by the State of North Carolina on the total fee amount of \$20,000.00. Executive Director Betz recommends approval of the resolution as the successful approach for the Authority to take.

Motion: Director Milliken **MOVED**; seconded by Director Rivenbark, approval of the *Resolution Authorizing the Chairman to Execute Proposal for Consulting Services for Hurricane Matthew Disaster Recovery and Mitigation Funding with Disasters, Strategies and Ideas Group, LLC (DSI) For a Fixed Fee Amount of \$20,000.00* as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

EXECUTIVE DIRECTOR REPORT

EDR1- Customers' Water Usage Report for Fiscal Year to Date Ending October 31, 2016

See Item EDR2 below.

EDR2 - Operating Budget Status, First Quarter Ending September 30, 2016

Executive Director Betz reported that as of September 30th, prior to Hurricane Matthew, receipt of raw water revenue was at 30% with the total of all revenues at 31%. At the end of October, since Hurricane Matthew, raw water revenue took a huge decline of approximately \$85,000.00 against budgeted revenue. Prior to the regular board meeting, the Finance Committee met and considered the following financial consequences created by the break in the transmission line. Executive Director Betz reviewed the consequences. He stated a letter from the insurance company is forthcoming with their definite response; however, in their opinion the transmission line is not covered. Additionally, FEMA will not pay for loss of income. Due to the line break, the Authority could not supply water to its customers resulting in the decline of raw water revenue which normally would be billed. This lost income to the Authority is budgeted in its customers' budgets; therefore, there are a couple of ways to approach recovering this decline in revenue. An approach is to wait and see if the loss is recovered with higher usage or a rate increase could be approved for the period of January to June 2017. Another factor considered by the Committee was how to reimburse CFPUA for the repair cost of the broken transmission line if the Authority is not deemed FEMA eligible for assistance. Executive Director Betz contacted David Adams of George K. Baum & Company to inquire what bank financing options may be available to the Authority. As a unit of local government, the Authority is obligated to maintain a reserve and its current reserve is approximately \$2,250,000.00. This amount is not sufficient to cover the estimated repair cost of \$1,500,000.00 to \$2,000,000.00 and maintain an adequate reserve for both current requirements and possible future needs. Finance Committee Chairman Milliken said it is recommended by consensus of the Finance Committee that a \$0.02 raw water rate increase be approved at the December 12, 2016 board meeting to be effective January 1, 2017 for the period of January 1 to June 30, 2017. This increase would recover a total amount of \$84,500.00 of lost revenue. The Committee provided this information in advance so board members could have time to consider the recommendation. Discussion ensued by several directors as whether a \$0.02 raw water rate increase should be approved effective January 1, 2017 to recover the loss of raw water revenue when an additional increase may be needed to pay the transmission line repair cost if the FEMA application is denied. It was noted that the \$85,000.00 in lost revenue could be used from reserves as a stopgap measure until the Authority received a decision on its FEMA application. This way customers' rates would be increase only once. In response to a question by Director Blanchard, Executive Director Betz responded that the Interlocal Agreement between CFPUA and the Authority for repayment of repair cost does not have a payment deadline; however, it is mutually beneficial for both entities that total payment is made by June 30, 2016, the end date of the this fiscal year.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS - None

PUBLIC COMMENT

Mr. Bill Kopp noted that he and several Directors have worked towards installation of the 60-inch parallel transmission main and he alluded that the ruptured transmission main should serve as a wakeup call for installation of the parallel main.

ADJOURNMENT

There being no further business, Chairman Saffo adjourned the meeting at 10:03 a.m.

Respectfully Submitted:



Larry Sneed, Secretary