

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

January 9, 2017

Chairman Blanchard called to order the Authority Meeting scheduled on January 9, 2017 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 Leonard gave the invocation.

Present: Earl Andrews, Norwood Blanchard, Trent Burroughs, Wayne Edge, Larry Johnson, Al Leonard, William Milliken, Jackie Newton, Charlie Rivenbark, Bill Saffo, Larry Sneed, William Sue, Frank Williams

Present Electronically by Telephone: 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: Jim Flechtner, Executive Director Cape Fear Public Utility Authority; John Nichols, Brunswick County Public Utilities Director; Glenn Walker, Brunswick County Water Treatment Plant Superintendent, Northwest Water Treatment Plant; Heidi Cox, NC DENR Assistant Regional Engineering Supervisor, Public Water Supply Section Division of Water Resources and Stuart Hill, CPA of Thompson, Price, Scott, Adams & Co., PA

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

PRESENTATION TO: Demetrice Keith, Former Pender County Representative, by Chairman Blanchard
Ms. Keith was unable to attend.

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting December 12, 2016

C2 - Kings Bluff Monthly Operations and Maintenance Report

C3 - Bladen Bluffs Monthly Operations and Maintenance Report

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

OLD BUSINESS

OB1- Presentation of Annual Audit Report for Fiscal Year Ending June 30, 2016 (Terry Smith, Audit Manager – Thompson, Price, Scott, Adams & Co., P.A.)

Executive Director Betz introduced Mr. Stuart Hill of Thompson, Price, Scott, Adams & Co., P.A. who was standing in for Mr. Smith. Mr. Hill reviewed a PowerPoint summarization of the audit report, a copy of which is hereby incorporated as part of these minutes. He reported everything was in order and all required audit procedures were performed with complete access to management and information without any limitations. There were no instances of material errors, misrepresentation or non-compliance. The auditor is required to communicate significant deficiencies in internal control and due to the limited number of personnel in the Authority's office; there are inherent limitations to segregation of duties among Authority personnel. Mr. Hill stated this is a common situation with smaller entities such as the Authority. He noted all seems to be reasonable regarding management judgment and accounting estimates. Mr. Hill provided a summarization of some key items in the audit report including cash and cash equivalents, total revenues and total expenditures which resulted in a net change for the year between assets at the beginning of the year and at the end of the year of a negative \$65,691. Over the past three fiscal years, the charges for services (raw water revenue) remain stable and other revenues show a slight increase each year. Also during this timeframe, unrestricted net assets and invested in capital assets have remained stable. In response to a question by Director Sue regarding the audit procedure in identifying irregularities in the payment of invoices, Mr. Hill responded although the system is not foolproof, sample testing is performed to test transactions and procedures. Executive Director Betz explained the Authority is overdue in meeting its requirement to provide a copy of the audit to bondholders and inquired if the audit was submitted to the Local Government Commission for approval. Mr. Hill responded it is his understanding the audit has been submitted.

Executive Director Betz added that in review of a few pages of audit data he saw the debt service coverage ratio increased to 188% and cash on hand as of June 30, 2016 was \$2,955,743.00. In response to a question by Director Sue, Executive Director Betz affirmed cash on hand includes a restricted balance of \$280,000.00 in the Right of Way (ROW) Fund; however, earned interest on the balance is unrestricted to the Authority.

OB2 - Resolution Authorizing the Executive Director to Enter Into an Agreement with Pure Technologies for SmartBall Leak and Gas Pocket Detection Services on the First 14 Miles of the Authority's 24 Miles Raw Water Transmission Line in the Amount of \$196,000.00 with the Option of Re-Inspection for a Period of Two Years Following the Initial Inspection at a Cost of \$183,500.00 for Each Additional Inspection (Staff and Tony Boahn, P.E., McKim & Creed)

Executive Director recalled that at the December 12th board meeting, Mr. Boahn provided a presentation on the SmartBall leak detection service. After that meeting, he met with Mr. Flechtner and Mr. Nichols regarding the SmartBall inspection of the transmission line and both agreed the inspection is needed. Mr. Flechtner commented that Cape Fear Public Utility Authority (CFPUA) had a good experience and positive results in previously working with the Pure Technologies firm. CFPUA found their prices to be fair and the information received was very valuable. The information helped CFPUA prioritize the repairs of pipelines. Mr. Flechtner noted the information provided can be complex so having a consultant on board such as McKim & Creed is also very helpful. In response to a question by Director Burroughs, Executive Director Betz responded that Mr. Boahn re-negotiated the originally proposed timeframe from five months to approximately three months. Additionally, the re-negotiated proposal offers the option of a single inspection and an option of re-inspection for a period of two years following the initial inspection. The re-negotiated proposal cost was also slightly reduced. Mr. Boahn explained a second inspection should be considered depending on if any issues are found with the initial inspection and on how quickly the parallel pipeline project progresses. Having the parallel pipeline in place offers another conveyance system if a failure occurs in the existing line. Executive Director pointed out, the purchase order associated with the presented resolution is only for the initial SmartBall inspection. Mr. Nichols affirmed, Brunswick County also agrees with conducting the initial inspection. There was discussion about the correlation between leaks and the structural integrity of the line. Mr. Boahn clarified the inspection will only detect existing leaks and not structural integrity. He noted leak inspection is the right first step to take. Director Sneed inquired if a discrepancy between the Kings Bluff Raw Water Pump Station's flow meter readings of approximately 10% higher than the combined customers' reading is a result of a meter calibration issue or a leak. Mr. Nichols explained it is believed to be a meter issue and he described the process being used to analyze the flow leaving the station.

Motion: Director Sneed **MOVED**; seconded by Director Andrews, approval of the *Resolution Authorizing the Executive Director to Enter Into an Agreement with Pure Technologies for SmartBall Leak and Gas Pocket Detection Services on the First 14 Miles of the Authority's 24 Miles Raw Water Transmission Line in the Amount of \$196,000.00 with the Option of Re-Inspection for a Period of Two Years Following the Initial Inspection at a Cost of \$183,500.00 for Each Additional Inspection* as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OB3 - Resolution Authorizing the Chairman to Execute an Agreement for Professional Consulting Engineering Services Engineering Assistance for the Raw Water Main Inspection Pure Technologies SmartBall Leak Detection Project in the Fixed Fee Amount of \$20,000.00

Mr. Boahn explained that because Pure Technologies is not an engineering company, their proposal references the need for engineering assistance. Engineering assistance is initially needed with the project planning stage for insertion and exit points of the SmartBall location of receivers along the route and acquisition of flow data prior to the inspection. Then once the inspection data is obtained, engineering service is needed to analyze the resulting data and accordingly make recommendations. There being no questions, Chairman Blanchard called for a motion.

Motion: Director Watkins **MOVED**; seconded by Director Rivenbark, approval of the *Resolution Authorizing the Chairman to Execute an Agreement for Professional Consulting Engineering Services Engineering Assistance for the Raw Water Main Inspection Pure Technologies SmartBall Leak Detection Project in the Fixed Fee Amount of \$20,000.00* as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

Mr. Wessell noted the General Statutes requires the Authority to conduct an initial selection of firms to provide engineering services without regard to fee; however, there is a provision to waive that requirement if the project is less than \$50,000.00. Since McKim & Creed's fee is under \$50,000.00, Mr. Wessell recommended the Board consider a resolution waiving the requirements of the Mini Brooks Act in regard to the contract with McKim & Creed.

Motion: Director Leonard **MOVED**; seconded by Director Burroughs, approval of *A Resolution of Lower Cape Fear Water & Sewer Authority Exempting Lower Cape Fear Water & Sewer Authority from the Provisions of N.C.G.S. §143-64.31*. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

EXECUTIVE DIRECTOR REPORT

EDR1 - Jordan Lake Water Supply Allocation Recommendations

a) Interbasin Transfer Program Update – Pender County

Executive Director Betz recalled that Pender County submitted an Interbasin Transfer Request (IBT) to the North Carolina Department of Environmental Quality which is in process of regulatory review. Pender County's IBT request is being reviewed by the Water Allocation Committee which generally meets prior to the North Carolina Environmental Management Commission (EMC) whose next meeting is scheduled January 12, 2017. Pender County's IBT request is for 14.5 million gallons per day (MGD) to be transferred from the Cape Fear River as the source basin into the receiving basins of South River, Northeast Cape Fear River and New River. The County does not have a contract to purchase this water from the Cape Fear River. Their contract with the Authority is for only 6 MGD. In Executive Director Betz's meeting with Mr. Flechtner and Mr. Nichols, there was discussion about their future water needs and the necessity of moving up the design of the parallel transmission line. The cost of design will be substantial and currently the Authority recommends CFPUA take the lead with the design contract and for the cost to be divided between Brunswick County and CFPUA based upon their future projected usage. The Authority has no official indication that Pender County desires to participate either in the design or in the pipeline construction. Now, when the Authority is allocating its available water supply among its customers, is the critical point for Pender County to decide where they will purchase water from the Cape Fear River to meet their projected future water needs. Generally, the least expensive time to purchase water is in the initial allocation of capacity; therefore, it is important for the Authority to have the opportunity to meet with Pender County to advise and brief them on the significance of where their future water will come from and at what cost. It is anticipated Pender County's IBT will be approved around May or June at which time the parallel line project will likely be in a design proposal for budgeting in fiscal year 2017-2018. Mr. Flechtner commented the urgency of having redundant lines for capacity which will be needed in the future is understandable and having that redundancy early is important. Chairman Blanchard said he and Director Newton will see about arranging a meeting between Pender County and the Authority.

b) Cape Fear River Surface Water Supply Evaluation

c) Round 4 Jordan Lake Water supply Allocation Recommendations

Executive Director Betz noted the evaluation report indicates the Division of Water Resources recommends allocation of 95% of the Jordan Lake water supply pool. Mr. Boahn explained that in addition to the water supply pool dedicated for lake withdrawals there is an augmentation pool. The water supply pool is designated for allocation to approved water users whereas water is released from the augmentation pool to maintain the water flow level in the Cape Fear River. Early on, the Authority made the point that 100% of the water supply pool can be allocated as long as the augmentation pool supplying downstream users is not utilized for water supply pool allocation. The City of Fayetteville was denied its allocation request. The new state administration requested a delay in decision by the EMC in order for the new Secretary and his staff to review the report. The concern of the Authority, CFPUA and Brunswick County with the initial report draft was the reconsideration of the 20% of 7Q10* guideline for water withdrawal from the river at Lock and Dam #1. It was proposed the withdrawal number be reduced from 106 MGD to 44 MGD. This reduction in withdrawal has been removed from this final report. Additionally water is not being allocated from the augmentation pool. The report mentions hydrologic modeling for 2060 which indicates the combined demand for CFPUA and the Authority as 63.5 MGD whereas the Authority's projection is closer to 90 MGD. In response to a question by Director Sneed regarding the 63.5 MGD, Mr. Boahn said this figure is only one result from approximately six hydrologic modeling scenarios and therefore should not pose a future problem for the Authority.

In conclusion, Executive Director showed a graph illustrating the decline in raw water revenue during October and November has turned around. CFPUA is utilizing the Kings Bluff Raw Water Pump Station on a full time bases which has brought the Authority's water revenue where it needs to be at this point in the fiscal year. Historically, the Authority's water revenue declines in April; however, with CFPUA's maintained usage the decline in revenue should balance out at the end of the fiscal year.

*Note: 7Q10 stands for the lowest average flow (Q) for seven (7) consecutive days expected to occur on average once in ten (10) years based on the historic record. Historically the 7Q10 at Lock & Dam No. 1 is 530 MGD with 20% being 106 MGD allocated at 53 MGD to the Authority and 53 MGD to CFPUA

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

None

PUBLIC COMMENT

None

ADJOURNMENT

There being no further business, Chairman Blanchard adjourned the meeting at 9:58 a.m.

Respectfully Submitted:



Wayne Edge, Secretary