

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

January 8, 2018

Chairman Sneed called to order the Authority meeting scheduled on January 8, 2018 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 Norris gave the invocation.

Present: Norwood Blanchard, Trent Burroughs, Wayne Edge, Larry Johnson, Al Leonard, William Milliken, Jackie Newton, Phil Norris, Charlie Rivenbark, Bill Saffo, Larry Sneed, Skip Watkins and Frank Williams

Present Electronically by Telephone: None

Absent: William Sue

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

Guest: Alan Thompson, CPA of Thompson, Price, Scott, Adams & Company, P.A.; John Nichols, Brunswick County Public Utilities Director; Chad McEwen, Pender County Assistant County Manager; Bryan McCabe, Pender County Interim Public Utility Director; John Malone, Cape Fear Public Utility Authority Water Resources Manager and Heidi Cox, NC DENR Assistant Regional Engineering Supervisor, Public Water Supply Section Division of Water Resources

PLEDGE OF ALLEGIANCE: Director Burroughs led the Pledge of Allegiance.

PRESENTATION TO: Norwood Blanchard, Pender County Representative, by Chairman Sneed

Chairman Sneed presented Director Blanchard a plaque in recognition and appreciation for his distinguished service to the Authority for serving as Chairman in 2017.

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting December 11, 2017

C2 - Kings Bluff Monthly Operations and Maintenance Report

C3 - Bladen Bluffs Monthly Operations and Maintenance Report

C4 - Lease Agreement for Authority House

For the benefit of the newest directors, Executive Director Betz explained there is a house located on the Authority's Kings Bluff pump station property which is periodically leased as a residence for construction crews who are temporarily working in the area. The presented one year lease is for a crew working on a demolition project at International Paper.

Motion: Director Leonard **MOVED**; seconded by Director Blanchard, 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, 2017 (Thompson, Price, Scott, Adams & Co., P.A.)

Mr. Thompson of Thompson, Price, Scott, Adams & Company, P.A. (TPSA) reviewed a PowerPoint summarization of the audit report, a copy of which is hereby incorporated as part of these minutes. Mr. Thompson explained it is the responsibility of the auditor to issue an opinion on the financial statements and TPSA issued the Authority a non-modified report which is a "clean report." He reported everything was in order and all required audit procedures were performed with complete access to management and information without any limitations. There was nothing to communicate in terms of significant deficiencies in internal control or to initiate an adoption of or change in accounting principle. Methodologies used and evidence considered for matters requiring judgments and estimates appeared to have led to reasonable amounts being included in the financial statements. There were no significant audit adjustments or unrecorded differences noted out of the normal course of business. Additionally, there were no disagreement issues between the Authority's management and TPSA. Mr. Thompson 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 of (\$569,165). The financial statements indicate a net of about three million dollars related to Hurricane Matthew along with

a large debt payment; however, the depreciation was large enough to result in a net positive cash flow at the end of the year in the amount of \$22,285,424. In the analysis of revenue by year, Mr. Thompson noted the revenue for 2017 is slightly skewed due to receipt of revenue related to Hurricane Matthew. With the analysis of net assets, he explained that with a proprietary entity such as the Authority, in essence this indicates whether the net position is increasing with sufficient cash flow by means of an adequate water rate in order to cover both debt service and operating expenses. Executive Director Betz commented, the numbers reflect the debt service coverage ratio to be a little lower than last year; however, this was also probably influenced by Hurricane Matthew. A copy of the audit was provided to the Authority's bondholders per bond order requirements and copies will be provided to Directors upon request.

OB2 – Discussion of Capacity Allocation for 60-inch Parallel Line

Director Newton recalled that at the last meeting the board approved 60 days for Pender County to meet in order to come to some resolution as to its partnership participation to preserve allocation in the new parallel line. She stated that Mr. Blanchard gave a thorough and effective presentation to the Pender County Board of Directors at their January 2nd meeting. According to Director Newton, the Pender County Commissioners, in understanding the need for future water allocation, appear to be aligned with preserving their partnership participation in the project. Staff from Brunswick County, Pender County Cape Fear Public Utility Authority (CFPUA) and the Authority will meet on January 10th to discuss capacity allocation of the parallel line. Following that meeting, and prior to its next board meeting, Pender County will have a workshop to determine their participation stance within the 60 day period. On behalf of Pender County Director Newton acknowledged and thanked the members of the partnership for their patience in this process. Executive Director Betz recalled that at the Authority's last meeting there were questions raised regarding over allocation of the pipeline. For the benefit of the newest directors he explained that in 2012 the Authority was in the initial stage of a pipeline project and during that time CFPUA requested a new water supply agreement which eventually resulted in new water supply agreements being approved for CFPUA, Brunswick County and Pender County. The project was not acted on because it became a customer driven project rather than an Authority directed project. In 2012, because the pipeline was viewed as on the horizon of being built, the final allocation of 12 million gallons per day (MGD) was made to Brunswick County. Now five years later it has not yet come to fruition but the pipeline is in the design process. Executive Director Betz met with CFPUA's senior staff and their position is that allocation of 53 MGD will remain theirs. There was also a question brought up that there needs to be an additional permit from the river. Executive Director Betz explained, there is a safe yield withdrawal determination made by the staff of the North Carolina Department of Environmental Quality (DEQ) but there are no permits issued to entities for a withdrawal quantity from the river. The Army Corps of Engineers permitted the Authority to install additional intakes at the Kings Bluff pump station and with that infrastructure the Authority has no need to be permitted for additional intake capacity. The infrastructure was permitted to carry the amount of water that can be transferred in a 60-inch pipeline. In order to meet the initial request for Brunswick County future needs, the pipeline is a definite need as well as possibly some sort of compromise between Brunswick County and CFPUA on additional capacity. There is 16.5 MGD available to allocate and there are two customers desirous of that additional capacity. Director Watkins commented it would be helpful for Brunswick County, Pender County and CFPUA to create a spreadsheet of current usage and future estimated usage in order for everyone to have a basis of information. Chairman Sneed said he will speak with the CFPUA staff to see if they can pull together the information in a logical manner. The board will receive a status report at its February meeting.

EXECUTIVE DIRECTOR REPORT

EDR1- Customers' Water Usage Report for Fiscal Year to Date Ending December 31, 2017

Executive Director Betz reported that historically there is a decline in water usage at this time of year. In December both Brunswick County and Pender County were above projected usage and CFPUA was below. CFPUA is once again running its station upon completion of repair. During the recent winter storm there was a surge in usage with a couple of days of 32 MGD usage which could possibly be attributed to broken water pipes.

EDR2 - Duke Energy Progress Curtailment Event

Since the last board meeting the Authority has participated in three energy curtailment events. Two of these events occurred during the current extreme winter temperatures. Executive Director Betz expressed appreciation for the response and efforts of Glenn Walker, Jack Hogan and Darnel Brooks to ensure the smooth and consistent operation of the pump station under generator power.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

Director Watkins

Director Watkins congratulated Chairman Sneed as the Board of Directors Chairman for 2018.

PUBLIC COMMENT

None

ADJOURNMENT

There being no further business, Chairman Sneed adjourned the meeting at 9:34 a.m.

Respectfully Submitted:



Al Milliken, Secretary