

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

November 13, 2017

Chairman Blanchard called to order the Authority meeting scheduled on November 13, 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: Norwood Blanchard, Trent Burroughs, Wayne Edge, Larry Johnson, Al Leonard, William Milliken, Jackie Newton, Phil Norris, Charlie Rivenbark, Bill Saffo, Larry Sneed, William Sue, Skip Watkins and Frank Williams

Present Electronically by Telephone: None

Absent: None

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

Guest: Chad McEwen, Assistant Pender County Manager; John Malone, Cape Fear Public Utility Authority Water Resources Manager; Donald Dixon, Brunswick County Deputy Director-Wastewater Operations 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.

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting October 9, 2017

C2 - Kings Bluff Monthly Operations and Maintenance Report

C3 - Bladen Bluffs Monthly Operations and Maintenance Report

C4 - Approval of the Authority's 2018 Regular Schedule Meetings Calendar

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

OLD BUSINESS

OB1 - Resolution of Lower Cape Fear Water & Sewer Authority to Approve the Equal Funding of \$46,900.00 by Both the Authority and Pender County for a Total Increase of \$93,800.00 to McKim & Creed's Scope of Work and Fee Schedule for Design and Permit of a 60-inch Main for the Kings Bluff Raw Water Pump Station 14-mile Parallel Raw Water Transmission Main

This resolution resulted from the design team's agreement at their last project meeting to consider a base bid for design of welded steel pipe with the pipe diameter of 60-inch and with 54-inch as an alternate bid increasing the original design fee by \$93,800.00. However, Executive Director Betz requested the resolution be withdrawn from consideration for board approval in light of a recent phone conversation with Jim Flechtner and a letter from John Nichols, informing him that both Cape Fear Public Utility Authority (CFPUA) and Brunswick County concur to design the pipeline to 60-inches with the material options of ductile iron pipe and welded steel pipe. Additionally, with the design being for one pipe size there is no increase in design and permit fees.

Director Sneed commented that if this resolution was not withdrawn and was approved there would be the assumption that the Authority and Pender County would receive the increased capacity provided by the 60-inch pipe over the 54-inch pipe which was initially recommended for design. He commented the resolution was addressing an increase in design fee of approximately 5%, to be shared equally between the Authority and Pender County, for an increase of capacity of approximately 25%. He stated it needs to be clear that all partners receiving capacity from the project should pay their proportionate share with the same rate for allocated capacity. Moving forward, all partners need to be paying their proportionate share of design cost and construction cost and this was not clear in the resolution. Executive Director Betz commented the Authority's Board is prepared to make a financial contribution when needed as was Pender County as stated in the resolution. The resolution was solely addressing design and had

no allusion to the allocation of capacity and there has been no discussion regarding capacity charges. He pointed out the Authority is in the water business and like all utilities; the financing of system expansion is by means of its customers. The design team's initial recommendation of a 54-inch pipe would have shut down any further growth for the Authority in meeting the future needs of all its customers because a 54-inch pipe would not fully utilize the Authority's infrastructure for maximum capacity withdrawal. Director Sneed affirmed he firmly agrees with a 60-inch pipe; however, he did not want there to be an assumption created by the resolution that the payment of additional cost of design fees would secure the additional 25% capacity for the Authority and Pender County.

Motion: Director Williams **MOVED**; seconded by Director Newton, removal of the resolution from the agenda. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OB2 - Closed Session in Accordance with N.C.G.S. Sec.143-318.11(a) (3) to Preserve Attorney-Client Privilege (John Wessell, General Counsel)

In consideration of attending guests, Chairman Blanchard moved Item OB2 to the end of the agenda. Director Williams recommended that all future closed session items be placed as the last item on the agenda.

EXECUTIVE DIRECTOR REPORT

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

Executive Director Betz reported the water use for the first quarter was very strong. CFPUA's water use is well over projection for the past couple of months due to its pump station being out of service for repairs. Both Brunswick and Pender Counties have slightly exceeded their water projection in the first quarter as well.

EDR2 - Operating Budget Status, First Quarter Ending September 30, 2017

The first quarter total revenue is at 48% with total expenditures being 46%. Operating revenue, as a portion of total revenue is at 26%. The high percentage of both total revenue and expenditures is attributable to the receipt of 85% of Hurricane Matthew FEMA funds and payment reimbursement of those funds to CFPUA and Brunswick County for the Authority's pipeline repair in October and November of 2016. These percentages will level out as the year progresses.

EDR3 - Status Report on the Cary, Apex, Morrisville Interbasin Transfer (IBT) Modification Administrative Appeal

Executive Director Betz reported the IBT appeal hearing is now scheduled for January, 2018.

EDR4 - (A) Status Report on FEMA Closeout Payment

The Authority was notified that the closeout of its Hurricane Matthew project was approved as 100% complete and the final obligated payment is being issued.

(B) SmartBall Reimbursement via Brunswick County

With receipt of the final FEMA check, the Authority will basically receive full reimbursement for the pipeline repair cost except for the SmartBall pipeline inspection cost. The SmartBall inspection, conducted subsequent to the pipeline repair, indicated the pipeline is in good shape. The inspection cost of \$216,000.00 was submitted to FEMA as a hazard mitigation cost but was denied. Through the effort of Brunswick County in seeking funding via the Golden Leaf Foundation, the Department of Commerce has approved for Brunswick County to use \$216,000.00 of its Public Utilities Disaster Recovery Grant to reimburse the Authority for payment of the SmartBall inspection costs. Accordingly, the Authority has invoiced Brunswick County and once payment is received the cost of the SmartBall inspection will have been fully reimbursed as well. Executive Director Betz noted that since inception of the pipeline repair in October and November, 2016, it has been a cooperative effort by Brunswick County, CFPUA and the Authority.

EDR5 - Status Update on Fiscal Year Ending June 30, 2017 Audit

Executive Director Betz reported he reviewed a draft of the audit and explained it shows some deficits due to Hurricane Matthew costs being expended in last fiscal year with receipt of associated revenue not occurring until this current fiscal year. The auditor will make substantial notes regarding the impact of Hurricane Matthew as illustrated in the audit.

EDR6 - Tour of Bladen Bluffs Regional Surface Water System by Michael Regan, NC Department of Environmental Quality Secretary

Executive Director Betz met with Secretary Regan on November 6th when he toured the Bladen Bluffs facility. He was very impressed with the cleanliness and operation of the plant. During his tour, water samples were taken and Mr. Regan noted his frustration with the GenX issue. With the use of the higher level of 400 granulated activated carbon, testing indicates there is no GenX in the facility's finished water.

OB2 - Closed Session in Accordance with N.C.G.S. Sec.143-318.11(a) (3) to Preserve Attorney-Client Privilege (John Wessell, General Counsel)

Motion: Director Saffo **MOVED**; seconded by Director Rivenbark, to go into closed session in accordance with North Carolina General Statute Section 143-318.11(a) (3). Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

At 9:21 a.m. the board went into closed session. At 10:02 a.m. the board returned to open session.

Motion: Director Milliken **MOVED**; seconded by Director Leonard, approval of the Attorney-Client Fee Contract with the law firms of Baron & Budd, P.C. and Seagle Law to represent the Authority in connection with the GenX issues and river water and potential litigation against Chemours with amended wording ensuring that the lawyers have no engagement, representation or involvement with the Authority's relationship with Smithfield Foods and the Bladen Bluffs Regional Surface Water System operation. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

Director Watkins congratulated Director Saffo in his re-election as Mayor for the City of Wilmington and Director Rivenbark in his re-election as Councilman for the City of Wilmington.

PUBLIC COMMENT

None

ADJOURNMENT

There being no further business, Chairman Blanchard adjourned the meeting at 10:05 a.m.

Respectfully Submitted:



Wayne Edge, Secretary