

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

August 12, 2019

Chairman Edge called to order the Authority meeting scheduled on August 12, 2019 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.

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, Frank Williams and Rob Zapple

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: Frank Styers, Cape Fear Public Utility Authority Chief Operations Officer; John Malone, Cape Fear Public Utility Authority Water Resources Manager; Chad McEwen, Pender County Assistant County Manager; Anthony Colon, Pender County Public Utilities Assistant Director; Glenn Walker, Brunswick County Water Resources Manager; Heidi Cox, NC DEQ Regional Engineering Supervisor, Division of Water Infrastructure

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

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting July 8, 2019

C2 - Kings Bluff Monthly Operations and Maintenance Report

C3 - Bladen Bluffs Monthly Operations and Maintenance Report

C4 - Bladen Bluffs Weekly Report: August 2, 2019

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

OLD BUSINESS

OB1 - Amendment Number 1 to Interlocal Agreement Regarding Raw Water Pipeline Design, Construction and Ownership Transmission Main (John Wessell, General Counsel)

Mr. Wessell explained the document provided in the agenda was revised after issuance of the agenda; therefore, a copy of the revised document was provided to each Director for their review and consideration of approval. The presented document is an amendment to the Interlocal Agreement, approved on July 8th, which defines arrangements related to installation of the new main concerning capacity allocation and ownership. The presented amendment is based upon direction provided by Bond Counsel. Mr. Wessell reviewed the changes presented in paragraph B. 6. of the amendment. With the original agreement, the new main was to be paid for and owned by Cape Fear Public Utility Authority (CFPUA) and Brunswick County until such time the construction debt is paid in full. At that time ownership transfers to the Authority. However, with the amendment the Authority owns the main from the beginning and CFPUA and Brunswick County have perpetual, contractual rights to the water allocation. The Authority remains responsible for the operation and maintenance of the main. Director Zapple expressed concern with the Authority's financial ability to undertake major maintenance work and projects associated with the main. Mr. Wessell responded that financing of the operation and maintenance will continue as it has been for the past forty years, which has been through the customers' raw water rate structure. Where there is a major expense such as the October, 2016 line break in the Riegelwood area, it will have to be handled in like manner by using the extent of available revenue on hand or a combination of funding. Mr. Wessell used the example of the current restoration project of the Bladen Bluffs eroded riverbank where the Authority will use available water revenue which will be reimbursed by FEMA. He remarked that the regional membership of the Authority is a remarkable group in that there never seems to be a lack of willingness to participate in these kinds of situations. Director Zapple cited the example of revenue not being available for relocation of the main at Fishing Creek on US HWY 421 and questioned

the funding of such large projects going forward. Will that responsibility fall back on New Hanover, Brunswick or Pender Counties or a collection of goodhearted organizations? Mr. Wessell noted the Board is comprised of many Directors who have extensive experience in local government and are familiar with funding such projects by means of a combination of available reserves and the ability to borrow funds. He commented that if a truly severe problem occurs it will be funded to the extent reserves are available and the remainder will be borrowed. Director Norris concluded that obviously the Authority's revenue comes from the raw water rate charged to its customers. Therefore, if the Authority needs more revenue, the increase in revenue would come from its customers by way of a rate increase. Director Zapple expressed that having a larger reserve would raise his comfort level and he understands the only way to do so is through the rate payers of the Authority. He commented, the Authority is taking on a huge responsibility knowing full well that if a major issue occurs, the financial resource is not available without borrowing from another entity. In response to Director Williams, Mr. Wessell affirmed the amendment was reviewed by the parties' respective attorneys. Mr. Wessell referenced paragraph B. 10. regarding real estate. With the original agreement the Authority was responsible for securing five, required easements; and the acquisition of any additional easements beyond those five would be the responsibility of CFPUA and/or Brunswick County. The presented amendment states the Authority shall procure any other required easements and CFPUA and Brunswick County will reimburse the associated costs. Additionally both parties agree to hold harmless and indemnify the Authority from any claims that may result from installation of the main. Paragraphs B. 29. and 30. are being added to the original agreement due to a conversation Mr. Wessell and Executive Director Betz had with the Authority's insurance provider. Paragraph B. 29. adds the Authority as an additional insured to CFPUA's and Brunswick County's liability insurance policies. CFPUA agreed to this and Brunswick County is checking with its insurance provider. In Paragraph B. 30. CFPUA and Brunswick County waive all rights of subrogation against the Authority. Subrogation is the right held by most insurance carriers to legally pursue a third party that caused an insurance loss to the insured. Mr. Wessell recommended the presented Amendment #1 be considered for approval with the caveat that in the event Brunswick County is not able to add the Authority as an additional insured, the Board will allow Mr. Wessell and Executive Director Betz to work through the mechanics of that with Brunswick County in order to make the needed changes to the document.

Director Newton recommended a point of procedure for future application. She requested that when amendments are suggested to a document, the original document is provided in its entirety with the revisions noted so that the document can be reviewed with context.

Motion: Director Newton **MOVED**; seconded by Director Sneed, approval of the *Amendment Number 1 to Interlocal Agreement Regarding Raw Water Pipeline Design, Construction and Ownership Transmission Main*. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OB2 - Status Report on Easements for Construction of the Kings Bluff Raw Water Parallel Transmission Main Project and the US Highway 421 Raw Water Main Relocation Project (John Wessell, General Counsel)

Mr. Wessell reported the Authority has acquired the five easements discussed in Item OB1. Executive Director Betz added that in this process Mr. Wessell and he visited these property owners and discussed the necessary easement changes and worked out agreeable amounts for compensation. Last week CFPUA was contacted by an attorney, Dennis Worley, who owns an interest in a tract of land in Brunswick County and which a section of the Authority's initial easement is located. Mr. Worley is questioning if the Authority has the right to install a second main within the easement. Mr. Wessell said this issue was questioned by other property owners and in review of these previous cases; the documents give the Authority the right to install water lines instead of a single water line in the easement. Mr. Worley's easement was obtained by condemnation and there is a court order that finalizes what rights the Authority has; however, no one has a copy of that order including the office of the Brunswick County Clerk of Court. The Authority has a recorded Memorandum Agreement which states the Authority has the easement on the property; but it does not describe the nature of the easement. Mr. Wessell will contact the Brunswick County Clerk of Court to seek assistance in locating the file. Without the file there could be a problem if the property owner says only one line can be installed and the Authority says otherwise. Regarding additional easement matters, Mr. Wessell recalled that in June the Board approved an agreement to pay Mr. and Mrs. Herman Simpsons \$800.00 for the cost to relocate their irrigation well system from the existing easement. The Simpsons have signed the agreement and payment has been made. Additionally, the Bruce B. Cameron Trust easement on US HWY421 has been recorded and payment has been made. Last week Mr. Wessell and Executive Director Betz met with Ms. Elsie Peterson who has a tennis court on her property which will be crossed by installation of the new main. She has several questions which McKim & Creed will assist in answering. Ms. Peterson wants the tennis court totally removed. Mr. Wessell does not foresee any issues with this easement.

OB3 - Status Report on Capital Project: Kings Bluff Raw Water Pump Station 48-Inch Raw Water Main Relocation, US HWY 421 (Tony Boahn, P.E., McKim & Creed)

Mr. Boahn reported that Ruby-Collins, as the project contractor, met the July 31st deadline and completed installation of the main under the US HWY 421 southbound lane on July 28th. Ruby-Collins has installed a total of 500 feet of main which will be pressure tested this week. The intent of this deadline was so NCDOT could open the southbound lane to traffic and close the northbound lane for bridge construction; however, ST Wooten as the NCDOT bridge construction contractor is behind schedule and the deadline to open the southbound line is now changed to Mid-September. Due to the delay, Ruby-Collins cannot proceed with the project and will demobilize until NCDOT closes the northbound lane. Mr. Boahn noted there are legitimate costs associated to remobilize once the work can proceed; therefore, a change order for the project is a possibility. He estimated the remobilization cost to range from \$10,000.00 to \$20,000.00. The project's initial completion date of October, 2019 will be extended based on ST Wooten's progress. In response to a question regarding protective measures for the installed main in the event of another storm, Mr. Boahn said the main is covered up, backfilled and compacted at the end of each day and upon successful testing it will be completely covered.

NEW BUSINESS

NB1 - Discussion Concerning Improving Generator Building Ventilation (Tony Boahn, P.E., McKim & Creed)

Mr. Boahn recalled that over the past several years there has been a problem with heat in the generator building which has become slightly more prevalent over the past couple of years and in May, the generators shut down due to excessive heat. To meet an increase in water demands, the generators run at a higher load which generates heat. Additionally the recent installation of the oxidation catalyst may be contributing to the increase in temperature. Currently the building has louvers for intake of outside air and two large fans that move air through the system for cooling. Mr. Boahn stated there is the potential that a lot of the heat is being caught in the roof area. The presented proposal provides for an evaluation of the facility including potential structural and electrical impacts for recommended improvements. With the foreseen increase in water demands, there will continue to be increased loads on the generator and the facility. Mr. Boahn commented that generator replacement is scheduled several years out; therefore, it is wise to protect the current facility to prevent adverse impact on the generators.

A) 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

Executive Director Betz explained that if the Board wishes to approve the proposal presented by McKim & Creed in the amount of \$18,500, the present resolution will permit the Authority to exempt this project from the provisions of N.C.G.S. §143-64.31 since the estimated professional engineering service is less than \$50,000.00.

Motion: Director Leonard **MOVED**; seconded by Director Williams, 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* as presented. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

B) Kings Bluff Generator Facility HVAC Ventilation Study Professional Services Proposal

Executive Director Betz commented that based on Director Milliken's expressed concern that this situation should be assessed and Mr. Walker reporting of an increase in temperature after installation of the oxidation catalyst; McKim & Creed was asked to prepare the presented proposal for the Board's consideration.

Motion: Director Rivenbark **MOVED**; seconded by Director Zapple, approval of *the Kings Bluff Generator Facility HVAC Ventilation Study Professional Services Proposal* presented by McKim & Creed.

NB2 – Resolution Authorizing the Executive Director to Enter Into a Purchase Agreement for a 2018 Authority Vehicle for the Bladen Bluffs Regional Surface Water System Operation

Executive Director Betz reported that in the past, the Authority purchased work trucks for the Bladen Bluffs facility and Smithfield then made monthly reimbursement payments to the Authority. After the last truck was paid in full, Smithfield continued making monthly payments to the Authority resulting in a current, available balance of \$41,669.78 towards purchase of a new truck. Based on Smithfield's recommendation of a new, 2018 truck with a retail price of \$48,724.00, Executive Director Betz and Mr. Harris of Smithfield Farmland Company negotiated a cash, purchase price of \$34,486.18. Approval of the presented resolution and associated purchase order provides for finalizing the purchase of this truck.

Motion: Director Blanchard **MOVED**; seconded by Director Sue, approval of *Resolution Authorizing the Executive Director to Enter Into a Purchase Agreement for a 2018 Authority Vehicle for the Bladen Bluffs Regional Surface Water System Operation.*

EXECUTIVE DIRECTOR REPORT

EDR1 - Duke Energy Progress Demand Response Automation Curtailment Event, July 17, 2019

Executive Director Betz reported that on July 17th the Authority completed the second of its three, summer energy curtailment events per the requirements of the Duke Energy Demand Response Automation Program Agreement (DRA). Mr. Walker explained that Duke provides notice a day in advance of the curtailment event. When notified, the Kings Bluff pump station is then operated at a load of 96% rather than 100% to reduce the load on the generators to ensure and maintain smooth operation. The Authority has approximately four days of fuel on-hand for generator operation which is more than sufficient for the third required curtailment and any other event. In response to a question by Director Norris, Executive Director Betz recalled that at the request of Director Leonard a cost-benefit analysis was prepared by McKim & Creed to determine if the cost of updating the Kings Bluff Raw Water Pump Station for emission compliance would sufficiently offset the benefits of continued participation in the Duke Energy DRA program. Executive Director Betz said it is favorable and the benefit has slightly increased with a recent change in elevating the Authority's participation benchmarks. Executive Director Betz will include data in the August agenda verifying the increase. Director Norris additionally recognized the benefit of frequent operation of the generators. Mr. Walker noted that ventilation modification is needed regardless of the installation of the emissions equipment because the loads on the generators are increasing with the increase in water demands. He also pointed out the cost-analysis was based on three required curtailments per year; however, typically the Authority annually participates in more than three curtailments.

(Excerpt from 2/11/19 Minutes: The emissions cost recovery calculation indicates the breakeven point to occur in approximately March or April of 2023. Beyond then there will be an annual net gain of approximately \$28,850.00 from DRA participation.)

EDR2 - Semi-Annual Report on the Kings Bluff Raw Water Pump Station Generators Regarding National Emission Standards for Hazardous Air Pollutants: Stationary Reciprocating Internal Combustion Engines

Executive Director Betz referenced the report which confirms the Authority met the criteria of the National Emission Standards post installation of the oxidation catalyst in April. As required the report was submitted in advance of the July 31st deadline to the North Carolina Department of Environmental Quality and to the United States Environmental Protection Agency.

EDR3 - Customers' Water Usage Report for Fiscal Year to Date Ending July 31, 2019

All customers during the month of July exceeded their water projections.

EDR4 - Receipt of FEMA Emergency Measures Reimbursement

In July the Authority received reimbursement from FEMA in the amount of \$71,372.05 which covered all emergency costs associated with operation of the Kings Bluff pump station during Hurricane Florence.

EDR5 - Audit Preliminary Work for Fiscal Year Ending June 30, 2019

On July 24th the auditor began the preliminary work and is schedule to continue the process on August 21st.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

None

PUBLIC COMMENT

None

ADJOURNMENT

There being no further business, Chairman Edge adjourned the meeting at 10:00 a.m.

Respectfully Submitted:



Trent Burroughs, Secretary