

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

April 8, 2019

Chairman Edge called to order the Authority meeting scheduled on April 8, 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 Leonard gave the invocation.

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

Present Electronically by Telephone: None

Absent: Phil Norris

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; Glenn Walker, Brunswick County Water Resources Manager; Heidi Cox, NC DEQ Regional Engineering Supervisor, Division of Water Infrastructure and Johanna Ferebee, Journalist Port City Daily

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

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting March 11, 2019

C2 - Kings Bluff Monthly Operations and Maintenance Report

C3 - Bladen Bluffs Monthly Operations and Maintenance Report

C4 - Bladen Bluffs Weekly Report: April 1, 2019

C5 - Budget Amendment #7

C6 - Resolution Adopting the Lower Cape Fear Water & Sewer Authority's Local Water Supply Plan For Kings Bluff Raw Water Pump Station, PWSID 50-09-013, for Calendar Year 2018

C7 - Resolution Adopting the Lower Cape Fear Water & Sewer Authority's Local Water Supply Plan For Bladen Bluffs Regional Surface Water System, PWSID 50-09-012 for Calendar Year 2018

Director Williams recalled that at last month's meeting in discussion regarding easements, it was requested that Mr. Wessel personally speak with Mr. Snowden one more time regarding the easement on his property and he requested this be recorded in the minutes. Director Zapple agreed with Director Williams and additionally requested the resolutions presented in Items C6 and C7 be corrected with the wording "Department of Environment and Natural Resources" be replaced with the wording "Department of Environmental Quality."

Motion: Director Williams **MOVED**; seconded by Director Zapple, approval of the Consent Agenda Items subject to the noted corrections by Directors Williams and Zapple. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OLD BUSINESS

OB1- Status Report on Kings Bluff Raw Water Pump Station Parallel Transmission Main Project 90 % Design Meeting, March 22, 2019 (Tony Boahn, P.E., McKim & Creed)

Mr. Boahn reported on the current status of the project. The project's schedule and permitting is in good shape. The 90% submittal of design was provided to the project's partners on March 8th followed up with the review meeting on March 22nd. The following permits are approved: CAMA General, USACOE Nationwide 12 Wetlands, NCDWQ 401 Water Quality Certification and NCDEQ Erosion Control Plan. Approval of both the NC Public Water Supply and NCDEQ Storm Water Exemption permits should occur mid-April and the NCDOT Encroachment permit's approval is expected in late April. During the design phase there has been some fluctuation in the probable cost. In June, 2018 at 30% of design the cost was estimated at \$59.8 million. At 60% design in October, 2018 the cost estimate was \$64.3 million. Then in March, 2019 at 90% design there was a decrease resulting in a probable cost of

\$62.6 million. Mr. Boahn attributed the project's cost fluctuation to several factors including: reduction in contingency projection from 30% of cost to 15%; variations in steel tariffs and the cost of raw materials; a strong construction market; high shipping and freight costs and the removal of a surge tank from the project which costs upwards of \$500,000 but is not needed at this time. With this being a big project it can be expected that nationwide contractors may be interested in bidding; therefore, a prequalification of contractors will be conducted. Per the established schedule, the prequalification and bidding process is scheduled to begin May 7, 2019 resulting in the opening of bids on October 1, 2019. With Cape Fear Public Utility Authority (CFPUA) being the partner administering the project, it is scheduled for CFPUA's board to approve the contract on November 13, 2019 with construction beginning in January 2020 for final completion of the project in September, 2022.

OB2 - Status Report on Legal Action Required Regarding Existing Easements for Construction of the Kings Bluff Raw Water Parallel Transmission Main Project (John Wessell, General Counsel)

Mr. Wessell updated the board on the status of the easements for the project. In reference to Director Williams's requested addition to the March 11, 2019 minutes, Mr. Wessell said that after several phone calls he was able to speak with Mrs. Snowden and Executive Director Betz visited Mr. Snowden at the residence. At the Snowden's request, Mr. Wessell is in process of obtaining the amount they were paid in conjunction with the initial condemnation which occurred in the early 1980's. Progress is being made with the other easements. The easements in Brunswick County are complete except for the legal descriptions which McKim & Creed will provide. Easement documentation has been received and recorded from one property owner and Mr. Wessell is waiting on documentation from another property owner in Bladen County. He recalled that on Port Royal Road there are two properties where structures need to be removed from the easements. One of these owners has an irrigation well within the easement and the Authority agreed to pay an amount for relocation of the well. The owner wants to relocate the well after the main is installed and has suggested the Authority could pay him the agreed upon amount and in turn he would sign a document releasing the Authority from any further liability regarding the well. Mr. Wessell said this could be accommodated if there are no objections. None were expressed.

OB3 - Presentation of Draft CAPITAL IMPROVEMENTS PLAN 25 Year Planning Period FY 2019-2044, April, 2019 (Tony Boahn, P.E., McKim & Creed)

McKim & Creed completed a draft update of the Capital Improvements Plan (CIP) which was originally created in 2016 inclusive of both the Kings Bluff Raw Water Pump Station (KBRWPS) and the Bladen Bluff Regional Surface Water System (BBSWS). Mr. Boahn explained that per the terms of the agreement between the Authority and Smithfield Farmland (Smithfield), the Authority has no CIP responsibilities for the BBSWS since these items are Smithfield's responsibility. However if the Authority assumed full operation of the facility the BBSWS projects detailed in the CIP would then become the Authority's responsibility. Mr. Boahn explained the method used in identifying capital improvements needs was based on elements driving those needs. The evaluation factors used includes: (1) category of need (capacity, renewal-rehabilitation, efficiency, maintenance); (2) criticality score (low, medium, high); and (3) consequence of no action. The primary drivers for the Authority's systems are demand and capacity to ensure improvements are made in advance of the customers' capacity need; life-cycle of infrastructure and miscellaneous improvements. In designing the KBRWPS parallel transmission main, the customers provided updated water demands projected to 2062 and McKim & Creed utilized this information in conjunction with updating the CIP. Each project identified in the CIP has a project sheet listing the project's location, name, summary, justification, consequence of no action, criticality rating, project's duration, required year of completion, cost estimate and anticipated fiscal year expenditure. Mr. Boahn briefly reviewed the annualize summary for the 15 KBRWPS projects spanning from fiscal year 2024 to 2044 for a combined total cost of \$44.55 million. Executive Director Betz noted that the CIP schedule indicates no capital expenditures for fiscal years 2021 through 2023 due to the current debt service of approximately one million dollars being paid off in that time frame. He explained that in fiscal year 2023 approximately \$250,000.00 will be available for preliminary permitting of the KBRWPS walkway project (KB6) and in fiscal year 2024 that project and the replacement of the air backwash building (KB7) could be funded within the current water rate. Other smaller projects can additionally be paid this way; however, larger projects such as generators and new pumps would require debt service. Director Sneed requested a rate schedule be created to identify where slow increases in rates could be made in order to pay for most of the projects without financing. Development of a ten year water rate plan would provide the Authority's customers insight into their future water cost. It was noted that in the Finance Committee meeting Mr. Boahn stressed the CIP costs are very conservative numbers and the actual costs may be lower. Additionally, different financial variables can't be factored in until closer to the timing of the individual projects. In response to a comment by Director Blanchard, Executive Director Betz recalled that part of the Finance Committee's task is to evaluate and develop the annual budget

including the annual review and financing of capital improvements and at the November, 2018 board meeting, funding for engineering services to annually update the CIP was approved.

A) Status Update on 48-Inch Raw Water Main Relocation (US HWY 421)

Mr. Boahn reported that McKim & Creed has completed some survey work and is in the process of the relocation design. NCDOT has confirmed they are agreeable in allowing the new main to be installed via open cut under US HWY 421. With relocation, the existing main will be abandoned, filled with grout and capped. Acquisition of easement is required and Mr. Wessell has contacted the owners. The preliminary submittal to NCDOT for encroachment will be made in mid-April with advertisement for construction bids being issued the end of April. The schedule is tight for installation of the 48-inch main under the southbound lanes which are currently out of service. The installation is scheduled to start in July and be completed in August. This schedule corresponds with the southbound bridge completion of construction. Then when NCDOT opens the southbound lanes and closes the northbound lanes, the remaining main will be installed. With the main installed under the highway, the remaining work can be conducted in the fall of 2019.

OB4 - Finance Committee Comments (Chairman Wayne Edge)

Committee Chairman Edge reported the Finance Committee met prior to the regular board meeting and reviewed the budget figures which look good. A few modifications between now and May's meeting can be expected. Chairman Edge said the Authority currently has a \$250,000.00 Certificate of Deposit (CD) at Live Oak Bank with a maturity date of May 9, 2019 and the Finance Committee recommends that upon maturity, the CD is closed out and the balance is transferred back to the Authority's fund balance. Executive Director Betz pointed out that with the Committee's recommendation, if there is no objection, the funds will return to fund balance and be available for the 48-Inch Raw Water Main Relocation Project and to upfront funds if needed for river bank restoration at Bladen Bluffs. Tomorrow, a corporate representative from Smithfield will meet with Executive Director Betz and Mr. Boahn for a site inspection of the river bank erosion in order to determine how to move forward.

Motion: Director Blanchard **MOVED**; seconded by Director Burroughs, that upon maturity of the \$250,000.00 Live Oak CD on May 9, 2019 the CD is closed out and the balance is transferred back to the Authority's fund balance. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OB5 - Evaluation Committee Comments (Chairman Al Milliken)

Chairman Milliken reported on the Evaluation Committee meeting which met prior to the regular board meeting. Five, completed evaluation forms have been received and he requested the remaining evaluations be submitted in sufficient time for the May 13th meeting.

The final tally will be presented to the Evaluation Committee at its next committee meeting at 8:00 a.m. on May 13 for presentation to the full board at its regular meeting on the same day at 9:00 a.m.

EXECUTIVE DIRECTOR REPORT

EDR1 - Letter from NC DEQ Approving Protocol for CO Emissions Testing of Authority's Generators

Executive Director Betz reported, the Authority received a letter from NC DEQ dated March 27th approving the Authority's protocol for CO emission testing of its generators. The emissions catalytic converter was installed at the Kings Bluff station last week with testing scheduled during the week of April 15th. Mr. Walker mentioned that upon installation of the converter, the vendor (Power Secure) was more confident than what they had originally been because the existing exhaust manifold was not full of oily residue as they have seen on two-stroke engines. The Authority must notify the Fayetteville Regional Office at least 15 days in advance of the testing date so a test observer can be on site to observe the test. Depending upon the results, the goal is for the Authority to once again participate in the Duke Energy Demand Response Automation Program starting in May.

EDR2 - Customers' Water Usage Report for Fiscal Year to Date Ending March 31, 2019

For the year, overall water usage is above projection for CFPUA and Brunswick and Pender Counties. The Authority is still supplying CFPUA 100% of its raw, surface water supply during construction at its pump station.

Closed Session

At the request of Mr. Wessell to go into closed session to discuss matters relating to litigation involving Chemours, Chairman Edge requested a motion.

Motion: Director Rivenbark **MOVED**; seconded by Director Burroughs, to go into closed session in accordance with North Carolina General Statute Section 143-318.11(a) (3) for the purpose of discussion with the Authority's General Counsel regarding litigation involving Chemours. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

At 9:58 a.m. the board went into closed session. At 10:06 a.m. the board returned to open session. Discussion only; no action required.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

None

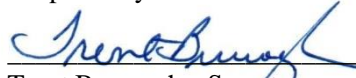
PUBLIC COMMENT

None

ADJOURNMENT

There being no further business, Chairman Edge adjourned the meeting at 10:08 a.m.

Respectfully Submitted:



Trent Burroughs, Secretary