

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

May 13, 2019

Chairman Edge called to order the Authority meeting scheduled on May 13, 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, Phil Norris, Charlie Rivenbark, Bill Saffo, William Sue, Frank Williams and Rob Zapple

Present Electronically by Telephone: Jackie Newton

Absent: Larry Sneedan,

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; Chad McEwen, Pender County Assistant County Manager; Kenny Keel, Pender County Public Utilities Director; Anthony Colon, Pender County Public Utilities Assistant Director; John Nichols, Brunswick County Public Utilities Director; Glenn Walker, Brunswick County Water Resources Manager; Mark Brown Assistant Regional Engineering Supervisor, Water Resource Public Water Supply Section and Adrienne Cox, SEPI Engineering and Construction

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

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting April 8, 2019

C2 - Kings Bluff Monthly Operations and Maintenance Report

C3 - Bladen Bluffs Monthly Operations and Maintenance Report

C4 - Bladen Bluffs Weekly Report: May 3, 2019

C5 - Retainer Engineering Services Agreement, McKim & Creed for Fiscal Year 2019-2020 in the Amount of \$21,000.00

C6 - Annual Retainer General Counsel Services Wessell & Raney, L.L.P. for Fiscal Year 2019-2020 in the Amount of \$15,000.00

C7 - Budget Amendment #8

C8 - Updating of Bank Signature Cards

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- 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 reported that three of the needed easements have been obtained and are in process of being signed. Another easement, which is owned by the Authority, needs the property owner to remove items from the right-of-way plus there was an issue with existing water and sewer lines from the City of Northwest within the Authority's easement. This issue has been satisfactorily resolved. The Authority also needs new easements from Glen and H. O. Peterson; therefore, the Authority will release back to them a part of the existing easement which is not needed by the Authority. At next month's board meeting Mr. Wessell will present the related documentation for Board review and approval of release of the easement to the Petersons.

OB2 - Status Report on Hurricane Florence FEMA and Insurance Claims for the Kings Bluff and Bladen Bluffs Facilities

Executive Director Betz reported that for the Kings Bluff pump station, there is an outstanding FEMA Public Assistance claim for reimbursement of \$71,370.05 associated with emergency measures taking during Hurricane

Florence with the majority of the expense attributed to operation of the pump station solely on generator power during the extended power outage. Additionally, this reimbursement amount includes the cost of Cape Fear Public Utility Authority's (CFPUA) emergency assistance with the washout and exposure of the Authority's main located under US HWY 421 and a minimal cost for generator operation at the Bladen Bluffs facility. This claim is in FEMA final review and reimbursement is expected by June 30, 2019. For building and equipment damages incurred at the Bladen Bluffs facility, the Authority received an insurance check for \$1,266.63 and FEMA reimbursement in the amount of \$5,000.00 is also expected by the end of this fiscal year. A FEMA check for \$25,000.00 was received for restoration of the flooded access road leading to the Bladen Bluffs pump station located at the river's edge. As per the existing Bond Order for the Bladen Bluffs facility, receipt of such revenues must be deposited with US Bank as the bond trustee. He noted the main damage issue concerns restoration of the severe erosion of the riverbank at Bladen Bluffs along with possible relocation of the air backwash lines which are not damaged. Because the backwash lines are not damaged, relocation of the lines is not eligible for FEMA Public Assistance reimbursement. FEMA has agreed to consider reconstruction of the riverbank to its original state prior to the hurricane. The FEMA Continuity Readiness Center (CRC) calculated the scope of services cost for bank restoration to be \$281,000.00. Executive Director Betz noted that the CRC information was just recently received and McKim & Creed will review the estimate to verify it is viable for this locality. The total estimated project cost, as determined by McKim & Creed, is \$440,000.00 for bank restoration and \$375,000.00 for line relocation for a total cost of \$815,000.00. With reduction of the Authority's exposure of \$815,000.00 with this project to approximately \$350,000.00, the Authority would solely manage this project with reimbursement from FEMA and without involving Smithfield. If the project is approved, receipt of FEMA reimbursement is anticipated towards the end of Fiscal Year 2019- 2020 or later. Executive Director Betz will provide a status report at the June board meeting.

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 explained, this project has an extremely tight schedule and the goal is to install the main during the time frames in which the highway lanes are out of service. Currently the southbound lane is out of service with the northbound being open, so now is the time for installation of the Authority's main under the southbound lane. Based on this time frame, McKim & Creed created a schedule comprised of two schedules with one being the ideal schedule and the second being a backup schedule. Per the ideal schedule, advertisement for bids was published on May 2nd with opening of bids on May 22nd. If less than three bids are initially received then a minimum of 7 days of re-advertisement is required which would push the project to use the backup schedule. Upon re-advertisement, bids can be opened if less than three bids are received. Mr. Boahn noted there is a likelihood the project will not receive three bids because due to the project's tight schedule, contractors have concern they cannot meet the schedule with all the other work they have in process. As indicated on the schedule, submittal of the NCDOT encroachment permit is in process; however, it cannot be finalized until the contractor prepares and submits a shoring plan for working in the roadway. With opening of the bids on the 22nd, and if three bids are not received, Mr. Boahn said it would be needful for a special meeting of the Board to be held on May 28th for approval of the contractor's bid and award of the project for construction. With the NCDOT contractor completing the southbound construction as of August 1st, the Authority's Phase A, installation of the main under the southbound lane must be completed by July 31st. Phase B is the remainder of the project scheduled to be completed by November 30th. If the Authority does not initially receive three bids, there will be no need for a special meeting on May 28th. If re-advertisement is needed on May 22nd, then the bids will be opened on May 30th and board approval of the project's contractor would occur at the June 10th board meeting. With this schedule, Phase A, installation of the main must still be completed by July 31st. In response to a question by Director Milliken, Mr. Boahn responded that at this time of year the system cannot afford a shutdown so the project was designed with no shutdowns. In response to a question by Director Norris concerning the requirement for three bidders, Mr. Wessell responded that he is somewhat reluctant to call this situation the type of emergency that would allow the Authority to avoid the bidding requirements under state law and unless circumstances change then the Authority must go through the process as mandated by the State. Director Zapple asked about a Plan B for the project in the event that the presented plan is unsuccessful. Mr. Boahn responded that ultimately a Plan B would require open cutting the road which would create a detour on US HWY 421 and would add cost and time to the project.

A) Consideration to Convene a Special Meeting on Tuesday May 28, 2019 to Approve the Contractor's Bid for Project Construction

In anticipation of opening bids on May 22nd, Executive Director Betz asked the Board to consider convening a special meeting on May 28, 2019 at 9:00 a.m. at the Authority's office in order to approve the contractor's bid for project construction. If three bids are not received the meeting will be cancelled. He asked that the

Directors try to attend the meeting but noted that those who cannot could participate by telephone. Mr. Wessell specifically recommended that the better practice is to have as many Directors as can, to personally attend the meeting and let the rest participate by telephone.

Motion: Director Burroughs **MOVED**; seconded by Director Rivenbark, approval to convene a special meeting of the Lower Cape Fear Water & Sewer Authority Board of Directors on May 28, 2019 at 9:00 a.m. at the Authority's office in to approve the bid and award the contract for construction of the Capital Project: Kings Bluff Raw Water Pump Station 48-Inch Raw Water Main Relocation (US HWY 421). Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

OB4 - Finance Committee Comments and Review of Recommended Budget for Fiscal Year 2019-2020 (Chairman Edge)

Chairman Edge reported the Finance Committee met prior to the board meeting and Executive Director Betz briefed the Committee on the recommended budget for Fiscal Year 2019-2020 (FY 19/20) which will be presented formally for adoption at the June 10, 2019 board meeting. As noted in the budget message, the Parallel Transmission Main Project continues through the upcoming fiscal year and it is anticipated award of construction of the transmission main during the second quarter of FY19/20. Chairman Edge reported the total annual debt service of \$1,005,505 is funded by the water rate which will remain at \$0.2717/1,000 gallons based on customers' projected, combined average, annual use of 26.25 MGD. This equates to total water rate revenue of \$2,606,681.00 which is a significant increase over the current year budget. Appropriations are increasing with demand, with the largest being for insurance, energy, debt service and operation and maintenance. There is an increase in the Bladen Bluffs Regional Surface Water System appropriations, which are 100% reimbursable to the Authority by Smithfield Farmland. As of June 30th the estimated fund balances are: \$25,627.00 for Renewal & Replacement Fund; \$280,000.00 for Right of Way Fund; \$466,446.00 for System Development Fund and \$2,795,223.00 for Enterprise Fund. The budget also includes costs associated with the Capital Project to relocate the Kings Bluff Raw Water Pump Station 48-Inch Raw Water Main located on US HWY 421. He noted that at the June board meeting there will be a public hearing for public comment on the recommended Fiscal Year 2019-2020 Budget prior to the Board taking action on the recommended budget. Executive Director Betz provided a PowerPoint presentation with a summary of the Budget Message, calculation of water rate, revenue and expenditures and the Budget Ordinance.

EXECUTIVE DIRECTOR REPORT

EDR1 - Update on CO Emissions Testing of Authority's Generators and Ongoing Monitoring and Reporting Plan

Executive Director Betz reported that Brunswick County assisted Power Secure, Inc. in performance of the air emissions test on April 15th and all went according to plan. Prior to the May 1st deadline, the *Compliance Air Emissions Test Report* was submitted on April 26th to the North Carolina Department of Environmental Quality, Division of Air Quality (NCDEQ). NCDEQ sent a letter to the Authority dated May 7th acknowledging receipt of the report, which is being forwarded to the Raleigh Central Office Stationary Source Compliance Group for the Division's review. The letter also included an invitation to schedule a meeting to discuss the compliance requirements in detail for a better understanding of the complexity of the regulations to remain in compliance. Once the final determination is made that the test results are compliant, the Authority can once again participate in the Duke Energy Demand Response Automation Program.

EDR2 - Customers' Water Usage Report for Fiscal Year to Date Ending April 30, 2019

Executive Director Betz reported that as of April 30th Brunswick County is very strong and exceeding the projected demand for this fiscal year with the demand being closer to 13 MGD rather than the projected 12 MGD. The Authority is still providing CFPUA 100% of its raw water demand while its station is being refurbished. Mr. Styers reported that CFPUA's electric pump station should start up over the next two weeks. He said that over the past several days CFPUA has been running interim diesel, driven engines to supplement what is received from the Authority due to the current demand on the overall supply. Pender is also exceeding their projected demand on a regular basis and recently, for a couple of days, the demand reached 2 MGD.

EDR3 - Operating Budget Status, Third Quarter Ending March 31, 2019

Overall this year, there is a surplus in receipt of revenue over projected revenue with April having the highest increase during the year. This is attributed to the Authority supplying CFPUA's 100% of its raw water demand. This indicates there will be a revenue surplus at the end of this fiscal year on June 30th. As of March 31st, which marks 75% of the fiscal year, receipt of budgeted revenue was at 82% and expensing of appropriations was at 62%

which is not inclusive of the large debt service payment scheduled for May 1st. Executive Director Betz noted the increase in energy expense was due to the purchase of generator fuel during Hurricane Florence. Not knowing when power would be restored to the Kings Bluff pump station, additional fuel was purchased but not used. The Authority now has 13,000 gallons of fuel (valued at \$54,000.00) in reserve for the next storm. With the anticipated approval and receipt of the FEMA Public Assistance claim for reimbursement of \$71,370.05 associated with generator operation of the pump station during Hurricane Florence, this expense will be offset. Additionally, resuming participation in the Duke Energy Demand Response Automation Program will also help reduce energy expense.

CLOSED SESSION

CS1 - Closed Session in Accordance with N.C.G.S. Sec.143-318.11(3) for the Purpose of Discussion with General Counsel Regarding Litigation Involving Chemours (John Wessell, General Counsel)

CS2 - Closed Session in Accordance with N.C.G.S. Sec.143-318.11(6) to Consider Executive Director's Annual Evaluation (Chairman Milliken, Evaluation Committee)

Chairman Edge requested a motion for the Board to enter closed session to discuss matters relating to litigation involving Chemours and the Executive Director's annual evaluation.

Motion: Director Leonard **MOVED**; seconded by Director Burroughs, to go into closed session in accordance with North Carolina General Statute Section 143-318.11(a) (3) and 143-318.11(a) (6) for the stated purposes of discussion. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

At 9:37 a.m. the Board went into closed session. At 10:08 a.m. the Board returned to open session.

Motion: Director Blanchard **MOVED**; seconded by Director Sue, approval of the Evaluation Committee's recommendation of a salary increase of 1.9% for the Executive Director and 3.0% for the Administrative Assistant to be effective with the new Fiscal Year 2019-2020 Budget on July 1, 2019. Upon vote, the **MOTION CARRIED UNANIMOUSLY**.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

None

PUBLIC COMMENT

None

ADJOURNMENT

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

Respectfully Submitted:


Trent Burroughs, Secretary