

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes

June 8, 2020

Chairman Milliken called to order the Authority meeting scheduled on June 8, 2020 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.

Roll Call by Chairman Milliken:

Present: Norwood Blanchard, Trent Burroughs, Wayne Edge, Larry Johnson, Harry Knight, William Milliken, Jackie Newton, Phil Norris, Charlie Rivenbark, Bill Saffo, William Sue and Frank Williams

Present by Internet or Telephone: Al Leonard,

Absent: Patricia Kusek

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

Guests Present by Internet or Telephone: Glenn Walker, Brunswick County Water Resources Manager; Frank Styers, Cape Fear Public Utility Authority Linear Assets PM Director; John Malone, Cape Fear Public Utility Authority Water Resources Manager; Anthony Colon, Pender County Public Utilities Assistant Director; Charles Debrah, Praxair Production Superintendent; H.L. Cox and Elizabeth Myer

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

PRESENTATION TO: Larry Sneed, New Hanover County Representative, by Chairman Milliken

In recognition of his distinguished service to the Authority as a member of the Board of Directors from June, 2014 to May, 2020, the Board wished to express its appreciation to Mr. Sneed with presentation of a plaque. Mr. Sneed was unable to attend due to a schedule conflict.

ADMINISTER OATH OF OFFICE TO: Harry Knight, New Hanover County Representative (Chairman Milliken)

Chairman Milliken administered the Oath of Office to Mr. Harry Knight who was newly appointed by New Hanover County as one of its two representatives on the Authority's Board of Directors. Mr. Knight was welcomed by members and staff.

APPROVAL OF CONSENT AGENDA

C1 - Minutes of Regular Board Meeting May 11, 2020

C2 - Minutes of Closed Session May 11, 2020

C3 - Kings Bluff Monthly Operations and Maintenance Report

C4 - Bladen Bluffs Monthly Operations and Maintenance Reports

C5 - Bladen Bluffs Weekly Report: June 1, 2020

C6 - Budget Amendment #7

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

	<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Absent</u>
Norwood Blanchard	x			
Trent Burroughs	x			
Wayne Edge	x			
Larry Johnson	x			
Harry Knight	x			
Patricia Kusek				x
Al Leonard			x	

Jackie Newton	x			
Phil Norris	x			
Al Milliken	x			
Charlie Rivenbark	x			
Bill Saffo			x	
Bill Sue	x			
Frank Williams	x			
	11	0	2	1

OLD BUSINESS

OB1 - Public Hearing Prior to Approval of Fiscal Year 2020-2021 Budget and Budget Ordinance

A. Public Hearing:

- **Motion to Open Public Hearing in accordance with North Carolina General Statute Section 159-12**
- **Motion to Close Public Hearing**

B. Review of Fiscal Year 2020 – 2021 Budget and Budget Ordinance for Consideration of Approval on June 9, 2020

Director Williams inquired of the attorney if a motion is required to open the Public Hearing, to which Mr. Wessell responded that the Chairman may open the Public Hearing without a motion.

Executive Director Holloman reviewed the proposed Fiscal Year 2020-2021 Budget (FY20/21). He highlighted the Budget Message by noting the region served by the Authority has experienced a 21.2% increase in population since 2010 and that in the current year Garney Construction was awarded the bid for construction of the 54-inch parallel raw water main with approximately 12,000 linear feet installed to date and construction of the HWY 421 Raw Water Main Relocation Project was completed at a cost of \$1,669,691. Disposition of the Locks and Dams is still undecided. Additionally, he reported on each of the Authority funds. The Operation Fund provides for the daily operation of the Authority by revenue generated by the raw water rate. The raw water rate for FY20/21 remains the same as this year at \$0.2717 per 1,000 gallons based on customers’ projected, combined average, annual use of 26.63 million gallons per day (MGD). Total revenue and expenditures for the FY 20/21 are \$5,536,395. The major expenditures are energy and the operation and maintenance (O&M) of the pump stations along with other administrative expenses including a 1.6% salary adjustment and a 2.4% merit for the Administrative Assistant position. The engineering cost is held constant which includes an annual inspection and corresponding report for the Authority’s two systems as a requirement of the Bond Order. The Bladen Bluffs Regional Water Treatment Plant (BBRWTP) is operated by terms of an O&M agreement with Smithfield Foods where the Authority pays the monthly O&M costs which are then reimbursed on a monthly basis by Smithfield. Smithfield’s monthly reimbursement also includes payment of a monthly administrative fee for the Authority’s staff time associated with the associated accounting. All debt service payments are made by Smithfield with the liability in the name of the Authority. The December 1, 2020 bond principal payment of \$790,000 and monthly interest payments are additionally paid by Smithfield directly to the Trustee. The Bladen Bluffs Operating Fund functions as a “pass through” fund for the accounting of revenues and expenditures and it has no net impact on the bottom line. As stipulated by the O&M agreement, should another industry purchase water from the BBRWTP, the Authority would need to assume O&M of the facility. The BBRWTP riverbank restoration project is underway and the cost at completion will be \$270,180 which will be reimbursed by FEMA. The Right of Way Fund holds a deposit of \$281,000 for the use of the Authority’s right of way for the placement of a road and utilities and as of June 30, 2020 the estimated balance will be \$281,000. The Enterprise Fund/Capital Project Fund is used for capital projects or major repairs and the source funding is by transfer from the Operating Fund. At year end closeout, revenue in excess of expenditures from the Operating Fund is transferred to the Renewal and Replacement fund and when that balance reaches \$500,000 the excess from the Operating Fund is then transferred to the Enterprise Fund/Capital Project Fund. As of June 30, 2020 the estimated un-appropriated balance will be \$690,634. The Renewal & Replacement Fund is used for unexpected O&M repairs during the fiscal year and will have an estimated balance of \$218,965 as of June 30, 2020. This year the System Development Charge Fund was closed out with all funds being transferred to the Enterprise Fund to pay for the HWY 421 Main Relocation Project. The budget will most likely not provide any significant surplus at June 30, 2020; however as noted, extraordinary income or surplus will be directed to the Renewal and Replacement Fund

The budget message transmittal is paired with the budget ordinance and is the basis for the staff's work directive during the fiscal year. Executive Director Holloman noted that in accordance with North Carolina General Statutes, a legal notice for public inspection of the proposed budget was published on Sunday, May 17, 2020 and with the opening of the Public Hearing the Board must wait 24 hours before voting on the Budget in order to allow for additional comments. Therefore, a special meeting of the Board of Directors will be held on Tuesday, June 9, 2020 at 11:00 o'clock a.m. at which time the Board will vote on approving the Budget. In conclusion Executive Director Holloman stated that future considerations for establishing the raw water rate will include: the historical trend of using fund balance; the Authority's debt service will be paid in full in two years; the accuracy of customers' projected, annual usage e.g. in 2018-2019 Cape Fear Public Utility Authority did not use their pump while it was being retrofitted and the Authority's projected revenue dropped; and (4) the ability to participate in construction/ economic development projects.

Chairman Milliken asked for public comment concerning the proposed budget. With there being no comments, Chairman Milliken declared the Public Hearing closed.

OB2 - Resolution Authorizing the Chairman to Execute Proposal for Professional Consulting Engineering Services with McKim & Creed in the Amount Not to Exceed \$80,000 For Design and Permitting Phase Services for Addition of a 4th Pump at the Kings Bluff Raw Water Pump Station Pump and Approval of the Associated Capital Project Ordinance

Executive Director Holloman recommended approval of the presented resolution and associated Capital Project Ordinance.

Motion: Director Burroughs **MOVED**; seconded by Director Sue, approval of the Resolution Authorizing the Chairman to Execute Proposal for Professional Consulting Engineering Services with McKim & Creed in the Amount Not to Exceed \$80,000 For Design and Permitting Phase Services for Addition of a 4th Pump at the Kings Bluff Raw Water Pump Station Pump and Approval of the Associated Capital Project Ordinance as presented. Upon roll call vote, the **MOTION CARRIED**.

	<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Absent</u>
Norwood Blanchard	x			
Trent Burroughs	x			
Wayne Edge	x			
Larry Johnson	x			
Harry Knight	x			
Patricia Kusek				x
Al Leonard			x	
Jackie Newton	x			
Phil Norris	x			
Al Milliken	x			
Charlie Rivenbark	x			
Bill Saffo			x	
Bill Sue	x			
Frank Williams	x			
	11	0	2	1

Mr. Wessell commented that there is a statutory process the Board is required to go through in order to secure the services of McKim Creed and the Board has gone through that process and in his opinion has satisfied the statutory requirement.

OB3 - Status Report on the Bladen Bluffs Regional Surface Water Plant Cape Fear River Bank Restoration Project

Mr. Boehn recalled that during Hurricane Florence, the riverbank at the Bladen Bluffs facility experienced severe flooding and erosion exposing the pump station's air intake piping. The goal of this project is to restore the riverbank and provide stabilization for future protection. In working with FEMA it was determined that a bioengineering solution for bank restoration would be used; however, rip rap was approved for use to protect the

air intake piping should it erode in the future. The bioengineering solution includes a combination of plantings, erosion matting, coir logs and a combination of live stakes which will grow into trees and dead stakes to provide stabilization. In response to a question by Director Knight Mr. Boahn responded that it will be about two to three years before the riverbank will truly be stabilized. The project is nearing completion.

OB4 - Moving Allowance

Chairman Milliken recalled that upon hiring the Executive Director the Board allotted up to \$6,000 for moving expenses with no documentation required and in the event moving expenses exceeded \$6,000, the Board may review obtained quotes for consideration of approval. Executive Director Holloman submitted five quotes ranging from \$14,474 to \$7,705 and specified he preferred using American Moving and Hauling with a quoted amount of \$7,769.

Motion: Director Blanchard **MOVED**; seconded by Director Edge to approve a total payment of \$7,769 to American Moving and Hauling for payment of the Executive Director’s moving expense and approval of the associated budget amendment. Upon roll call vote, the **MOTION CARRIED**.

	<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Absent</u>
Norwood Blanchard	x			
Trent Burroughs	x			
Wayne Edge	x			
Larry Johnson	x			
Harry Knight	x			
Patricia Kusek				x
Al Leonard			x	
Jackie Newton	x			
Phil Norris	x			
Al Milliken	x			
Charlie Rivenbark	x			
Bill Saffo			x	
Bill Sue	x			
Frank Williams	x			
	11	0	2	1

OB5 - Construction of 54-inch Parallel Transmission Main Project and Easement Matter Regarding Relocation of Septic System

Mr. Wessell recalled that in the process of installing the new 54-inch parallel raw water main, one of the existing easements specified that if there were any utilities systems located within the easement at the time the easement was originally granted and if the Authority was to later install a main in the easement; the Authority would be responsible for removing and replacing those utilities systems for the property owner, Alson D. Carrol. The property owner presented sound evidence that at the time the existing main was originally installed he had a septic system within the right of way. In view of this, the Authority is responsible for the cost of removing and reinstalling the septic system because it is necessary for installation of the new 54-inch main. At last month’s meeting the Board was informed of some but not all of the associated costs and at that time the Board approved for payment of up to \$11,000 for expenses related to relocating the septic system. The total cost of \$13,976 has now been finalized. Mr. Wessell reviewed a breakdown of all associated costs. Additionally, Mr. Wessell prepared an agreement, which has been signed by the property owner and needs to be approved and signed by the Chairman. Basically, the agreement states that upon payment of \$13,976 for relocation of the septic system, the Authority is absolved from any further responsibility under the terms of the existing easement agreement. Mr. Wessell recommended approval of the agreement. Mr. Wessell also reported that the matter with the Worley easement has been finalized. The easement has been recorded, a copy of which is hereby incorporated as a part of these minutes. Payment to the property owners will be made today.

Motion: Director Blanchard **MOVED**; seconded by Director Williams, approval of the agreement between the Authority and Mr. Alson D. Carrol as recommended by Mr. Wessell. Upon roll call vote, the **MOTION CARRIED**.

	<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Absent</u>
Norwood Blanchard	x			
Trent Burroughs	x			
Wayne Edge	x			
Larry Johnson	x			
Harry Knight	x			
Patricia Kusek				x
Al Leonard	x			
Jackie Newton	x			
Phil Norris	x			
Al Milliken	x			
Charlie Rivenbark	x			
Bill Saffo	x			
Bill Sue	x			
Frank Williams	x			
	13	0	0	1

OB6 - Budget Amendment #8

Executive Director Holloman recommended approval of the presented budget amendment which provides for unbudgeted costs associated with construction of the 54-inch parallel transmission main for relocation of the septic system located in the main right-of-way and for the cost associated with the new Executive Director’s moving expenses.

Motion: Director Sue **MOVED**; seconded by Director Norris, approval of Budget Amendment #8 as presented. Upon roll call vote, the **MOTION CARRIED**.

	<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Absent</u>
Norwood Blanchard	x			
Trent Burroughs	x			
Wayne Edge	x			
Larry Johnson	x			
Harry Knight	x			
Patricia Kusek				x
Al Leonard	x			
Jackie Newton	x			
Phil Norris	x			
Al Milliken	x			
Charlie Rivenbark	x			
Bill Saffo	x			
Bill Sue	x			
Frank Williams	x			
	13	0	0	1

NEW BUSINESS

NB1 - Webex Expanded Meeting Solutions

Due to the meeting constraints caused by Covid-19, in March the Authority began utilizing Webex’s conferencing technology for board meeting attendance. With Webex offering both options of telephone call in attendance and virtual video attendance, the Authority discontinued its speaker phone conference call service which eliminates the cost of a duplicate service. Executive Director Holloman explained that Webex was designed for online meetings between individual parties participating from their individual computers rather than for a conference room setting. However, Webex does offer options to accommodate the needs of conference room meetings which provides for several participants to attend the onsite meeting while others attend remotely. Options range from a “room kit” to the “top of the line” and are priced accordingly. Executive Director Holloman noted that it is likely there will be a continued need for remote attendance for meetings and the Authority’s current hardware is not adequate for the desired performance expectations. Director Newton commented that with individuals having difficulty coming onboard with the new technology, both the speaker phone and Webex should be used

concurrently. She asked if this would be considered since historically the phone works consistently unlike Webex with its logging on and audio problems. Executive Director Holloman responded that if the Board decides to do so then yes. This change in conducting board meetings has strained the Authority's two member staff with additional technical complexities in an effort to ensure functionality for the Board of Directors and for the public by meeting the real time need in three different platforms of attendance in person, virtual attendance and phone attendance. There were comments by Directors about the ease and efficiency in using the speaker phone and about the need for all in attendance, whether in person or remotely, to be able to clearly hear those who are speaking. Director Newton commented that she prefers to directly hear the comments from other the Directors attending remotely rather than having the Executive Director wear earphones to rely their comments and with the speaker phone the Directors could interact directly with each other. Chairman Milliken explained that the audio issues come from feedback between the two systems and therefore the audio has to be turned off. Director Williams commented that in the two past months he has used several virtual meeting systems and they work better if everybody is remote because when you have some remote and some in attendance there is feedback. He stated that if in the future it becomes apparent the Authority needs to invest and upgrade its equipment and technology then he will support that because it is the way of the future. However for now, he recommends the Authority goes back to using the speaker phone. Mr. Wessell reminded the Board that part of what is creating the problem right now is the need for the public to participate remotely and it is not clear if the public can participate by only using the speaker phone. If the public is excluded from the meeting, there has to be a way where they can hear what is going on and can make comment and that's what Webex hopefully provides the Authority. There was discussion that both systems need to be utilized. Director Burroughs stated that he has participated on multiple virtual meetings that work fine; however, he has not been as successful in using the speaker phone as it seems some Directors have. He could hear the Chairman but he could not hear the speaker at the podium and he noted that if the speaker phone is used, there needs to be a microphone at the podium. Executive Director Holloman concluded that it seems the need for remote attendance may only be for one more month; therefore, he recommends things stay as is for now and this matter can be addressed later for the long term need.

Motion: Director Blanchard **MOVED**; that in order to meet the current needs for participation at board meetings, the Authority will utilize the speaker phone system while determining the future need to invest in upgrading its virtual attendance equipment. With there being no second to the Motion, there was further Board discussion regarding a microphone at the podium for audio clarity for those participating remotely by speaker phone and the need for continued use of Webex for public participation. At the request of Director Sue, Director Blanchard amended his Motion as follows.

Motion: Director Blanchard **MOVED**; seconded by Director Sue, that for public participation as long as it is required, both the speaker phone and Webex are to be used concurrently for board meeting attendance and a microphone is to be placed on the podium to enhance the audio for speaker phone users. Upon roll call vote, the **MOTION CARRIED.**

	<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Absent</u>
Norwood Blanchard	x			
Trent Burroughs	x			
Wayne Edge	x			
Larry Johnson	x			
Harry Knight	x			
Patricia Kusek				x
Al Leonard	x			
Jackie Newton	x			
Phil Norris	x			
Al Milliken	x			
Charlie Rivenbark	x			
Bill Saffo	x			
Bill Sue	x			
Frank Williams	x			
	13	0	0	1

**NB2 - Annual Update of CAPITAL IMPROVEMENTS PLAN 25 Year Planning Period
FY 2020-2045 July 2020**

Mr. Boahn recalled that a comprehensive Capital Improvements Plan (CIP) with a 25 year outlook was prepared in 2019 and as part of McKim & Creed’s contract for this year it was to be updated and the presented document is the updated CIP. The updated CIP was moved from 2019-2044 to 2020-2045 and it includes both the Kings Bluff raw water facilities and the Bladen Bluffs regional surface water facilities. At this point, with Smithfield being the sole customer and operator of the Bladen Bluffs facilities, the projects detailed in this document would only be required if the Authority assumed full operation of the facility from Smithfield. The projects are evaluated on a category of needs (Capacity, Renewal-Rehabilitation, Efficiency and Maintenance) and are assigned a criticality score with one being the lowest to five being the highest. The consequence of no action is also included in order to clarify the result if the project were not implemented. The projects are driven by customers’ demand and capacity on the system in that if a demand drives a need for additional capacity then at what time does that occur based on the demand. This also holds true for the timing of lifecycle and maintenance needs. Mr. Boahn referenced the recent 5-Year CIP document which former Interim Executive Director Pierce prepared from the 2019-2044 CIP and he explained that those changes and additions have been incorporated into the presented in the updated CIP. The main projections for 2021 remain the same; however some information has been added or updated for the years 2022 through 2033. In the CIP each project is identified with a specific project page listing the project title, category, summary, justification consequences of no action, criticality, duration, required completion date, estimated cost and anticipated fiscal year expenditure. Mr. Boahn reviewed the changes and additions incorporated into the updated CIP.

NB3 - Hurricane Response Plan

Executive Director Holloman explained the Authority has always had a hurricane response plan but one has never been formally adopted. Former Interim Executive Director Pierce began work on the document which clarifies the obligations of the Authority so that its partners are assured that appropriate actions are being taken to maintain operations during an emergency. Executive Director Holloman recommended approval of the presented plan. Additionally he reported that in preparation for the current hurricane season, the two fuel tanks at the Kings Bluff facility have been filled with 10,000 gallons each.

Motion: Director Edge **MOVED**; seconded by Director Williams, approval of the Hurricane Response Plan as presented. Upon roll call vote, the **MOTION CARRIED**.

	<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Absent</u>
Norwood Blanchard	x			
Trent Burroughs	x			
Wayne Edge	x			
Larry Johnson	x			
Harry Knight	x			
Patricia Kusek				x
Al Leonard	x			
Jackie Newton	x			
Phil Norris	x			
Al Milliken	x			
Charlie Rivenbark	x			
Bill Saffo	x			
Bill Sue	x			
Frank Williams	x			
	13	0	0	1

NB4 - Property and Liability and Workman’s Compensation Insurance

Executive Director Holloman sought a quote for Property and Liability and Workman’s Compensation Insurance from the North Carolina League of Municipalities. The quote is approximately \$10,000 less per year than what is being charged by its current carrier. There are two changes in coverage with one being a reduction in cyber security where the Authority was over insured and the second one concerns wind and hail coverage. The wind and hail deductible is higher with the League; however, with a named storm the deductible amount is FEMA reimbursable. The current wind and hail deductible is \$5,000 and the Leagues’ deductible can range \$5,000 to \$200,000 depending on the facility which has a maximum valuation of \$16 million. There is a possibility the facility can be broke down into portions so the deducible could likewise be broken down. He noted that it depends on if the Board is comfortable with its current deductible arrangement or with the FEMA reimbursement.

Either way the Authority will have wind and hail coverage. Executive Director Holloman stated that the amount budgeted for Fiscal Year 2020-2021 is sufficient to cover the cost of either the current carrier or the League. In response to a question by Director Newton Executive Director Holloman responded that the current carrier was informed about the League's reduced quote and is currently reviewing their quote. Additionally the League provides some added value benefits not provided by the current carrier. Several Directors expressed their appreciation for Executive Director Holloman's attempt in looking for an opportunity to save money.

Motion: Director Blanchard **MOVED**; approval to change the Authority's property and liability insurance carrier and Workman's Compensation carrier to the North Carolina League of Municipalities. **Motion not seconded**; motion failed.

Motion: Director Newton **MOVED**; seconded by Director Burroughs, to table this agenda item in order to get a definitive response from the Authority's current insurance providers. Upon roll call vote, the **MOTION CARRIED**.

	<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Absent</u>
Norwood Blanchard	x			
Trent Burroughs	x			
Wayne Edge	x			
Larry Johnson	x			
Harry Knight	x			
Patricia Kusek				x
Al Leonard	x			
Jackie Newton	x			
Phil Norris	x			
Al Milliken	x			
Charlie Rivenbark	x			
Bill Saffo	x			
Bill Sue	x			
Frank Williams	x			
	13	0	0	1

In conclusion, Executive Director Holloman explained that if the Board decides at its July meeting to change carriers, the actual switch would occur in August or September.

EXECUTIVE DIRECTOR REPORT

EDR1 - Customers' Water Usage Report and Operating Fund Budget Status for Fiscal Year to Date Ending May 31, 2020

Executive Director Holloman noted that total water usage for November, December and January tracked well below projections. Out of the past eleven months, Pender County's usage was below projection one month. Brunswick County's usage was below projection four months. Cape Fear Public Utility Authority's usage was below projection seven months. There is the possibility of a slight shortfall in raw water revenue at the end of this fiscal year.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

At the request of Chairman Milliken, Director Knight briefly introduced himself with a summary of his professional background and experience.

PUBLIC COMMENT

ADJOURNMENT

There being no further business, Chairman Milliken adjourned the meeting at 9:35 a.m.

Respectfully Submitted:



 Charlie Rivenbark, Secretary