

CAPE FEAR PUBLIC UTILITY AUTHORITY

FINANCE COMMITTEE

MINUTES

APRIL 4, 2018

IT Conference Room

Regular Meeting

9:00 AM

235 GOVERNMENT CENTER DRIVE
WILMINGTON, NC 28403

I. CALL TO ORDER

Mr. Norris called the meeting to order at 9:00 AM with a quorum present. Ms. Adams moved to excuse Mr. Watkins. Ms. Kusek seconded the motion, and it passed unanimously.

Attendee Name	Organization	Title	Status	Arrived
William Norris	Cape Fear Public Utility Authority	Chair	Present	
Patricia Kusek	Cape Fear Public Utility Authority	Committee Member	Present	
Skip Watkins	Cape Fear Public Utility Authority	Committee Member	Excused	
Jennifer Adams	Cape Fear Public Utility Authority	Committee Member	Present	
Wesley Corder	Cape Fear Public Utility Authority	Committee Member	Present	
Jim Flechtner	Cape Fear Public Utility Authority	Executive Director	Present	
Frank Styers	Cape Fear Public Utility Authority	Chief Operations Officer	Present	
John McLean	Cape Fear Public Utility Authority	Chief Financial Officer	Present	
Kristine Irick	Cape Fear Public Utility Authority	Customer Service Director	Present	
Carel Vandermeijden	Cape Fear Public Utility Authority	Director of Engineering	Present	
Peg Hall-Williams	Cape Fear Public Utility Authority	Chief Communication Officer	Present	
Denise Matroni	Cape Fear Public Utility Authority	HR Director	Present	
Lindsey Hallock	Cape Fear Public Utility Authority	Director of Public and Environmental Policy	Present	
Beth Eckert	Cape Fear Public Utility Authority	Director of EMD	Present	
BillyJo Winslett	Cape Fear Public Utility Authority	Human Resources Assistant	Present	
Donna Pope	Cape Fear Public Utility Authority	Clerk/Executive Secretary to the Board	Present	

II. MINUTES APPROVAL

1. Finance Committee - Regular Meeting - Mar 8, 2018 9:00 AM

RESULT:	ACCEPTED [UNANIMOUS]
MOVER:	Patricia Kusek, Jennifer Adams
AYES:	Norris, Kusek, Adams, Corder
EXCUSED:	Watkins

III. MONTHLY FINANCIALS AND CUSTOMER SERVICE REPORT

Mr. McLean presented the March financial data. With 75 percent of the fiscal year complete, SDCs and investment revenues are over 100 percent of budget. Revenues exceed expenditures by \$3.5 million. Unrestricted cash is \$114.7 million.

The total cost of GenX/unregulated compound expenses to date is almost \$1.7 million, which includes legal fees and \$320,500 in ASR costs. The state provided \$185,000 in grant money that went towards the expenses.

Ms. Irick reported on CFPUA's focus on becoming a customer service business providing water utilities rather than a water utility business. The ideological shift includes training in building customer relationships including listening and communications skills, diversity, inclusion, and meeting customer challenges. A senior customer service staff member attended AWWA training and is now training other staff.

Renovations are complete to accommodate additional staff in Customer Service. New hires will begin next week and will be train as a group.

IV. INFORMATION ITEM

Mr. Flechtner introduced the budget review. CFPUA budgets tightly, keeping infrastructure needs and the protection of the environment foremost in the process. He noted that, when adjusted for inflation, operating expenditures have not increased greatly since CFPUA's first budget ten years ago, while it operates a large system with a second water treatment plant. CFPUA reduced the volume of sanitary sewer overflows by 94 percent since assuming operations in 2008.

Mr. McLean presented the recommended budget of \$81,710,993. Operating expenditures are budgeted at \$39,389,879. The recommended budget provides a cost of living increase of 1.5 percent, a 2.5 percent merit pool, and equity increases for some positions and 4.25 new full time positions. The budget includes a mandatory increase in the employer contribution to the local government retirement system. The budget follows the financial policies approved by the Board and supports future pay-go funding and the spenddown of cash, while maintaining a healthy reserve for emergencies.

Funding the recommended budget requires a \$2.82 increase in the bi-monthly bill for the average residential customer. The recommended increase equals 2.23 percent.

The recommended expenditures will go to the full Board at the April meeting. The April meeting includes the public hearing for FY19 system development charges (SDCs). An optional Finance Committee meeting can be held on April 18 if necessary, and an optional budeget

workshop can be held after the May Board meeting. The budget hearing and budget adoption will be in June.

Messrs. McLean and Flechtner answered questions from Committee members. Mr. Norris thanked staff for a comprehensive job.

V. ACTION ITEMS

1. Authorization for the Executive Director to Execute a \$2,374,844.09 Construction Contract with Pedal Valves, Inc. for the Comprehensive Meter Replacement Phase 3 project.

Mr. Vandermeiden presented the item, and he and Mr. Flechtner answered questions regarding the meter replacement program. Issues that customers experienced during the previous installation have been resolved, and CFPUA made whole by the contractor. Ms. Kusek moved to recommend approval, with placement on the Consent Agenda. Ms. Adams seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Patricia Kusek, Committee Member	
SECONDER:	Jennifer Adams, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

2. Authorization for the Executive Director to execute a \$360,010 contract with Cape Fear Engineering for the Comprehensive Meter Replacement Phase 3 project.

Mr. Vandermeiden presented the item, which covers administration and inspection of the meter replacement project. Ms. Kusek moved to recommend approval, with placement on the Consent Agenda. Mr. Corder seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Patricia Kusek, Committee Member	
SECONDER:	Wesley Corder, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

3. Authorization for the Executive Director to Execute a \$66,500 Contract Amendment with WithersRavenel for Construction Administration and Construction Observation for the Quail Woods Pump Station 137 Decommission Project.

Mr. Vandermeiden presented the item. The project will take a sewer pump station offline. Mr. Corder moved to recommend approval, with placement on the Consent Agenda. Ms. Adams seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Wesley Corder, Committee Member	
SECONDER:	Jennifer Adams, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

4. Authorization for the Executive Director to Execute a \$355,524 Construction Contract with Carolina Civilworks for the Pump Station 137 Quail Woods Decommission Project.

Mr. Vandermeiden presented the item, a companion to Item 3 for engineering and inspection services. Ms. Adams moved to recommend approval, with placement on the Consent Agenda. Ms. Kusek seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Jennifer Adams, Committee Member	
SECONDER:	Patricia Kusek, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

5. Colony Tire Contract Amendment

Mr. Styers presented the item and answered clarification questions. Ms. Adams moved to recommend approval, with placement on the Consent Agenda. Mr. Corder seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Jennifer Adams, Committee Member	
SECONDER:	Wesley Corder, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

6. Veterans Park Elevated Water Tank Improvements

Mr. Styers presented the item and answered clarification questions. Ms. Kusek moved to recommend approval. Ms. Adams seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Patricia Kusek, Committee Member	
SECONDER:	Jennifer Adams, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

7. Resolution - Sale of Aqua-Tec Combination Vacuum/Jet Truck

Mr. Styers presented the item. Ms. Kusek moved to recommend approval, with placement on the Consent Agenda. Ms. Adams seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Patricia Kusek, Committee Member	
SECONDER:	William Norris, Chair	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

8. Audit Services Contract

Mr. McLean presented the item. State law requires that the audit contract be approved by the Board each year. Staff recommends Cherry Bekaert for the audit. The firm has conducted CFPUA's audit for the past three years. Mr. Corder moved to recommend approval, with placement on the Consent Agenda. Ms. Kusek seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Wesley Corder, Committee Member	
SECONDER:	Jennifer Adams, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

9. Insurance Broker and Risk Management Services

Mr. McLean presented the item. Staff recommends continuing with the Wells insurance group. Ms. Kusek moved to recommend approval, with placement on the Consent Agenda. Mr. Corder seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Patricia Kusek, Committee Member	
SECONDER:	Wesley Corder, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

10. Public Hearing and Adoption of System Development Charges for Fiscal Year 2018-2019

Mr. McLean presented the item and explained the methodology and calculations used to determine the fees. The recommended water SDC is \$1,830, \$240 more than FY18. The sewer SDC is \$1,800, \$330 lower than FY18. Most customers pay both water and sewer charges and would see a \$90 net decrease in FY19.

State law requires publication of the calculation on the utility's website for 45 days. No comments were received via the website. The required public hearing is scheduled for the April 11 Board meeting and was properly advertised. The Board may adopt the SDC at the April meeting or direct staff in response to hearing comments. Ms. Kusek thanked Mr. McLean for a thorough and understandable breakdown of the charges. The Committee directed staff to place the presentation and hearing on the April agenda.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	William Norris, Chair	
SECONDER:	Patricia Kusek, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

11. Authorization for the Executive Director to Execute a \$304,517 Construction Contract with Baker Roofing Company for the EMD Roof Replacement Project.

Mr. Vandermeiden presented the item, and he and Mr. Flechtner answered questions regarding the membrane warranty, installation, and recourse for roof failure. Issues have been documented, and staff recommended total roof replacement before the onset of hurricane season. Following questions and discussion, Ms. Kusek moved to recommend approval, with placement on the Consent Agenda. Ms. Adams seconded the motion, and it passed unanimously.

RESULT:	APPROVED AND RECOMMENDED [UNANIMOUS]	Next: 4/11/2018 9:00 AM
MOVER:	Patricia Kusek, Committee Member	
SECONDER:	Skip Watkins, Committee Member	
AYES:	Norris, Kusek, Adams, Corder	
EXCUSED:	Watkins	

VI. GENERAL COMMENTS / DISCUSSION

There were no closing comments.

VII. ADJOURNMENT

Ms. Kusek moved to adjourn. Ms. Adams seconded the motion, and it passed unanimously. The Committee adjourned at 10:12 AM.

Respectfully submitted,

Donna S. Pope
Clerk to the Board