

CAPE FEAR PUBLIC UTILITY AUTHORITY

AUTHORITY BOARD

MINUTES

APRIL 11, 2018

Lucie Harrell Conference Room

Regular Meeting

9:00 AM

230 GOVERNMENT CENTER DRIVE
WILMINGTON, NC 28403

I. CALL TO ORDER

Mr. Brown called the meeting to order at 9:00 AM with a quorum present. Mr. Rivenbark moved to excuse Mr. Norris from the meeting and Messrs. Watkins and Hackney until their arrival. Ms. Kusek seconded the motion, and it passed unanimously. Messrs. Hackney and Watkins arrived at 9:02 AM.

II. DETERMINATION OF A QUORUM

Attendee Name	Organization	Title	Status	Arrived
Mike Brown	Cape Fear Public Utility Authority	Chair	Present	
Wesley Corder	Cape Fear Public Utility Authority	Vice-Chair	Present	
Jennifer Adams	Cape Fear Public Utility Authority	Secretary	Present	
William Norris	Cape Fear Public Utility Authority	Treasurer	Excused	
Larry Sneed	Cape Fear Public Utility Authority	Board Member	Present	
Cindee Wolf	Cape Fear Public Utility Authority	Board Member	Present	
Patricia Kusek	Cape Fear Public Utility Authority	Commissioner	Present	
Charlie Rivenbark	Cape Fear Public Utility Authority	Councilmember	Present	
Kevin O'Grady	Cape Fear Public Utility Authority	Councilmember	Present	
Skip Watkins	Cape Fear Public Utility Authority	Commissioner	Present	
Deans Hackney	Cape Fear Public Utility Authority	Board Member	Present	
Jim Flechtner	Cape Fear Public Utility Authority	Executive Director	Present	
Linda Miles	Miles Firm, PLLC	CFPUA Consulting Attorney	Present	
Frank Styers	Cape Fear Public Utility Authority	Chief Operations Officer	Present	
Carel Vandermeiden	Cape Fear Public Utility Authority	Director of Engineering	Present	
John McLean	Cape Fear Public Utility Authority	Chief Financial Officer	Present	

Beth Eckert	Cape Fear Public Utility Authority	Director of EMD	Present	
Denise Matroni	Cape Fear Public Utility Authority	HR Director	Present	
Peg Hall-Williams	Cape Fear Public Utility Authority	Chief Communication Officer	Present	
Gary McSmith	Cape Fear Public Utility Authority	Asst. Director of Engineering	Present	
BillyJo Winslett	Cape Fear Public Utility Authority	Human Resources Assistant	Present	
Erin Tremblay	Cape Fear Public Utility Authority	Policy Specialist	Present	
Donna S. Pope	Cape Fear Public Utility Authority	Clerk/Executive Secretary to the Board	Present	
Ray Cox	Highfill Infrastructure		Present	
Beth Markesino			Present	
Heidi Cox	Division of Water Quality		Present	
George House	Brooks Pierce law firm		Present	

III. ADOPTION OF AGENDA

Ms. Kusek moved to adopt the day's agenda. Mr. O'Grady seconded the motion, and it passed unanimously.

IV. APPROVAL OF MINUTES

1. Authority Board - Regular Meeting - Mar 14, 2018 9:00 AM

RESULT:	ACCEPTED [UNANIMOUS]
SECONDER:	Kevin O'Grady, Deans Hackney
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

V. PUBLIC HEARING

1. Adoption of System Development Charges for Fiscal Year 2018-2019

Mr. McLean presented the Fiscal Year 2019 recommended system development charges. North Carolina law now specifies parameters for the establishment of the charges and requires a public hearing.

Mr. McLean explained the methodology and calculation used to determine the SDCs. The calculation analyzes existing infrastructure costs and does not include any future system expansion. The calculation determines the equity held by existing and potential customers and assigns a value to be paid by future customers. The methodology uses the depreciated cost of infrastructure and does not include debt service, conveyed property, items paid for by grants or third parties. The equity value is divided by the projected number of new and existing equivalent residential units (ERU) for the next fiscal year. An ERU is defined as a 5/8-inch water meter.

The FY19 water SDC is \$1,830, which is \$240 more than FY18. The FY19 sewer SDC is \$1,800, which is \$330 less than FY18. Most new customers pay both water and sewer SDCs and would realize a \$90 net savings over FY18.

Mr. McLean answered questions from Board members regarding the projected number of ERUs for FY19, grant funding, and New Hanover County participation in sewer projects.

Mr. Brown called the public hearing to order at 9:25. There were no speakers. Mr. Rivenbark moved to close the public hearing. Ms. Kusek seconded the motion, and it passed unanimously. The public hearing closed at 9:25 AM. Mr. Brown recommended that the Board delay the vote on the FY19 SDCs until the May meeting so that staff could provide feedback on Board questions. The Board agreed.

RESULT:**NO ACTION REQUIRED****Next: 5/2/2018 9:00 AM**

VI. WATER QUALITY UPDATE

Mr. Flechtner presented the water quality report. Levels of GenX remain below the NC Health and Human Services health goal of 144 parts per trillion (ppt). The health goal considers the safe lifetime exposure of a compound for the most vulnerable citizens. He reported that GenX is only one of the unregulated compounds or contaminants that can be found in water sources.

CFPUA has two water stations available where customers may fill their own containers with groundwater at no cost to them. A station has been opened at Veteran' Park in the southern part of the county in addition to the site at the Ogden Park. The water stations are open from 8:00 AM to 8:00 PM daily. Customers have taken approximately 200 gallons daily from the Ogden water station. That site will be upgraded into a more permanent installation.

Work continues on the Aquifer Storage and Recovery project. Water stored in the ASR has been removed and treated at Southside Wastewater plant. Water in the ASR is at 28 ppt for GenX, and groundwater near Wrightsville Beach's #11 well is at 48 ppt. Staff is working with state regulators to determine how and when the ASR can be placed in use again.

Water sampling at Sweeney tests for 20 per-fluorinated compounds that have standards. Levels of ten other compounds are being estimated due to no testing methods for those substances. GenX is 12 percent of the per-fluorinated compounds in Sweeney water. UNC-W scientists sample raw and finished water at the Sweeney plant weekly. They have detected five new compounds that have not previously been reported upon in scientific literature. CFPUA should receive the university's final report this summer.

We do not know the effects of non-point sources on contaminant levels in the river, the potential for accumulation of compounds in CFPUA's facilities and transmission system, and the effects of accumulation in the environment. The pilot study of additional treatment options at the Sweeney plant is nearing its final stages. While the ultimate answer is to keep

contaminants out of raw water from their sources, the pilot will help the Board and staff to chart a path forward regarding treatment of water from the river. Granular activated carbon filtering (GAC) and ion exchange show effectiveness in removing per-fluorinated compounds from water, and GAC is the most promising option for the Sweeney plant. No existing technology can remove 100 percent of contaminants from the finished water. Staff anticipates to make treatment recommendations to the Board at the May meeting.

Staff makes weekly updates to the community and media outlets and will do more frequent updates as needed. CFPUA looks forward to working with community groups and citizens to address concerns and provide optimal drinking water.

Mr. Flechtner answered questions from Board members concerning treatment options and what other utilities in similar situations are doing. He reported that, to his knowledge, CFPUA is the only utility in the state conducting the studies and a pilot treatment programs. Some utilities in other parts of the country use GAC technology. In order to function properly, osmosis (RO) requires a larger volume of source water than CFPUA can draw from the river.

VII. PUBLIC COMMENTS - 4 MINUTE LIMIT PER SPEAKER

Ms. Markesino spoke regarding water quality and unregulated compounds. She urged CFPUA to continue interacting with customers and partnering with the community.

VIII. SPEAKER UPDATE FROM THE MARCH 14, 2018 BOARD MEETING

Mr. Flechtner reported that Ms. Miles has contacted legal counsel for the March speaker and would update the Board in closed session.

IX. CONSENT AGENDA

Following clarification on Item 10, Mr. Sneed moved to approve the Consent Agenda. Ms. Kusek seconded the motion, and it passed unanimously.

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.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

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

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

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.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

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.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

5. Colony Tire Contract Amendment

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

6. Veterans Park Elevated Water Tank Improvements

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

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

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Cindee Wolf
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

8. Audit Services Contract

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

9. Insurance Broker and Risk Management Services

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

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

Mr. Vandermeiden answered clarification questions about the contract.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Larry Sneed, Board Member
SECONDER:	Patricia Kusek, Commissioner
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

X. NEW BUSINESS

A. Administrative Reports

i. Attorney's Report

Ms. Miles had no report for open session. She requested a closed session to discuss a claim, the Chisom v. CFPWA case, and CFPWA v. Chemours, DuPont, and the state. She reported that the HR Committee needed to discuss a personnel item in closed session.

ii. Executive Director's Report

Mr. Flechtner reported that the key indicator report, quarterly CIP update, safety and environmental reports were in the agenda packet. There were no question on the reports.

1. Key Indicators Report

RESULT:	REVIEWED
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2. Quarterly CIP Report

RESULT:	REVIEWED
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3. Environmental Report

RESULT:	REVIEWED
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4. Safety Report

RESULT:	REVIEWED
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B. Committee Reports

i. Executive Committee

1. Minutes of the April 4, 2018 Executive Committee Meeting

RESULT:	NO ACTION REQUIRED
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ii. Long Range Planning Committee

1. Long Range Planning Committee - Regular - Mar 22, 2018 3:00 PM

RESULT:	NO ACTION REQUIRED
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2. FY-2019 Capital Improvements Plan Approval

Mr. Vandermeiden presented the recommended FY19 capital projects. The budget is \$54.9 million, and \$29.3 million will be reimbursed by grants. 75 percent of the projects address aging infrastructure. The budget includes treatment enhancements for the Sweeney Water Treatment Plant. Mr. Rivenbark commended staff on the risk assessment matrix used to prioritize projects.

Ms. Adams moved to adopt the FY19 CIP. Mr. Sneed seconded the motion, and it passed unanimously.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Jennifer Adams, Secretary
SECONDER:	Larry Sneed, Board Member
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

iii. Finance Committee

1. Finance Committee - Regular Meeting - Apr 4, 2018 9:00 AM

RESULT:	NO ACTION REQUIRED
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2. Monthly Financials

Mr. McLean reported that revenues exceed expenditures by \$3.4 million. Investment earnings, SDCs, and other revenues are above budget. A trend of less consumption per equivalent residential unit continues, but the number of customers has increased.

CFPUA has spent \$1.7 million on GenX-related expenses. \$185,000 of GenX-related expenses was paid by a state grant. CFPUA has spent \$320,500 on the removal of water from the aquifer storage site.

RESULT:	REVIEWED	Next: 5/2/2018 9:00 AM
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3. Customer Service Report

Ms. Irick updated the Board on customer service initiatives. New hires are on board, the work area has been renovated to accommodate them, and staff is training under an AWWA program that will provide customer service certification. She reported that the organization is shifting from being a utility that provides customer service to "a customer service organization that provides utilities." Board members praised the philosophical refresh.

RESULT: **REVIEWED**

4. FY19 Preliminary Budget Review

Mr. Flechtner introduced the budget review. After adjusting for inflation, CFPUA's operating budget has not increased in its ten years of operation. Sanitary sewer overflows have been reduced by 94 percent.

Mr. McLean presented the expenditure budget recommended for FY19, beginning July 1, 2018. The budget of \$81,710,993 follows the financial policies adopted by the Board, supporting pay-go capital funding. The FY19 budget is the first budget not to designate contingency funds. The reserve policy is designed to address emergency funding needs. The recommended budget includes a 1.5 percent market or cost of living adjustment for employees and a 2.5 percent merit pool. Debt service will decrease by \$1.1 million.

Mr. McLean presented a breakdown of the budget by department and showed the increase per department over FY18. The administration budget will increase by \$500,000 to cover legal fees, much of which is related to the GenX issues.

The recommended rate increase is 2.23 percent, equalling \$2.82 every two months on the average bill. \$1.43 of that increase can be attributed to GenX response.

Staff answered questions from Board members regarding departmental budgets. Mr. McLean reviewed the remaining items on the budget calendar, and the Board provided input regarding the time and date of the budget hearing.

RESULT: **REVIEWED** **Next: 5/2/2018 9:00 AM**

iv. Human Resources Committee

1. Minutes of the March 22, 2018 Human Resources Committee

RESULT: **NO ACTION REQUIRED**

2. Resolution to adopt updated Employee Personnel Policy and Procedures Manual

Ms. Matroni presented the revised and updated personnel manual. Following clarification questions on retirement contributions, Ms. Wolf moved the item as

an HR Committee recommendation. Mr. O'Grady seconded the motion, and it passed unanimously.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Cindee Wolf, Board Member
SECONDER:	Kevin O'Grady, Councilmember
AYES:	Brown, Corder, Adams, Sneed, Wolf, Kusek, Rivenbark, O'Grady, Watkins, Hackney
EXCUSED:	Norris

XI. OLD BUSINESS

There was no old business.

XII. AUTHORITY Q&A / CLOSING COMMENTS

There were no questions or closing comments from Board members.

XIII. CLOSED SESSION

Mr. Rivenbark moved to enter into closed session to discuss CFPUA v. Chemours and DuPont, Chisum v. CFPUA, a claim against CFPUA, and a personnel item. Mr. Sneed seconded the motion, and it passed unanimously. The Board entered closed session at 10:45 AM.

The Board received reports from legal counsel and provided direction to counsel. The Board discussed a personnel item.

Following the discussion, Mr. Watkins moved to return to open session. Ms. Kusek seconded the motion, and it passed unanimously. The Board returned to open session at 12:01 PM.

XIV. ADJOURNMENT

There was no further business to come before the Board, and Ms. Kusek moved to adjourn. Mr. Sneed seconded the motion, and it passed unanimously. The meeting adjourned at 12:01 PM.

The next regular meeting of CFPUA will be Wednesday, May 9, 2018. The Board will meet in the Lucie Harrell Conference Room, New Hanover County building, 230 Government Center Drive, Wilmington, North Carolina, and the meeting will begin at 9:00 AM.

Respectfully submitted,

Donna S. Pope