

**BRUNSWICK REGIONAL WATER & SEWER H2GO
BUDGET MEETING WORKSHOP
TUESDAY MAY 15, 2018**

OFFICIAL MINUTES

CALL TO ORDER:

Chairman Jeff Gerken called the meeting to order at 6:00 pm, a quorum was present. The assembly was lead in the Pledge of Allegiance.

MEMBERS PRESENT:

Present from the Board of Commissioners were members Jeff Gerken, Chairman, Trudy Trombley, Vice Chairman, Bill Beer, Secretary, Ronnie Jenkins and Rodney McCoy, present from H2GO was Bob Walker, Executive Director, Scott Hook, Finance Officer, Russ Lane, Assistant Director and Teresa Long, Clerk to the Board.

DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR 2018-2019:

Mr. Hook took the lead in the discussion, he said the first page of the proposed 2018-2019 Budget is the **Budget Message**, he said we will stick with the same processes as last year with the four departments, he said currently the District's rates are covering the cost of operations and providing depreciation repayment coverage. Mr. Hook said the impact fees and recovery fees are being transferred to the District's capital improvement fund to be used for future capital needs and not for operating expenditures. Mr. Hook said at the end of April the revenues were at 83% and expenses were at 78%, he said the major expenses that we have left for the year are number one, the sewer camera, he said Mr. Walker had an update on that. Mr. Walker said that they had budgeted \$50,000 for a new main line sewer camera, he said he has gotten a quote for one that will do everything we need, he said it will televise the sewer line, it will pan so that every joint can be inspected, we can look at the laterals, it comes with a software that will calculate the grade and sloop of the sewers, he said it is a nice step above what we have now, he said the cost is \$73,000. Mr. Walker said we have some high priority lines that are required to be televised twice a year, he said we require developers to televise lines before they are deeded and dedicated to us, he said we may want to have a crew in the future to do this. The next major expense left to purchase this year are the MXUs and Meters, Mr. Hook said he needed to do a small budget amendment for these to get Mr. Lane through the current budget year. The third and fourth major expenses left for this budget year are Water Purchase and Sewer Treatment and then Grinder Pumps, Mr. Hook said we get reimbursed for the Grinder Pumps.

Mr. Hook moves on to **Operating Cash on Hand**, he said there is \$2.5 million in the Operating Reserve. Commissioner Trombley asked about how much Belville has, Mr. Hook said they have about \$50,000 in their operating fund which they will be using to pay for their insurance July 1st, he said they will be close to nothing in their operating side, so they will just mainly have the Capital Improvement money, in which they have \$8.3 million there, he said most of that will be spent on the US 17 Regional Lift Station Project.

Mr. Hook moves on to the **2019 Rate Change Discussion**, he said that Brunswick County is increasing our sewer wastewater treatment rate by \$.70 per 1,000 gallons, from \$1.50 to \$2.20 per 1,000 gallons on July 1st. Mr. Hook recommended that we pass that increase on to our customers, because we are now just breaking even, he said we have just received our System Development Fee analysis and Mr. Walker would be discussing that at a later date after it has been reviewed, he said depending on that we may also have to look at increasing sewer base fees in the near future due to the Northeast Sewer Plant Expansion.

Mr. Hook now discussed **Capital Revenue**, he said we are now averaging about 44 new water connections monthly, 38 new sewer connections monthly and 13 new irrigation connections monthly.

Mr. Hook summarized the **FY 2019 Expenditure Summary**, he said last year we did 3% merit raises and 3% COLA. Commissioner Trombley said she thought that was excessive, Chairman Gerken and Commissioner Beer agreed. Ultimately the majority of the board agreed to set the COLA raises at 2.25% and Merit raises at 2.25%.

Mr. Hook suggested an increase to our legal budget to \$300,000, he said we are now at \$226,000 for this budget year, he said our attorney Mr. Edes has not submitted a bill since December, he said he had emailed both attorneys' for budget information but had not received anything. Chairman Gerken said that he would contact both attorneys and ask them to send their projected budget for the new year to Mr. Hook.

Mr. Hook said that potable water could increase approximately to \$2.90 per 1,000 gallons, he said we would not have to increase water rates for that increase at this point.

New Meter Reading Technology, Mr. Hook said is estimated to be \$275,000. Mr. Lane said with the new reading study we could read the meters from the office. Commissioner Beer asked if we could get rid of some trucks, Mr. Walker said no. Commissioner Trombley asked if we could get rid of some employees. Mr. Walker said our system is growing, he said it would be a while before we could get rid of reading by drive-by and turn everything over to this new system.

\$420,000 has been set for a new vac truck, Mr. Lane explained that this truck cleans sewer lines by vacuum. Mr. Walker said it is also used to clean the grease out of the lift stations, he said we still need the small vac truck that we have because it can get in small spaces, but the tank capacity is so low that only one or two stations can be cleaned before they have to go dump the tank.

Mr. Hook said that two of our lift stations need upgrades, he has this amount at \$70,000.

Mr. Hook said that H2GO has been selected by the state to do an audit of our state retirement and the cost of that is \$5,000.

Office Exterior and Interior Improvements of \$20,000 has been suggested. Mr. Walker said we would like to do a refresh of the office since we had not done any since about 2003.

Mr. Walker talked about the Hewett Burton Lift Station, he said he had planned on this station for some time, he said it has been driven by two things, first we have the Grayson Park Pump Station which is an eight inch force main that pumps into a six inch line that pumps from Stoney

Creek and pumps all the way to the wastewater plant on Chapel Loop Road, he said he does not know why it was done that way years ago, but he is trying to fix the problem, he said those pumps cannot pump against each other. Mr. Walker said he always felt the problem could be solved if there were some new developers in that service area, he said he has been approached by some developers that want to develop at Spring Hill, which is at the corner of Wolf Ridge and Goodman Road, he said there is another one just beyond Stoney Creek called Bishops Branch, he said there is a developer that has bought a 56 acre tract right on Highway 17 just north of Hewett Burton Road and there is another one near Carol Lynn Drive on Highway 17. Mr. Walker said all four of those developers have talked to him and have purchased the property and are moving forward with their plans, he said a couple of these developers have approached Leland as well, Mr. Walker said what he is hearing back is that Leland cannot provide sewer service to those areas in the time that they need it. Chairman Gerken said that those areas are not in H2GO's service district but are in the county, Mr. Walker said they are not in Leland's service district either, he said if we provide these areas water and sewer, that does not preclude them from being annexed into the Town of Leland, he said one of the developers has requested to be annexed by Leland, however he cannot sign the annexation agreement with Leland unless he has a commitment on sewer service. Chairman Gerken said "I am not in favor of expanding the H2GO service area" he said he thinks we should do a good job servicing our existing customers, but he was not in favor of expanding the H2GO service area because he believed in regional solutions and he would like for the county to step in and provide service to areas that are not currently being served. Commissioner Beer said with the change in the laws regarding impact fees, it does our customers a dis-service to start expanding because you are making them pay twice. Mr. Walker said that will be true no matter who is providing the service. Commissioner Beer said that he is not in favor of expanding the H2GO service area either, he said things have changed and we are talking about raising rates. Commissioner McCoy said the area is growing and you have to provide service to those coming in, Commissioner Beer asked, who was in the best position to provide those services, Commissioners' McCoy and Jenkins said that H2GO was. Commissioner Jenkins said Leland nor the county had anything in that area. Mr. Walker said H2GO has Stoney Creek and Grayson Park and there is a lift station between those two service areas. Commissioner Beer asked if Leland had also bid on putting a lift station at Hewett Burton, Mr. Walker said Leland has a plan to run sewers down there but it won't be in the next two years, he said the developers said they talked to David Hollis at the Town of Leland, they came back to Mr. Walker and said there is no way Leland is going to be able to provide sewer service in that area anytime soon. Commissioner McCoy said that H2GO is far more capable of providing them sewer than anyone else in the county. Chairman Gerken said he was going to talk to David Hollis about the matter. Commissioner Beer said he is not saying no or yes but he would like to get more information on the matter. Mr. Walker said we have told the county that we would like to reserve almost 1.2 million gallons of capacity in the new plant expansion, so if it is the position of the board that we are not going to expand the system then we need to tell the county that we only need 600,000 gallons. Chairman Gerken said he wanted to talk to John Nichols of the county and David Hollis of Leland, Commissioner Jenkins said that he would like to be included in on those discussions. Mr. Walker said that the System Development Fees were predicated on these capital improvements, which includes not only the Hewett Burton Lift Station but also the Northeast Plant Expansion that we are a partners in, he said these two things would significantly affect the System Development Fees. Commissioner Trombley said we may need the capacity latter on. Mr. Hook said the problem with that is our bond would be \$1.4 million, but if we are not collecting impact fees from new people coming in, our existing customers are going to pay for that, so instead of their bill going up four dollars a month it would go up eight dollars a month, so if we are not going to expand, we can't purchase \$1.4 million

dollars of capacity from the county, he said that would be a huge risk. Chairman Gerken said these areas are not in our service areas and he is not ready to proceed, he said he wanted to talk to John Nichols and David Hollis. Mr. Walker told Chairman Gerken that he would like for Chairman Gerken to come and talk to him. Chairman Gerken told Mr. Walker that there were times when he was not being forthcoming with what was being planned such as the meeting on November 28th, he asked Mr. Walker when he became aware of the fact that they were planning to give away all of the assets of H2GO. Mr. Walker said it was a couple of weeks prior and that is shown in the emails in which the board had a copy of those emails. Chairman Gerken told Mr. Walker that while talking with WECT, Mr. Walker had said those plans had been afoot for several months at that point. Mr. Walker said he was not aware of any concrete plans, only discussions. Chairman Gerken said that he was not informed of this, Mr. Walker said he made the Chairman at the time aware of the discussions. Chairman Gerken said he wanted everybody to start talking to each other. Mr. Walker said that he would like for Chairman Gerken and himself to talk also and he was willing to sit down and talk to John Nichols and David Hollis.

Mr. Walker said depending on what the board decided would affect the amount of system capacity that we purchase from the county in the Northeast Plant and also will affect our System Development Fees. Mr. Walker said we should advertise what our System Development Fees will be by tomorrow because there is a 45 day comment period and they need to be in place by July 1st. Chairman Gerken told Mr. Walker to proceed with whatever he was planning to put in there, he said they have not made any final decisions today, he reiterated that he did not want to see the H2GO service area expand, he said we need to provide for development within the existing service area. Mr. Walker reiterated what Mr. Hook had said, that if we are going to buy what we have committed to from the county in the Northeast Plant, we have to have an income or revenue stream from impact fees to support our share of that bond payment. Chairman Gerken said part of the reason that we need that capacity is that we have been using Leland's capacity up to this point, he said that is why Leland's fees for this expansion are so low, Mr. Hook said if they are taking on these new projects their fees will be going up because they will have to buy more capacity. Mr. Hook said whoever takes on these new projects are the ones that need to take on that bond payment. Chairman Gerken said let's have a meeting with the county and Leland and discuss the matter. Mr. Jenkins again stated he would like to be involved in these meetings. Mr. Walker said that on an average day, our flows to the Northeast Plant are less than what we have purchased, he said during heavy rainfall events our flows go up just as everybody's does, Navassa, Leland and the county, he said we are getting close to the capacity that we purchased, but we are also getting to the end of that service life that we purchased. Mr. Walker said that he did not think we have any legal responsibility to provide service to these new developers, however if we don't do anything between Grayson Park and Stoney Creek, we have some liabilities there. Chairman Gerken asked if The Wooten Company had "cancellation for convenience" provisions in their contract, Mr. Walker said he thought it did, he said that attorney's Mr. Coble and Mr. Edes have looked at them. Commissioner Beer asked if we had a new contract with The Wooten Company, Mr. Walker said the contract that we have with them is a task order contract, so when we need some sort of design, we would operate under those task orders. Mr. Walker said the larger contracts were not done under task orders, they were done under RFP's so they were done under separate contracts, but the Hewett Burton Regional Lift Station was proposed in the task orders. Chairman Gerken said he did not want to see anymore contracts that do not have "cancellation for convenience clause" and that all contracts should be reviewed by Mr. Coble, and the board should vote on the contract as it's proposed, rather than just give blank approval. Mr. Walker said the board was provided a copy of the Hewett Burton

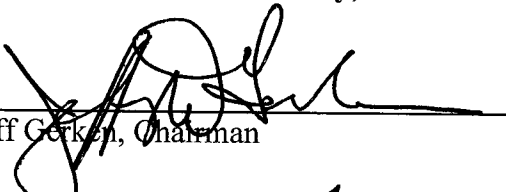
contract before the board meeting, Chairman Gerken said the board should be provided a copy of contracts and given sufficient time to review them before voting on them. Mr. Walker agreed.

Mr. Walker reported as it stands today on the System Development Fees, he said our current wastewater impact fees are \$3,100 per home and \$1,160 for water, for a total of \$4,260, he said the projected impact fees for water and sewer would be about \$7,700, he said Leland is at \$11,000 for water and sewer per connection and the county is about \$7,300, he said typically the builder pays those impact fees up front. Mr. Walker said with the new laws, as soon as you do your final plat, all the System Development Fees have to be paid, he said this would be a significant cash flow for the developers. Mr. Walker said \$7,700 is the maximum justified fee but we have the option to charge less.


Mr. Walker said the current amount of capacity that we have in the Northeast Plant is 687,000 gallons per day and we have projected an extra 1.17 million gallons over a twenty year planning period which will take us close to 1.8 million. Chairman Gerken told Mr. Walker he could arrange a meeting with the county and Leland after the 31st.

ADJOURNMENT:

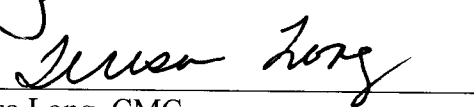
Commissioner Beer made the motion to adjourn the meeting at 7:10 pm, it was seconded by Commissioner Trombley, and the motion carried unanimously.



Jeff Gerken, Chairman



Bill Beer, Secretary



Teresa Long, CMC
Clerk to the Board

6-19-18

Date of Approval