

**BRUNSWICK REGIONAL WATER & SEWER H2GO
RECESSED SPECIAL MEETING
WEDNESDAY JULY 1, 2020**

OFFICIAL MINUTES

CALL TO ORDER:

Chairman Ronnie Jenkins called the meeting, located at H2GO and via Zoom to the public, to order at 10 a.m.; a quorum was present. The assembly was led in the Pledge of Allegiance.

MEMBERS PRESENT:

Present from the Board of Commissioners were members Ronnie Jenkins, Chairman, Steve Hosmer, Vice Chairman, Rodney McCoy, Secretary, Bill Beer, and Barry Laub, present from H2GO was Bob Walker, Executive Director, Russ Lane, Assistant Director, Scott Hook, Finance Officer, Tyler Wittkofsky, Public Information Officer, and Deana Greiner, Deputy Clerk to the Board.

Chairman Jenkins read the following information regarding the recessed meeting:

Join the reconvened special meeting via this link:
<https://us02web.zoom.us/j/8279701189> or use meeting ID 827 970 1189. You
Can Also Call 646-558-8656 And Enter The Meeting ID Followed By The Pound
Sign When Prompted.”

Commissioner Beer made the motion for the board to open the meeting that was recessed on June 29, 2020; a vote was called and the motion carried unanimously.

DISCUSSION OF SDF ANALYSIS AND FEES

It was said that the calculated fees for the System Development Fee Analysis was at \$4,435.20 for water and \$6,333.60 for sewer; it was said that staff had recommended setting the fees at \$3,900 for water and \$5,900 for sewer. Mr. Walker explained that staff was now recommending that the board take this item under advisement and bring it up for a vote during the July 21, 2020 meeting. Commissioner McCoy made mentioned that the maximum numbers had been discussed; he and other members of the board expressed that they wanted to see the impacts of charging lesser amounts. It was said this was a balancing act between what we need to keep user rates at bay and how we would compare to our neighbors. Mr. Hook explained that the growth rate will determine the cash flow. It was said that if our System Development Fees fell short, then there will have to be increases in the user rates. Commissioner Hosmer asked for clarification on what the board was approving. Mr. Walker explained that the analysis calculates a maximum amount that the board could adopt to implement; he explained that what they were looking for was an amount under that maximum that will pay for the capital improvements while providing us the needed debt coverage. Mr. Walker explained that he has talked to a handful of developers; he said most of them understood the necessity for the fees; they understood the fees are subject to increase. Mr. Walker said the biggest comment he received back from the developers was them asking for a phased in approach. It was said that Mr. DeMay was

questioning us being able to do a phased in approach. Mr. Walker stated that he had reached out to Mrs. Kara Millonzi with the UNC School of Government; however, she was on leave until July 17, 2020. Mr. Coble stated that they have looked into this; he explained that there were no specific cases that could be referenced to that would tell him you can or cannot do a phased in approach. Mr. Coble explained that if the board decided to take this item in advisement that it would give him more time to research; he encourage anyone listening with specific questions, or had different interpretations of any case law that could provide him with more information; to please contact him. Mr. Hosmer mentioned a comment where the person stated that if we went with a graduated SDF structure then people of the same class would end up paying different rates. Mr. Hosmer explained that System Development Fees are not user rates; he said System Development Fees are a point in time fee and not a continuous fee. Commissioner Laub explained it using the analogy of building a house; he said if you want to build a house you're given an estimate and that estimate is good for a set time. Commissioner Laub explained that if you decide to wait to build your house past that set time then your cost may go up because cost fluctuates. Commissioner Hosmer mentioned another comment where someone argued that if developers encouraged us to go with a lower system development fee then the shortfall would fall on the users; Commissioner Hosmer expressed his concern with having to ask our rate payers to pay higher rates so that we could grow. It was said that this is a System Development Fee, the fee is to pay for upgrades and expansions for system growth. It was said that these fees should not affect user rates. It was said that if these projects continue and we don't develop enough revenue through the System Development Fee to pay for the cost of the projects, then in the end it will affect the user rates. The discussion ensues. Commissioner McCoy stated the numbers will tell the story; he said we know what the maximum fees will be and now we can work backwards to find the bottom limit before we are in danger of affecting our rate payers. Again it was expressed that this is a balancing act; concern was expressed that we need to make sure we get this right so that our rate payers are not affected. Commissioner Hosmer mentioned a letter that complained about using interest as a cost in determining our System Development Fees; he explained that in running a business if the business needs to borrow money then interest is a cost to do business. Mr. Walker stated that HB436 did include amortized charges and that HB826 also included interest from bonds. Mr. Hartong explained that he was looking into the analysis to address all the comments especially Mr. DeMay's and Mr. Newman's comments; he explained that they are super scrutinizing everything in order to make sure they stay within legal standards. Commissioner Hosmer stated again that interest charges is an approved System Development Fee cost; he mentioned the Town of Leland and stated that Leland used System Development Fees to give incentives to builders to encourage them to annex into the town. Commissioner Hosmer questioned if this was something that could be considered. Mr. Walker stated that annexation incentives are not listed as an approve cost; he stated the house bill specifically list the items and it states "limited to" those items. Commissioner Beer wanted to be clear that we were not expecting all the cost of all system upgrades and expansions to fall on new developers; he said these projects would benefit all our customers and not just new developers. It was said that we weren't expecting this; that if the need came to increase rates then we would. Mr. Walker clarified; he explained that only 50% of the cost for the RO Plant was built into the analysis because 50% of the plant will benefit new development and 50% of the RO Plant will serve existing customers. Commissioner Hosmer expressed that he has known H2GO to be well ran in a top ship manner; he explained that we do what we do because long term we know good planning falls to our benefit giving our customers the top of the line service with lower maintenance cost and fewer outages. Commissioner Hosmer expressed these System Development Fees are for a well-run organization with a reputation for its service contiguity; he said so if the System Development Fees are high then he has to believe that a portion of that is contributable to the fact this is a top notch organization. Mr. Walker suggested that he have

Stantec run several scenarios with varying growth rates to find a medium of where our System Development Fees should fall in terms of providing debt coverage. It was said that we should also look at our neighbors and what they are doing. It was said growth rates in this area affect our system as well as our neighboring systems. Commissioner Beer asked that a phased in approach be integrated into the scenarios ran with Stantec's model. Mr. Walker explained that Stantec has already ran a phased in scenario; he said it was an 18 month period because we are already paying for debt service on the WWTP expansion and the RO Plan bond payments are set to begin 2021. The board expressed gratitude for the comments received from the public; expressing that hearing from the public was valuable to them in making these decisions. Mr. Walker ensured the board that we were following every legal requirement in approving this analysis and implementing a set fee; he explained this is why it is his recommendation that the board take this under advisement and wait to approve it at the next regular board meeting. **Commissioner Hosmer made the motion to take the System Development Fees under advisement, to allow time to receive additional information as discussed, and defer discussion and a decision until July 21, 2020. A vote was called and the motion carried unanimously. Commissioner Laub made the motion to task Mr. Walker with preparing a resolution for adoption of System Development Fees; and giving that draft resolution to the board prior to the July 21, 2020 meeting so that the board may have time to individually review it before bringing it up for discussion and or adoption. A vote was called and the motion carried unanimously.**

RATE AND FEE SCHEDULE

It was said that on Monday night, Mr. Hyder from Stantec presented to the board with a proposed rate schedule. Mr. Walker explained that staff was ok with it for the most part; he said they would like more time to review the proposal and suggest that the board wait to vote on this item during the July 21, 2020 meeting. **Commissioner Beer made the motion for the Board to take Stantec's Rate Study under advisement; and to direct the Executive Director to prepare a resolution for adoption of Rate and Fee Schedule for Board consideration at next regular board meeting on July 21, 2020 at 6 p.m. A vote was called and the motion carried unanimously.**

CALL FOR ADJOURNMENT:

Commissioner McCoy made the motion to adjourn the meeting at 11:30 a.m. A vote was called and the motion passed unanimously.

Ronnie Jenkins, Chairman

Rodney McCoy, Secretary

Deana Greiner, CMC
Deputy Clerk to the Board

Date of Approval