

Onslow Water & Sewer Authority
Board of Directors' Regular Meeting Jacksonville City Hall
Thursday, January 19, 2023
APPROVED MINUTES

CALL TO ORDER: Having a quorum, Chairman Jerry Bittner called the meeting to order at 6:00 pm. Board members present included Chairman Jerry Bittner, Vice Chairman Royce Bennett, Secretary/Treasurer Pat Turner, Directors Paul Conner, Timothy Foster, and Robert Warden. Absent was Director Joann McDermon and Director Jeff Wenzel.

INVOCATION: Chairman Jerry Bittner called on Dr. Wes Smith, Associate Pastor of Blue Creek Baptist Church to provide the invocation. Dr. Smith led the Board and audience in prayer.

PLEDGE OF ALLEGIANCE: Chairman Bittner led the Board and audience in the Pledge of Allegiance.

ELECTION OF OFFICERS: Chairman Bittner called on Authority Attorney, Chuck Kitchen, to conduct the election of officers. Mr. Kitchen stated the election would be by voice vote. He added any member of the Board could nominate anyone and it does not require a second. Mr. Kitchen informed the Board that if more than one person is nominated for the same office the first one to receive five votes is elected.

Mr. Kitchen opened up the nominations for Chairman of the ONWASA Board of Directors. Director Jerry Bittner nominated Director Royce Bennett for the office of Chairman. Director Bittner moved that the nominations for Chairman be closed. Director Conner made a second to close the nominations. All were in favor the nominations were closed. Mr. Kitchen called on all those in favor of Royce Bennett for Chairman to indicate so by saying aye and those who oppose indicate by like sign. All were in favor; Director Royce Bennett was elected Chairman.

Mr. Kitchen opened the nominations for Vice Chairman of the ONWASA Board of Directors. Chairman Royce Bennett nominated Paul Conner for Vice Chairman. Director Robert Warden made a motion to close the nominations. Director Tim Foster seconded the motion to close the nominations. All were in favor, the nominations for Vice Chairman were closed. Mr. Kitchen called on those in favor of Paul Conner for Vice Chairman to indicate so by saying aye and those who oppose indicate by like sign. All were in favor, Director Paul Conner was named Vice Chairman.

Mr. Kitchen opened up the nominations for the office of Secretary/Treasurer. Chairman Royce Bennett nominated Director Pat Turner for the office of Secretary/Treasurer. Director Jerry Bittner made a motion to close the nominations with Director Pat Turner elected as Secretary/Treasurer by acclamation. All were in favor; Ms. Pat Turner was elected to the office of Secretary/Treasurer.

CHAIRMAN'S REMARKS –Chairman Royce Bennett expressed his appreciation to the Board for their support and said he was looking forward to another great year for ONWASA. Chairman Bennett went on to provide general guidance to the audience regarding the meeting.

1. APPROVAL OF AGENDA –Director Robert Warden made a motion to approve the agenda as amended adding Business Item C BRIC 2022 Local Match Fund Commitment Letters. A second

was made by Vice Chairman Paul Conner. All were in favor. The agenda was approved as amended adding Business Item C BRIC 2022 Local Match Fund Commitment Letters.

- 2. APPROVAL OF CONSENT AGENDA** – A motion was made by Director Timothy Foster to approve the consent agenda. A second was made by Vice Chairman Paul Conner. The motion passed unanimously. Therefore, the November & December 2022 Finance Reports, and October & November 2022 Operations Reports were accepted, the November 17, 2022 Meeting Minutes were approved as presented.

3. BUSINESS

A. Annual Comprehensive Financial Report Fiscal Year 2021-2022

[A COPY OF THE POWERPOINT SLIDES & THE ANNUAL COMPREHENSIVE FINANCIAL REPORT FISCAL YEAR 2021-2022 MAY BE FOUND AT EXHIBIT A AND ARE FULLY INCORPORATED HEREIN BY REFERENCE]

Chairman Bennett called on Ms. Linda Murphy, CPA and Assurance Manager with PBMares to present the item. Ms. Murphy provided an overview of the audit process and explained the minimum requirements for the basic financial statements. Ms. Murphy shared that OWASA received the Highest Level of Assurance known as Unmodified or Clean. She went on to say had ONWASA not met this level they [PBMares] would have already met with them to let them know.

Director Jerry Bittner asked Ms. Murphy if she suffered any adverse influence from any member of the Board of Directors or the staff in the course of performing the audit as per your contract. Ms. Murphy replied no.

Action: Director Jerry Bittner made a motion to accept the Annual Comprehensive Financial Report. A second was made by Director Robert Warden. All were in favor, the motion passed.

B. Financial Update

Chairman Royce Bennett called on Ms. Tiffany Riggs, CFO, to present the item. Ms. Riggs began by explaining historically in the first six months of a fiscal year revenues are at their highest and expenditures are at their lowest adding it is an inverse relationship with revenues at their lowest and expenditures at their highest in the last six months of a fiscal year. Ms. Riggs added that she looked back over the last five years and historically this has been the trend for ONWASA and probably longer.

She provided an overview of the revenue categories informing the Board they are broken down into five categories and stated as of December 31st combined Water and Sewer Revenue billed was almost 17.5 million or 55% of their combined annual budgets of 31.9 million. She went on to say total Revenue to date is 19.6 million or 54% of the total budget which is 36.4 million.

Ms. Riggs provided an overview of the expenditure categories stating they are broken down into seven categories Personnel, Operating, Non-capital, Capital, Debt Service, and Transfers. She said Operating and Personnel accounts for over 64% of budgeted expenditures adding as of December 31st Operating and Personnel Expenditures totaled 10 million dollars or 43% of their combined annual budgets of 23 million. Expenditures to date totaled 14 million or 39% of the total budget of the 36.4 million.

Ms. Riggs explained that like most other entities we are experiencing increased costs, longer lead times, and lack of availability of materials and services needed for operations and recently learned that one of the vendors, Carus, which we purchase one of our major chemicals from potassium permanganate suffered a major disaster with a fire at their plant and they have informed their customers that they are declaring a 90-day force majeure for the potassium permanganate supply but after speaking with Mr. Seth Brown we learned we have 120 days on hand and have placed an order so we are hoping that the order will come in before our supply is depleted and if not there are other vendors available just not at the same low price we received from Carus.

Ms. Riggs said currently we are in the process of updating our first System Development Fee Study that was completed in 2018 and implemented in Fiscal Year 2019 adding it is required by State Statute 162A Article 8 that we update the System Development Fee every five years adding we are approaching the fifth year and have sent data to Raftelis to update the Study which will be presented to the Board in March and at that time we will make it public for forty five days and then hold a Public Hearing before adopting or implementing the changes to the system development fees.

Ms. Riggs informed the Board a Request for Proposal for a new audit contract was sent out in December posting it on the website and sending it to over 32 different auditing firms and we received one proposal. She said it has been sent back out and hope to receive more than one on January 31st but will keep the Board posted and updated at the next Board meeting.

Ms. Riggs moved on to provide an update on chemical bids stating chemicals have gone up exponentially over the last few months so we change dup a little bit the format of how we bid those out instead of doing it for a term of a year we did it for six months and we did that for the first time in July for a year and did not like the results so we switched it and sent back out for six months for four of the five major chemicals we use which is chlorine, fluoride, orthophosphate, and potassium permanganate and the results of that are that three of the four went down ten percent and one went up ten percent so we are going to bid that back out again for a six month term but we are also going to include up to three renewals instead of no renewals this time around so we will have the option to either renew or bid it back out after the six months and hopefully we will continue to get better prices by doing shorter intervals of time and that gives the vendors a little bit more confidence with what they are going to bid on the cost of delivering that product to us adding we will continue to evaluate the bid process for all bids sent out to make sure that we get the best cost and services for our customers going forward.

Action: No action taken.

C. BRIC 2022 Local Match Fund Commitment Letters

[A COPY OF THE LOCAL MATCH FUND COMMITMENT LETTERS MAY BE FOUND AT EXHIBIT B AND ARE FULLY INCORPORATED HEREIN BY REFERENCE]

Chairman Royce Bennett called on Mr. David M. Mohr to present the item. Mr. Mohr began by thanking the Board and staff for assistance adding the item at the last minute. He went on to say In October 2022 ONWASA submitted Letters of Intent and supporting documents to the North Carolina Department of Public Safety (NCDPS) to request construction funding for two separate capital improvement projects under the FEMA Building Resilient Infrastructure in Communities 2022 (BRIC2022) grant program. Mr. Mohr added that the two projects were a priority aerial crossing replacement stating twelve different locations in the distribution system where a significant failure would cause a major outage, so we are looking for funding to correct those by replacing them with horizontal directional drill underground crossings and the second one is the Mount

Pleasant Road Pump Station relocation. He went on to explain it is the construction of a new wastewater pumping station in the Swansboro area collection system to replace an existing pump station that is threatened by a stream bank erosion and would discharge directly into the White Oak River in the event of failure. He said both projects were selected to submit a full application adding it is kind of a three step process and be considered for funding and final applications are due by five o'clock pm on Friday, January 20th. Mr. Mohr explained that the attached local match fund commitment letter is a standard form document and is required by the Department of Public Safety for each project. Mr. Mohr said while the number of projects being considered from North Carolina is rather large adding they have told them 44 are in the running and our experience with this grant program is limited, we are requesting the Board of Directors approval for the Chief Executive Officer to sign the letter for each application so they can be submitted for consideration.

Action: Director Tim Foster made a motion to approve the Chief Executive Officer to sign the Local Fund Match Commitment Letters and submit the BRIC2022 Grant Applications for consideration. A second was made by Vice Chairman Paul Conner. Chairman Royce Bennett asked if there were discussion.

Secretary/Treasurer Pat Turner asked where the Mount Pleasant Pumping station would be moved to? Mr. Mohr answered it is the other side of the stream; a vacant wooded property adding we have an easement that extends over there not all the way and we will have to acquire some property but right next to the road there is a section of land that is above the flood plain and would be far enough away from the stream that we would not have to worry about it. Secretary/Treasurer Pat Turner then asked if it was close to the pond. Mr. Mohr replied no, it is on the other side of the road from the pond it is on the same side as the pump station. He went on to say it would be very close to the existing but out of the flood plain.

Chairman Royce Bennett said .we have been working on the stream crossings for several years how close does this get us to having them all. Mr. Mohr replied we started out with roughly fifty and we have done probably a half a dozen right now so this 12 gets us further along saying we actually approached this program in 2019 to do them all and it was not well received we didn't make it past the first step but this time around the State has recommended we submit and be considered. Mr. Mohr explained whenever we do a project in the vicinity [of an aerial crossing] example we are doing water line improvements near the Hubert Water Plant and we are going to address either two or three aerial crossings when we do that project so we are trying to cross them off one way or another.

After discussion Chairman Bennett called for the vote. All were in favor, the motion passed unanimously.

4. PUBLIC COMMENT

There were no members of the public wishing to comment.

5. CHIEF EXECUTIVE OFFICERS COMMENTS

Chairman Royce Bennett called on CEO, Franky Howard, to provide comments. Mr. Howard began with thinking his team for attending and particularly Tiffany for providing the Financial Update and David for working on the grant. Mr. Howard highlighted the growth ONWASA experienced in 2022 stating there was an average of 147 new taps into the system per month resulting in approximately 1700 new connections or accounts for the year which is significant and above any historical averages experienced. He said he is told by staff we typically average 100 or less per month and we are seeing almost double that. Mr. Howard shared that water production was up 4% year over year for the last water production numbers received noting the Dixon Plan which represents the Holly

Ridge and Sneads Ferry areas saw a 12% increase in water production noting it goes along with what we are seeing in growth down there. He let the Board know he had been in contact with Duke regarding the recent rolling outages and how they affected ONWASA critical infrastructure. Mr. Howard provided an update on the upcoming Strategic Plan and asked the Board to be on the lookout for a survey. He expressed his appreciation to ONWASA partners and particularly the City of Jacksonville for the use of the building for meetings and added they are always a good working partner with projects where our facilities cross paths.

Director Foster asked Mr. Howard if the facilities impacted by the Duke outages had generator power. Mr. Howard said with this one the primary generator didn't work and the back up generator didn't work and the particular vehicle we needed to use to go to the lift station did not work either. Mr. Howard went on to say we do have some of those issues resolved now and that one of the issues had been obtaining parts.

6. BOARD OF DIRECTOR'S COMMENTS

Director Warden said congratulations to Tiffany and her staff for a clean opinion [audit] noting it does not happen by accident and said we appreciate it.

Director Tim Foster thanked Tiffany and said it is always good to get those audits out of the way adding he knows those are stressful times waiting but you have done it for years now so there shouldn't be any worry on your part.

Secretary/Treasurer Pat Turner expressed her thanks to Tiffany for all of her hard work adding like everyone says it doesn't just come by accident saying you work hard on it all year round. She then wished everyone a Happy New Year.

Vice Chairman Paul Conner expressed his appreciation to Director Jerry Bittner for leading us [ONWASA Board of Directors] for so many years saying it is an honor to sit next to him.

Chairman Royce Bennett said he too wanted to thank Mr. Bittner saying he has been Chairman for several years and he also appreciates his service to ONWASA during the years before that. He went on to thank the Directors for their confidence in him and said he looks forward to working with Mr. Howard, his staff to move this County forward and take us into the future. He said we have great times ahead, but we have to be prepared for it. He said he was interested in Onslow County putting together a Strategic Growth Plan and have some type of conference with ONWASA and with other utilities, cities, municipalities to talk about the growth in Onslow County. Chairman Bennett said he sees places in Onslow County where we are growing, and we don't have sewer and water infrastructure and other places where we are growing and we don't have transportation infrastructure adding he hopes to see that put together in the next year.

Vice Chairman Paul Conner made a motion to adjourn the meeting. A second was made by Secretary/Treasurer Pat Turner. All were in favor.

The meeting was adjourned at 6:36 PM.

The minutes were approved on March 16, 2023.

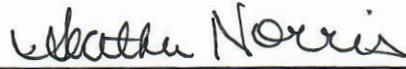
Onslow Water & Sewer Authority Board of Directors



Michael R Bennett, Chairman



ATTEST:



Heather Norris, Clerk