

**Onslow Water & Sewer Authority**  
**Board of Directors' Special Meeting 228 Georgetown Road Jacksonville**  
**Thursday, April 20, 2023**  
**APPROVED MINUTES**

**CALL TO ORDER:** Having a quorum, Chairman Royce Bennett called the meeting to order at 3:00 pm. Board members present included Chairman Royce Bennett, Vice Chairman Paul Conner, Secretary/Treasurer Pat Turner, Directors Jerry Bittner, Timothy Foster, Robert Warden, and Jeff Wenzel. Director Joann McDermon was absent but listened to the meeting by phone.

**1. APPROVAL OF AGENDA** – Secretary/Treasurer Pat Turner made a motion to approve the agenda as submitted. Director Timothy Foster seconded the motion. All were in favor. The agenda was approved as submitted.

**2. BUSINESS**

**A. Jacksonville Onslow Economic Development Camp Davis Update and Request  
[A COPY OF THE JACKSONVILLE ONSLOW ECONOMIC DEVELOPMENT CAMP DAVIS  
POWERPOINT PRESENTATION SLIDES MAY BE FOUND AT EXHIBIT A AND ARE FULLY  
INCORPORATED HEREIN BY REFERENCE]**

Chairman Royce Bennett called on Mr. Mark Sutherland, Executive Director of JOED. Mr. Sutherland began by providing background information on the history of Camp Davis Industrial Park.

Mr. Sutherland told the Board the proposition he would like to convey is that we create an option to purchase that you are willing to work with us on and allow us to proceed with due diligence, adding that is about a \$465,000 process including surveys, soil analysis, archeological wetlands studies, and all that type of thing to get ready for construction and the caveat there is if we don't end up purchasing the land, we give you the results of that due diligence which is very valuable studies and analysis. Mr. Sutherland explained they can not compel grantors to help pay for that unless they have control of that land during the due diligence. Mr. Sutherland said if we can agree on a basic concept then he will go back to his counsel to get something formal for the Board to consider.

Secretary/Treasurer Pat Turner asked if this was the same thing you came to the Town of Swansboro with to do our Industrial Park adding so ONWASA purchases the land and then as you sell it off parcels that pays for the land. Chairman Bennett answered the difference being ONWASA owns the land. Secretary/Treasurer Pat Turner asked for clarification on the \$465,000 in the previous slide [Exhibit A, slide 7]. Mr. Sutherland said that represents the due diligence which is studies and analysis to take ONWASA's raw land as well as the adjacent raw land and design the park and permit it. Vice Chairman Conner said that is the amount you are assuming your initial investment will be for due diligence. Mr. Sutherland responded that is right. Vice Chairman Paul Conner asked Mr. Sutherland to explain the right of way transfer from number 8 on the Proposition slide [Exhibit A, slide 7] asking if this is conceptual adding this would be if we got all the way through this and worked out a deal then you would need us to give you a right of way through the ONWASA property, is that right. Mr. Sutherland said right the only way we can build public infrastructure with grant funding is on public property. Vice Chairman Conner followed up asking if this would be after all the studies and once this got closer to development adding this road might change. Mr. Sutherland replied that is right this would be when it is under construction. Chairman Royce Bennett said you are talking about a three-year due diligence period we don't expect all of the lots to be sold in three years so does JOED buy the property from ONWASA after the three years so is that when we transfer ownership with the deed of

trust so that we don't collect the money until the lots are sold. Mr. Sutherland said right. Chairman Bennett went on to say \$25,000 an acre when 40 acres are sold we would have 2 million dollars which is what we paid for 1200 acres that are the Wachovia Tract.

Director Jeff Wenzel said he also thinks from an ONWASA perspective we have to think about the value it is adding it was before his time but initially it was thought it could be used for wastewater treatment and now the future use appears to be more wells which wouldn't need the whole 1200 acres.

Mr. David Mohr said whatever happens with this we would want to make sure we have arrangements for preservation of Wellsite 11 and obviously would not have the entrance road right next to it.

Mr. Kitchen said we do have a potential closed session to discuss the legal part of all this and after that if you want to discuss the money that would have to be done in the open session.

Director Bob Warden said all we are being asked for today is to approve the general concept then they will come back with a formal proposal and at such time then we would need to go into closed session. Mr. Kitchen said we do have one scheduled today because there are some decisions that will need to be made by the Board before we get to the formal proposal.

Chairman Royce Bennett said if there were no other questions of Mr. Sutherland at this time the Board will continue discussions during the closed session.

Mr. Sutherland said it is early but they have had a couple of conversations with their point of contact at the economic development administration who has been following the progress since Phase 1 was started and they are interested in the larger needs down there for water and sewer and how can we leverage this job producing project to have a bigger impact on the community as a whole. Chairman Royce Bennett said so there are some opportunities that could help with water and sewer in the south end of the county because of this project. Mr. Sutherland said yes that is what I meant to say. Director Jeff Wenzel said you are talking funds, grants for water storage tanks and things that would normally be paid for by ONWASA that would be available because of this project.

Mr. Franky Howard inquired if the mapped out area straddled the County line adding that some of the ONWASA property does go into Pender County. Mr. Sutherland said the study area did not go into Pender County but the Industrial Park certainly can.

Secretary/Treasurer Pat Turner asked if this had been rezoned recently to light industrial. Mr. Mark Sutherland said no, it is R20 right now.

Chairman Royce Bennett said you would request annexation after you take ownership of the property. Mr. Mark Sutherland said yes when it is time for construction.

Director Jeff Wenzel said the ultimate goal would be similar to Phase 1 and Phase 2 which is to have shovel ready sites adding that is the thing unique to Camp Davis and what the Rollins family did was have all of the permits and all of the infrastructure ran so someone buys the land and as soon as they get the plans to the Town Planning Board they don't have to go get their own wastewater so that can speed up the process.

**Action:** No action was taken.

**B. Northwest Regional Water Reclamation Facility – Golden Leaf Foundation Grant  
[A COPY OF THE GOLDEN LEAF FOUNDATION REVISED GRANTEE  
ACKNOWLEDGEMENT AND AGREEMENT MAY BE FOUND AT EXHIBIT B AND ARE  
FULLY INCORPORATED HEREIN BY REFERENCE]**

Chairman Royce Bennett called on Mr. David Mohr to present the item. Mr. Mohr said this item is the first of two items he will be presenting involving an existing grant awarded by the Golden Leaf Foundation to assist in completion of the hazard mitigation improvements now under construction at the Northwest Regional Water Reclamation Facility. Mr. Mohr said the total amount of the original grant was \$1,029,500.00. He said a portion of the grant, \$260,427.10, was subsequently de-obligated from the original grant by the Golden Leaf Foundation due coverage by another funding source that being FEMA adding the Golden Leaf Grant was given before FEMA had given a final on what they were going to pay for. He explained after reviewing actual project costs and the original grant agreement, ONWASA staff requested in January of this year that the existing grant be modified to reinstate the majority of these funds (\$232,219.00) and include an additional item of work (elevating the existing plant-wide electrical transformer) that was not included within the original grant's scope of work and not covered by either FEMA funding or insurance. He informed the Board that the Golden Leaf Foundation Board of Directors approved the request in early February and after some internal review Golden Leaf Foundation has requested the execution of a new grant agreement with the same total grant amount and a revised scope of work. Mr. Mohr said once this is executed and the project budget revised, ONWASA will be able to request reimbursement for work completed on the plant-wide transformer.

A motion was made by Vice Chairman Paul conner to approve the execution of the Revised Grant Agreement (FY2019-325) with Golden Leaf Foundation for hazard mitigation work at the Northwest Regional Water Reclamation Facility. A second was made by Director Tim Foster.

Director Bob Warden asked if this was the same project where we limited ourselves with FEMA and where we tied our hands on the get go and didn't realize it until later on. Mr. Franky Howard answered same project but different issue. Director Warden said so this is not to make up the shortfall with FEMA. Mr. Howard said it is going to help. Director Jerry Bittner asked if there was a question on the engineering design omission of not raising the electrical also. Mr. Howard said we had considered looking at an omission but it was related to the foundation but there was some pushback on whether it was on the document provided by us to them. Director Robert Warden asked if it was in a 100 year flood plain or a 500 year flood plain. Mr. Mohr replied 500 year adding the flood proof facilities are designed for 500 year flood plus two feet.

After hearing no more discussion, the Chairman called for the vote. All were in favor, the motion passed unanimously.

**C. State Water Infrastructure Grant – Dixon Water Treatment Plant Expansion Project  
[A COPY OF THE RESOLUTION TO ACCEPT THE AMERICAN RESCUE PLAN GRANT  
OFFER MAY BE FOUND AT EXHIBIT C AND ARE FULLY INCORPORATED HEREIN BY  
REFERENCE]**

Chairman Royce Bennett called on Mr. David Mohr to present the item. Mr. Mohr said this item involves a grant award to ONWASA by the North Carolina Department

of Environmental Quality Division of Water Infrastructure to conduct pre-construction planning for a future project to expand the Dixon Water Treatment Plant from 4.0 MGD to 6.0 MGD. Mr. Mohr explained the work to be performed includes evaluating the water quality of existing and proposed new raw water sources, assessing plant treatment systems, determining suitable methods for the desired expansion and investigating future plan modifications that may be necessary to comply with pending PFAS regulations. Mr. Mohr said the total amount of the grant is \$250,000. He went on to say after an extended review and approval of a proposed scope of work and timeline for completion, DWI has requested the execution of a Funding Offer and Acceptance document along with a Resolution stating acceptance of this grant and compliance with the requirements of this grant and added this grant supports ongoing efforts to increase treated water supplies, can be completed by the requested deadline and requires no matching funds from ONWASA. Mr. Mohr noted this is one of two grants we received from the state and the second is to assist with the master plan for the water system and has a \$150,000 value and we are still discussing and going back and forth with the state adding when that one comes in he will be bringing it to the Board for approval as well.

Director Robert Warden asked if when they get done doing their study is there an actual design or is that separate. Mr. Mohr replied he thinks they will be through preliminary design but would still need to do final design. Director Warden said so your guess is 90% drawing. Mr. Mohr replied he would say more like 50%. Mr. Mohr added it includes some money to assist with the acquisition of easements as needed for additional well sites.

Director Jerry Bittner said he was intrigued by investigating future plant modifications that may be necessary to comply with pending PFAS regulations. Mr. Mohr said the EPA has given some guidance on expected requirements for PFAS that are extremely tight numbers so we do have something to work with and the formal adoption is about a year out. He added some of the staff visited Cape Fear where they put in very large granular active carbon facility to pull the GENX PFAS. Mr. Mohr said the proposed regulations are at a level you can barely detect. Director Bittner responded so the regulations have not been finalized yet. Mr. Mohr said they have not.

Secretary/Treasurer Pat Turner inquired by saying the information says will cover 100% of eligible expenses up to the total award amount, do we have a total award amount? Mr. Mohr replied \$250,000. Secretary/Treasurer Turner then said so is there anything not eligible to be covered. Mr. Mohr replied no we had to submit a scope of work telling them what we wanted to do and the total of that was \$250,000.

Vice Chairman Paul Conner made a motion to approve the Resolution to accept the American Rescue Plan grant offer and authorize the Chief Executive Officer to execute the Funding Offer and Acceptance document and any additional documents necessary to complete the action. A second was made by Director Tim Foster. All were in favor, the motion passed unanimously.

**D. Holly Ridge Sewer Capital Lease Extension**

**[A COPY OF THE RESOLUTION EXTENDING THE CAPITAL LEASE AGREEMENT WITH THE TOWN OF HOLLY RIDGE MAY BE FOUND AT EXHIBIT D AND ARE FULLY INCORPORATED HEREIN BY REFERENCE]**

Director Royce Bennett called on Mr. Chuck Kitchen, Authority Attorney, to present the item. Mr. Kitchen explained several years ago all of the capital leases for all of the various cities and County were extended for an additional 30 years and due to an

oversite, the Capital Lease with The Town of Holly Ridge was not extended for sewer but the water was.

Director Robert Warden asked if this was done retroactively. Mr. Kitchen explained it is in effect at the end of the current lease and you have to do it two years before it runs out and we still have time to do it so it will end at the same time as the others.

Chairman Royce Bennett asked if we can do this unilaterally without Holly Ridge needing to approve it. Mr. Kitchen replied yes.

A motion was made by Director Robert Warden to adopt the Resolution extending the Capital Lease Agreement with the Town of Holly Ridge for Sewer for two additional successive terms of 15 years each. A second was made by Vice Chairman Paul Conner. All were in favor, the motion passed unanimously.

#### **E. System Development Fee Study**

**[A COPY OF THE SYSTEM DEVELOPMENT FEE ANALYSIS MAY BE FOUND AT EXHIBIT E AND ARE FULLY INCORPORATED HEREIN BY REFERENCE]**

Chairman Royce Bennett called on Mr. Franky Howard to present the item. Mr. Howard said what we have for Board consideration is a follow up from the last meeting on the System Development Fee Study that was presented by Raftelis. Mr. Howard said the analysis has been drafted with the worst-case scenario that gives the Board the flexibility to charge up to the maximum fee as presented by Raftelis. Mr. Howard explained we will have to post rather quickly for the public to have the 45 day comment period.

Director Robert Warden said we put it off because we were hoping to have some additional information to help make a decision remembering this is based on options. Mr. Howard said right there is one option where we did nothing at all, the second was if we went with the current CIP plan, and the third was including the Pluris project.

Chairman Royce Bennett said we can adjust the System Development fee annually as long as it is within the maximum. Mr. Howard replied that was right as long as we do not go over what the study says is the maximum adding to do that you would have to do a new study.

Director Warden said we are locked in up to the maximum reiterating we can lower it but we can not raise it without a new study. Mr. Howard said right and to clarify what the vote would be for today is to publish the study and set the public hearing not to actually set the rates. Mr. Kitchen added that would come at the public hearing.

Director Jeff Wenzel added we are advertising to the public the highest possible rate, right? Mr. Howard and Mr. Kitchen replied yes.

Mr. Howard said the reason we do not have more information is we will not actually have proposed action on the Pluris project until the May meeting.

Director Jerry Bittner made a motion to publish the updated System Development Fee Analysis as presented on the website and begin soliciting public comment and to set a public hearing to receive comments on the System Development Fee Analysis for Thursday, June 15, 2023. A second was made by Vice Chairman Paul Conner. All were in favor, the motion passed unanimously.

**3. CLOSED SESSION**

A motion was made by Vice Chairman Paul Conner to enter into closed session pursuant to NCGS 143-381.11(a)(3) and NCGS 143-381.11(a)(6) to consult with an attorney employed or retained by the public body in order to preserve the attorney client privilege between the attorney and the public body, which is hereby acknowledged and to discuss the performance of a public officer or employee. The Board began Closed Session at 3:52 PM.

A motion was made by Director Jerry Bittner to end closed session and seal the minutes. A second was made by Secretary/Treasurer Pat Turner. All were in favor.

The Board entered back into open session at 4:45 PM.

The following action was announced after returning to open session.

The Board by unanimous vote took action to have CEO, Franky Howard, and Authority Attorney, Chuck Kitchen work with JOED to develop a letter of intent to sell a portion of the Wachovia Tract to JOEDP as part of the Camp Davis Industrial Park Phase III Expansion to be brought back to the Board for consideration.

The Board by unanimous vote took action to increase CEO, Franky Howard's Salary by 5%.

**4. CEO COMMENTS**

Mr. Howard provided a summary of a water service outage that was caused due to a customer hitting a main when installing a mailbox after having not called 811 for a locate. There was discussion about customer education for 811 and Mr. Howard shared that it was not as deep as they typically would be. Mr. Howard told the Board that he and Ms. Guist are continuing to work with consultants, Raftelis, to complete the Salary and Organizational study.

**5. DIRECTOR COMMENTS**

There were no director comments.

**6. ADJOURNMENT:** A motion was made by Vice Chairman Paul Conner to adjourn. Director Tim Foster seconded the motion. All were in favor, the motion passed.

The meeting was adjourned at 5:02 pm.

The minutes were approved on June 15, 2023.

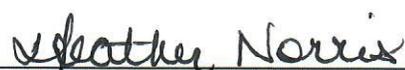
Onslow Water & Sewer Authority Board of Directors



Michael Royce Bennett, Chairman



ATTEST:



Heather Norris, Clerk

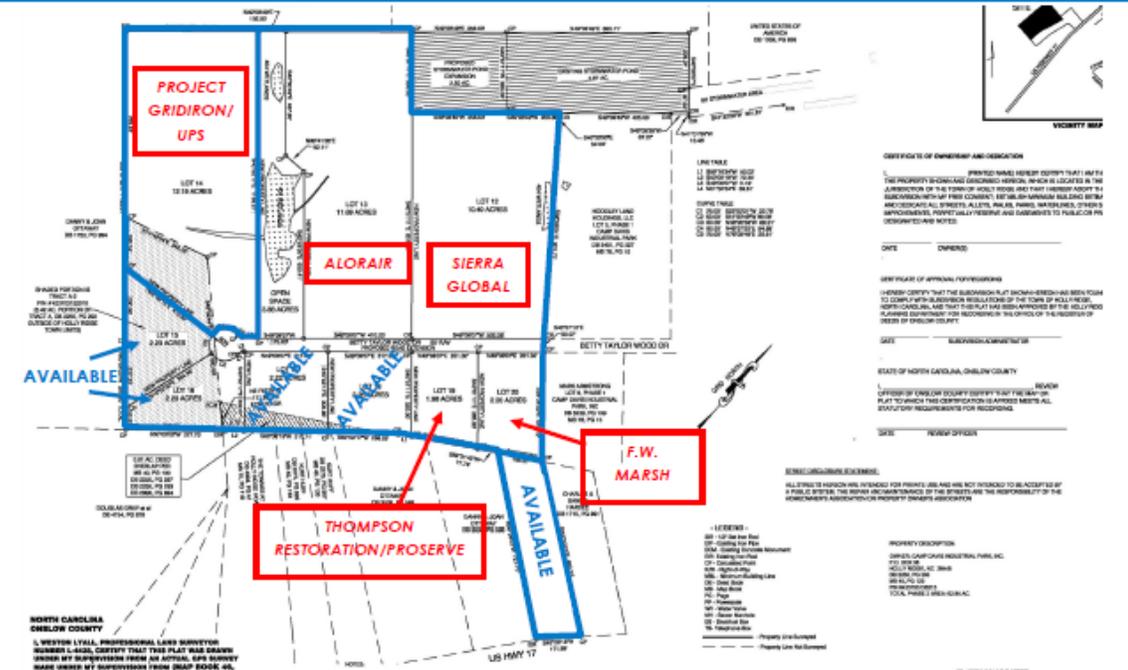
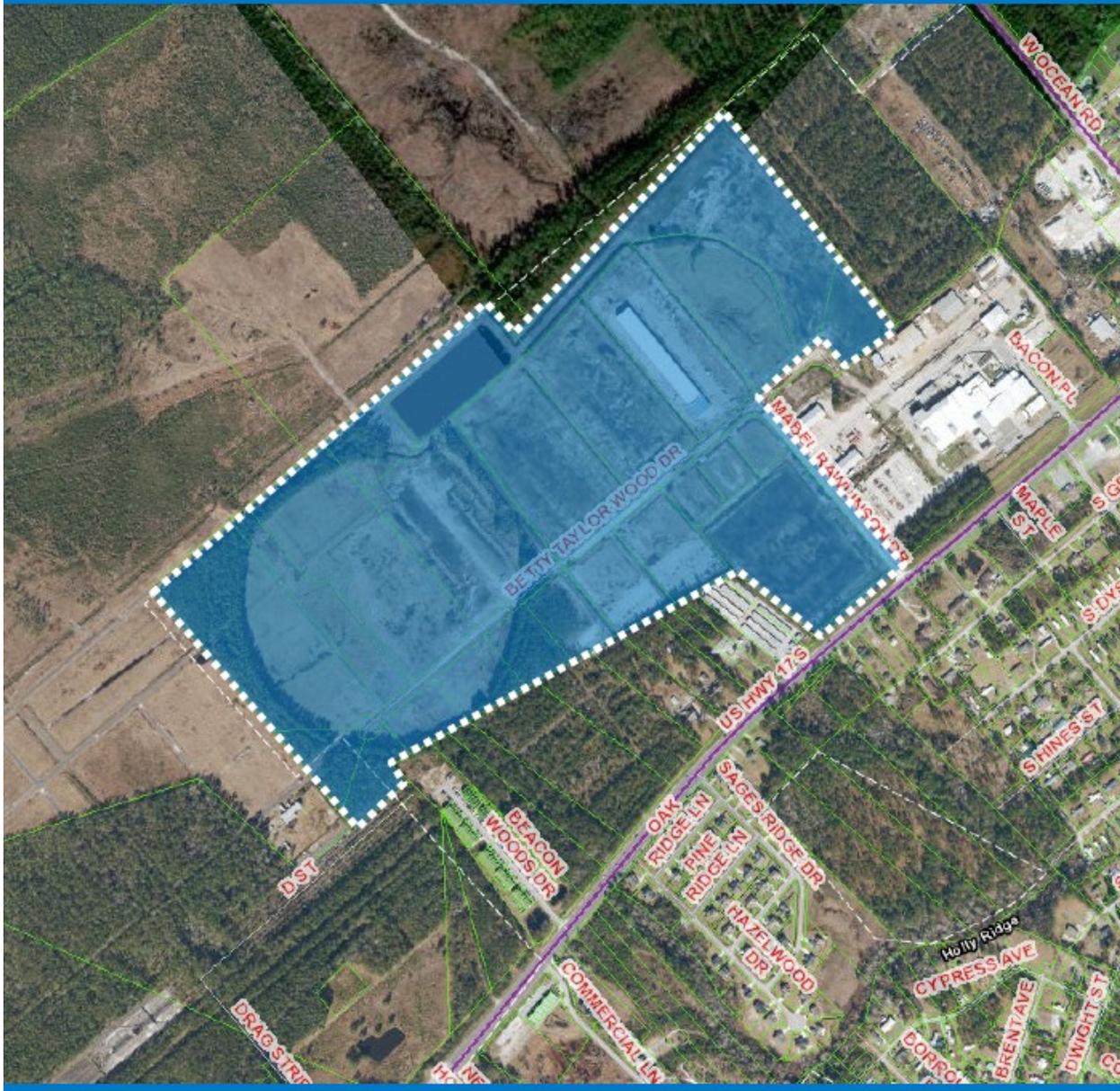
# Camp Davis Industrial Park Phase III Holly Ridge, NC

Brief to ONWASA Board of Directors

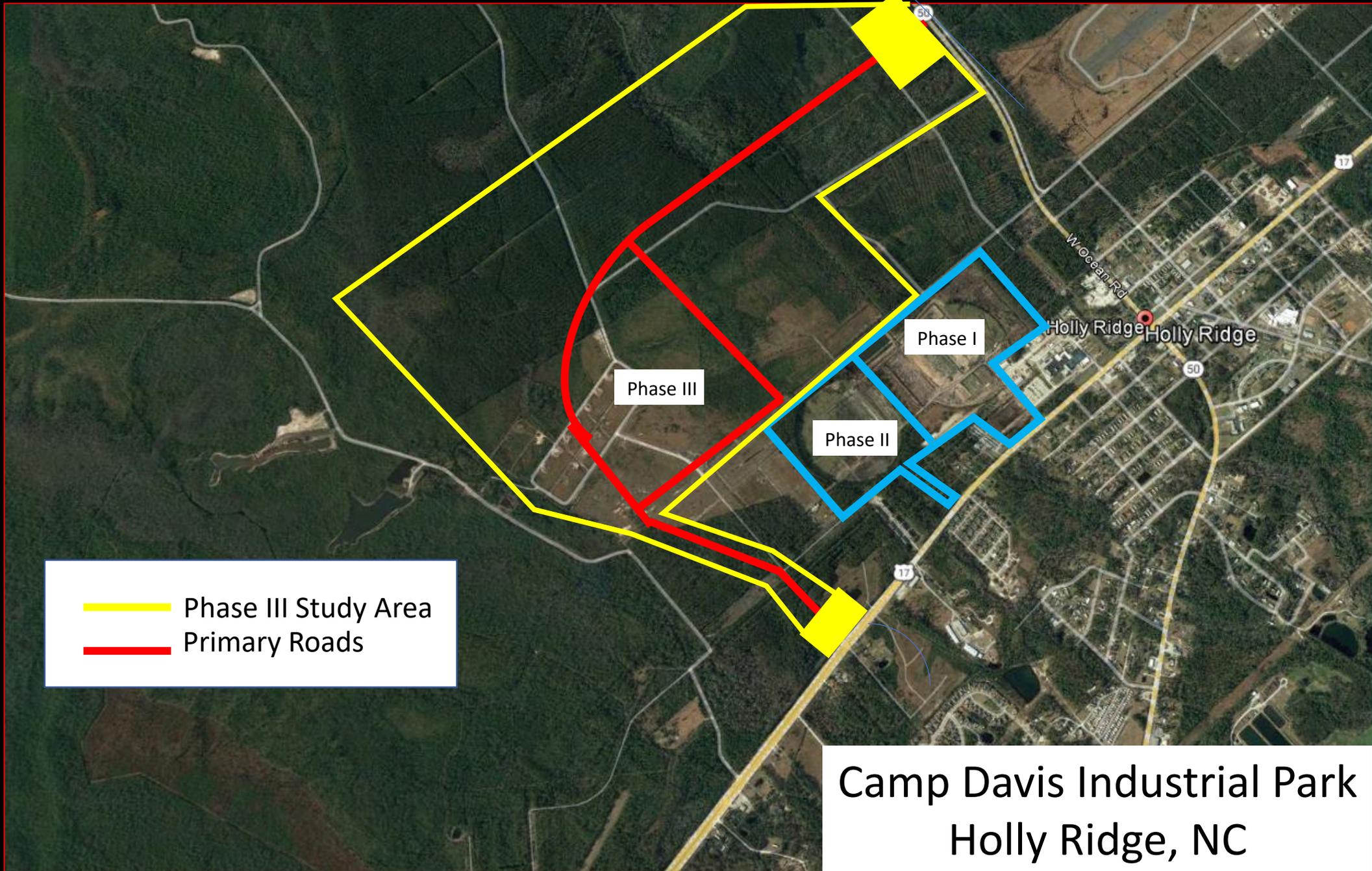
20 April 2023

Mark Sutherland

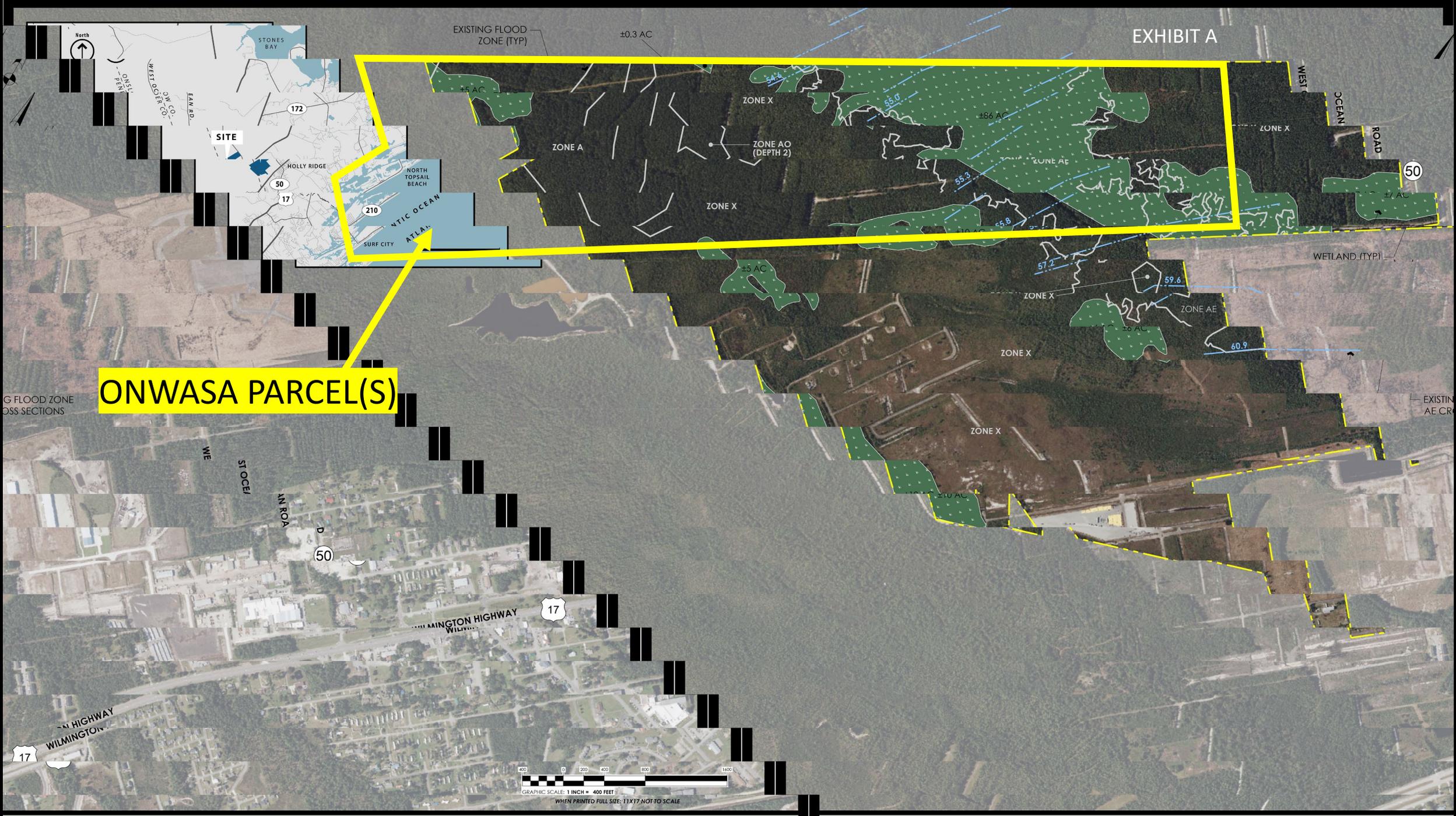




AVAILABLE LOTS				
Lot	Acreage	\$ / Acre	Total Impervious Coverage/SF	Sale Price
12	± 10.40	Under Contract	362,333 SF	
13	± 11.69	Under Contract	408,125 SF	
14	± 12.19	Under Contract	424,693 SF	
15	± 2.23	\$100,000.00	77,803 SF	\$223,000.00
16	± 2.20	\$100,000.00	76,726 SF	\$220,000.00
17	± 2.22	\$100,000.00	77,399 SF	\$222,000.00
18	± 2.26	\$100,000.00	78,747 SF	\$226,000.00
19	± 1.89	Under Contract	58,079 SF	
20	± 2.20	Under Contract	64,971 SF	
Outparcel	± 2.63	\$650,000.00		\$1,709,500.00
<b>Total</b>	<b>±49.91</b>			<b>\$3,989,500.00</b>



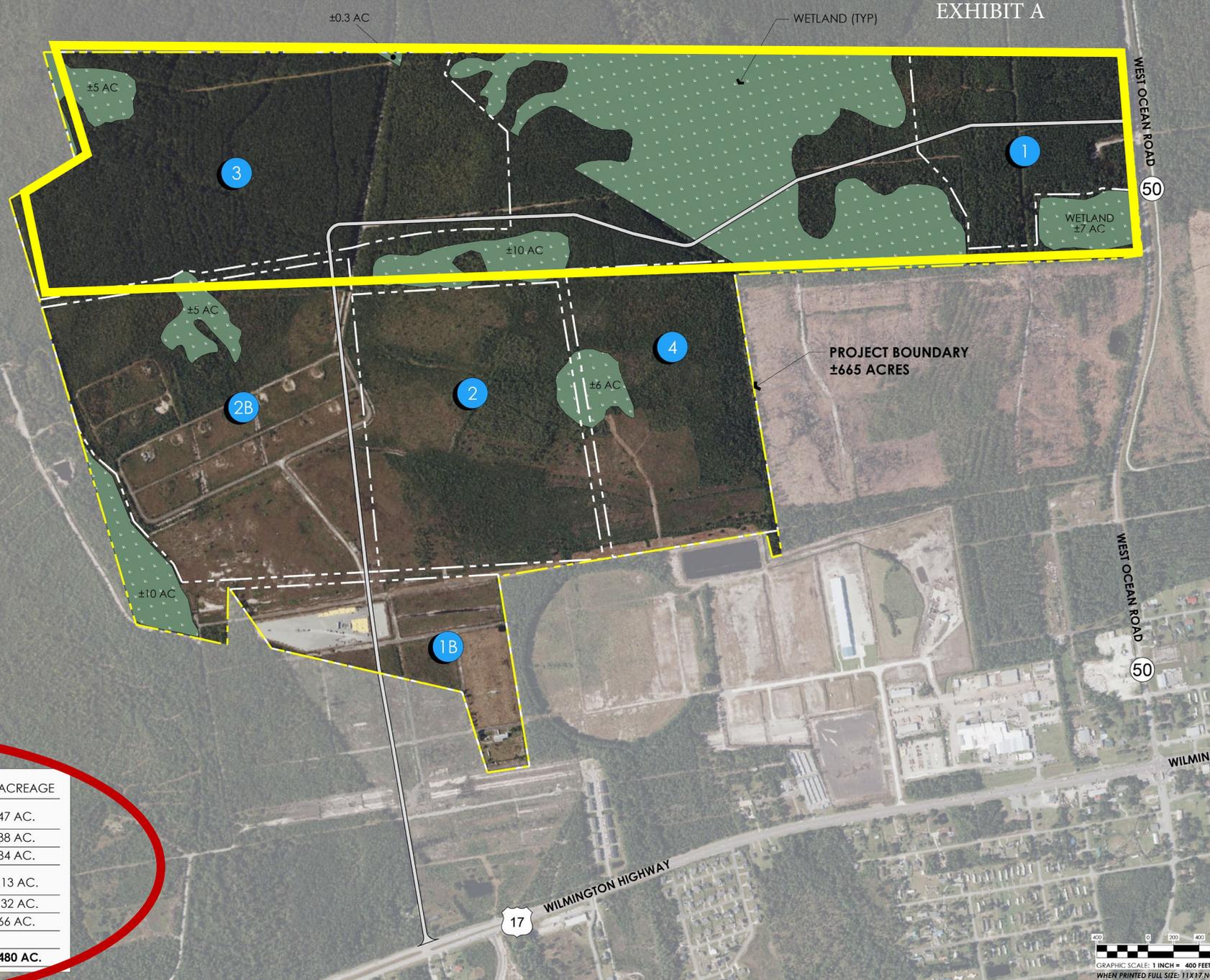
Camp Davis Industrial Park  
Holly Ridge, NC



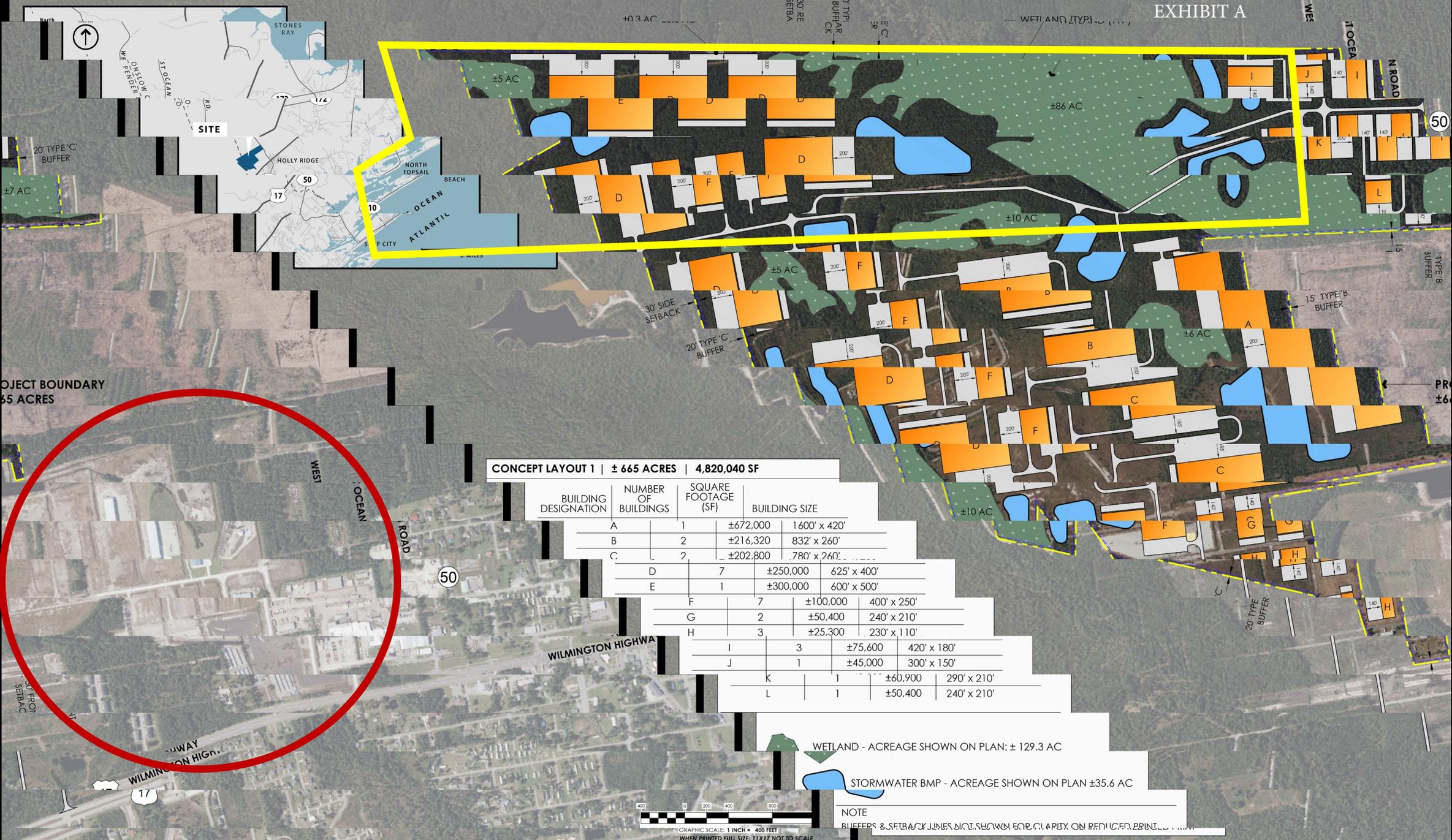
**ONWASA PARCEL(S)**



EXHIBIT A



AREA	DEVELOPMENT DESCRIPTION	± ACREAGE
1	LIGHT INDUSTRIAL, FLEX WAREHOUSE, OFFICE, & RESEARCH AND DEVELOPMENT	47 AC.
1B	LIGHT INDUSTRIAL	38 AC.
2	LIGHT MANUFACTURING	84 AC.
2B	LIGHT MANUFACTURING, DISTRIBUTION, & RESEARCH AND DEVELOPMENT	113 AC.
3	HEAVY MANUFACTURING	132 AC.
4	DISTRIBUTION WAREHOUSE	66 AC.
<b>TOTAL DEVELOPMENT POD ACREAGE</b>		<b>±480 AC.</b>



**CONCEPT LAYOUT 1 | ± 665 ACRES | 4,820,040 SF**

BUILDING DESIGNATION	NUMBER OF BUILDINGS	SQUARE FOOTAGE (SF)	BUILDING SIZE
A	1	±672,000	1600' x 420'
B	2	±216,320	832' x 260'
C	2	±202,800	780' x 260'
D	7	±250,000	625' x 400'
E	1	±300,000	600' x 500'
F	7	±100,000	400' x 250'
G	2	±50,400	240' x 210'
H	3	±25,300	230' x 110'
I	3	±75,600	420' x 180'
J	1	±45,000	300' x 150'
K	1	±60,900	290' x 210'
L	1	±50,400	240' x 210'

WETLAND - ACREAGE SHOWN ON PLAN: ± 129.3 AC

STORMWATER BMP - ACREAGE SHOWN ON PLAN ±35.6 AC

NOTE  
BUFFERS & SETBACK LINES NOT SHOWN FOR CLARITY ON REFERENCE BOUNDARIES



## Proposition:

EXHIBIT A

1. JOED proposes option to purchase on designated parcel(s)
2. Due Diligence period = three years, \$465K effort
3. Market value established at time of agreement
4. Token amount to close, defer payment on balance due
5. Balance taken down as sellable acreage is sold to end users
6. Annex into Holly Ridge
7. Accept light industrial rezoning + overlay
8. Transfer ROW required for public infrastructure and roads
9. JOED sells in eight years, then negotiates extension or returns ownership to ONWASA

**REQUEST TODAY:**

*That the Board approve the general concept. JOED's Counsel will then prepare a formal agreement for your consideration within 30 days.*



**JACKSONVILLE ONSLOW**  
ECONOMIC DEVELOPMENT

## The Golden LEAF Foundation (“Golden LEAF”)

## REVISED GRANTEE ACKNOWLEDGMENT AND AGREEMENT

1. Grantee: Onslow Water & Sewer Authority
2. Project File Number & Title: FY2019-325 / G-5962 Northwest Regional Water Reclamation Facility (NWRWRF) - Electrical Building Rehabilitation & Hazard Mitigation Project
3. Purpose of Grant: The Northwest Regional Water Reclamation Facility of ONWASA, located in Richlands, experienced severe flooding caused by Hurricane Florence which resulted in extensive damage to process equipment, pumps, motors and the main electrical power distribution and controls hardware. More than three feet of water entered the electrical building, damaging the equipment beyond repair. Following the storm, ONWASA had to operate the controls manually. Insurance proceeds and FEMA Public Assistance will be used towards the project. ONWASA proposes to construct an elevated replacement electrical building above the 500-year floodplain. ONWASA explored several alternatives and a new building was the most practical alternate. Because of the extensive equipment installation, ONWASA needs to construct the new building prior to replacing the damaged equipment. Golden LEAF disaster recovery grant funds will be used for design/engineering, site work, construction of a new elevated electrical control building, related construction expenses for elevation of equipment, and replacement of flood damaged equipment.
4. Amount of Grant: \$1,029,500.00
5. Award Date: 6/6/2019; REVISED 2/2/2023 Start Date:     N/A
6. Special Terms and Conditions Applicable to Grant:
  - a) The term of the grant is 19 months, commencing on the Award Date unless the Grantee proposes a later Start Date that is accepted by Golden LEAF. Golden LEAF may extend the term of the Grant. The provisions of this Grantee Acknowledgment and Agreement that by their nature extend beyond the term of the grant will survive the end of the term of the grant.
  - b) Golden LEAF funds may be used for project-related expenses incurred prior to the grant award.
  - c) Grantee agrees to use reasonable efforts to secure funding for these repairs from FEMA, its insurer, and/or other sources of funding typically available to the grantee for similar disaster-recovery projects and will pay any funds received from other sources for these repairs to Golden LEAF, up to the full amount of grant funds released by Golden LEAF for this project.
  - d) Use of grant funds must comply with the 2018 Hurricane Florence Disaster Recovery Act, including, without limitation, Section 4.2(a) and Section 4.2(b).
  - e) Grantee agrees to comply with applicable requirements of G.S. 143C-6-23.
7. Standard conditions on the release of grant funds:
  - a) Release of grant funds is contingent on Grantee attending a Golden LEAF grants management workshop or participating in satisfactory discussions with Golden LEAF staff to gain training in the management of Golden LEAF grants and reporting requirements.
  - b) Release of funds is contingent on Grantee returning a fully executed original of this Grantee Acknowledgment and Agreement no later than forty-five (45) days after the Award Date, unless Golden LEAF agrees to extend the deadline for its submission.
  - c) Release of funds is contingent on Grantee submitting a project management plan (“PMP”) that Golden LEAF has approved. The PMP must be submitted for approval within forty-five (45) days of the Award Date, unless Golden LEAF agrees to extend the deadline. Unless otherwise approved, the PMP must be submitted on Golden LEAF form(s). The PMP will include key activities that are critical to

- successful implementation of the grant and outcomes that will be used to assess the success and effectiveness of the project.
- d) Release of funds is contingent on the Grantee submitting a project budget for approval by Golden LEAF. The project budget must be submitted for approval within forty-five (45) days of the Award Date unless Golden LEAF agrees to extend the deadline. Unless otherwise approved, the project budget must be submitted on Golden LEAF form(s).
  - e) If the approved project budget includes funds from other sources that are required for project implementation, Golden LEAF grant funds will not be released until Grantee demonstrates that it has secured those funds.
  - f) Golden LEAF grant funds may not be used for acquisition of interests in real property or for costs of grant administration.
  - g) If the Grantee fails to comply with its obligations under this Agreement, no further grant funds will be released unless such noncompliance is resolved to the satisfaction of Golden LEAF.
8. Confirmation of Eligibility/Permissible use of Funds: The Grantee confirms: (1) that the Internal Revenue Service has determined that the Grantee is an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended, and that such determination has not been revoked, or (2) that the Grantee is a federal, state or local governmental unit. Grantee agrees to notify Golden LEAF promptly if the Grantee's tax-exempt status is revoked or modified in any way. The Grantee agrees that it will use the funds from this grant only for charitable, educational, or scientific purposes within the meaning of Section 501(c)(3) of the Code, and that it will not use the funds from this grant in any way that would result in or give rise to private inurement or impermissible private benefit. The Grantee agrees that no funds from this grant will be used to carry on propaganda or otherwise to attempt to influence legislation, to influence the outcome of any public election, or to carry on directly or indirectly any voter registration drive. If grant funds are used to pay for sales tax for which the Grantee receives a refund, Grantee will use the refund for expenses that are consistent with the purpose of the grant and permissible under this Agreement. Unless otherwise agreed by Golden LEAF in writing, no portion of the Grantee's rights or obligations under this Agreement may be transferred or assigned to any other entity.
  9. Compliance with laws/liens: The Grantee is in material compliance with all federal, state, county, and local laws, regulations, and orders that are applicable to the Grantee, and the Grantee has timely filed with the proper governmental authorities all statements and reports required by the laws, regulations, and orders to which the Grantee is subject. There is no litigation, claim, action, suit, proceeding or governmental investigation pending against the Grantee, and there is no pending or (to the Grantee's knowledge) threatened litigation, claim, action, suit, proceeding or governmental investigation against the Grantee that could reasonably be expected to have a material adverse effect upon the Grantee's ability to carry out this grant in accordance with its terms. The Grantee has timely paid all judgments, claims, and federal, state, and local taxes payable by the Grantee the non-payment of which might result in a lien on any of the Grantee's assets or might otherwise adversely affect the Grantee's ability to carry out this grant in accordance with its terms.
  10. Conflict of interest: In connection with the project funded by Golden LEAF, no employee, officer, director, volunteer, or agent of the Grantee shall engage in any activity that involves a conflict of interest or that would appear to a reasonable person to involve a conflict of interest. Without limiting the foregoing principle, except as described below, in connection with implementation of the project funded by Golden LEAF, Grantee shall not procure goods or services from any Interested Person or from any individual or entity with which any Interested Person has a financial interest or from any family member of an Interested Person, nor shall Grantee use Golden LEAF grant funds to provide goods, services, or compensation (other than customary and reasonable wages and benefits) to any Interested Person or to any family member of an Interested Person. "Interested Person" includes officers and directors of the Grantee, and employees of the Grantee with authority to procure goods or services for the Grantee related to the project funded by Golden LEAF. For purposes of this section, family members shall include: (1) spouse, (2) ancestor, (3) brother, (4) half-brother, (5) sister, (6) half-sister, (7) child (whether by birth or by adoption), (8) grandchild, (9) great grandchild, or (10) spouse of brother, half-brother, sister, half-sister,

child, grandchild, or great grandchild. An Interested Person has a financial interest if the Interested Person has, directly or indirectly, through business, investment, or family: a) an ownership or investment interest in any entity with which the Grantee has a transaction or arrangement; b) a compensation arrangement with the Grantee or with any entity or individual with which the Grantee has a transaction or arrangement; or c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Grantee is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. An Interested Person must inform the Grantee of his or her financial interest upon becoming aware that the Grantee is considering procuring goods or services from any individual or entity with which any Interested Person has a financial interest. The foregoing notwithstanding, if after exercising due diligence, the governing board or committee of the Grantee determines that the Grantee is not reasonably able to secure a more advantageous transaction or arrangement from an individual or entity with which an Interested Person does not have a financial interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Grantee's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination the Grantee shall make its decision as to whether to enter into the transaction or arrangement and shall keep written records of the meeting at which that decision was made. The Grantee shall inform all Interested Persons of the requirements set forth in this section. If the requirements set forth in this section conflict with any statute or regulation applicable to the Grantee, the statute or regulation shall control. If the Grantee has a conflict of interest or similar policy that provides more stringent restrictions and protections than those in this section, the Grantee may comply with its policy rather than the policy contained herein. This section does not alter the requirement that Grantee may not use the funds from this grant in any way that would result in or give rise to private inurement or impermissible private benefit

11. Procurement: All goods or services acquired using Golden LEAF grant funds must be reasonably necessary to implement the project funded. All procurement transactions involving the use of Golden LEAF grant funds will be conducted to provide, to the extent possible and reasonable, free and open competition among suppliers. The Grantee should use reasonable efforts to procure goods and services from local businesses, small businesses, minority-owned firms, and women's business enterprises. The Grantee will seek competitive offers where possible and reasonable to obtain the best possible quality at the best possible price. Some form of cost or price analysis shall be made and documented in connection with every individual procurement in excess of \$1,000.00. Price analysis may be accomplished in various ways, including the comparison of price quotations or market prices, including discounts. For any single procurement of \$100,000.00 or more, Grantee will use a competitive bid process that is designed to attract a reasonable number of responsive bidders. The requirements of the bid process may vary depending on the value of the procurement. When evaluating bids received, the Grantee is not required to take the lowest price if other factors are reasonably important to the Grantee; however, the bases for evaluation and selection should be listed in the procurement documents and there should be an objective method for the decision made by the Grantee. The decision should be documented in writing. If the Grantee is subject to statutory or regulatory procurement requirements, those requirements supersede this section. The Grantee may request that the President of Golden LEAF approve the Grantee's use of a procurement policy that varies from the requirements of this section.
12. Project and budget modification: The Grantee will immediately notify Golden LEAF of anything that may materially affect the Grantee's ability to perform the project funded. **If the Grantee proposes to modify the budget, the objectives, or any other feature of the project funded, the Grantee shall not encumber or expend any funds from this grant for such purposes unless and until Golden LEAF has approved such proposed modifications in writing.** Moreover, no further payments shall be made to the Grantee in connection with the project funded unless and until Golden LEAF has approved such proposed modifications in writing.
13. Use of grant funds/rescission and termination of grants: The Grantee accepts and will retain full control of the disposition of funds awarded to the Grantee by Golden LEAF under this grant and accepts and will retain full responsibility for compliance with the terms and conditions of the grant. Grant funds shall be utilized exclusively

for the purposes set forth above. If the Grantee breaches any of the covenants or agreements contained in this Grantee Acknowledgment and Agreement, uses grant funds for purposes other than those set out above, or any of the representations and warranties made by the Grantee are untrue as to a material fact, the Grantee agrees to repay to Golden LEAF the full amount of this grant. Any condition, purpose, term or provision in Golden LEAF's resolution approving funding or in this Agreement shall take precedence over any conflicting provision in the Grantee's application. Grantee shall not use grant funds for any purpose not included in the Grantee's application for funding unless specifically approved by Golden LEAF. If there is a conflict between the purpose of the grant and use of grant funds described in this Grantee Acknowledgment and Agreement and the Grantee's application for funding, this Grantee Acknowledgment and Agreement will control.

14. The Grantee acknowledges receipt of the following policy regarding termination and rescission of grants, which is intended to supplement but not replace or limit the rights and remedies of Golden LEAF set forth elsewhere in this Agreement. The Grantee acknowledges that Golden LEAF may, from time to time, amend its policy regarding termination and rescission of grants, and the Grantee acknowledges that the Grantee will be subject to the policy as amended.

**Policy Regarding Rescission and Termination of Grants.** Rescission of a grant revokes the grant award. When funds have been disbursed to a Grantee by Golden LEAF and a grant is rescinded, the Grantee may be liable for repayment to Golden LEAF for an amount up to the total of grant funds received by the Grantee, in addition to any other remedy available to Golden LEAF. Termination of a grant ends the grant on a going-forward basis, and the Grantee is responsible for repayment to Golden LEAF of only that portion of the grant funds that has been disbursed but not expended by the Grantee in accordance with the terms of the grant.

A grant may be rescinded or terminated at any time in the discretion of Golden LEAF for the Grantee's failure to comply with its obligations under this Agreement or if any of the Grantee's representations and warranties in this Agreement are or become untrue as to a material fact. Reasons for rescission or termination of a grant include but are not limited to the following:

- a. The Grantee has not signed and delivered to Golden LEAF the Grantee Acknowledgment and Agreement within forty-five (45) days of the Award Date set out in Section 5, above.
- b. The Grantee has failed to complete the project within the grant term established by this Agreement or any extensions thereof.
- c. The Grantee's tax-exempt status has been modified or revoked.
- d. The Grantee is unable, or has failed or refused, to comply with a material term or condition of the grant.
- e. The Grantee has experienced a change in circumstances that is likely to have a material adverse effect upon the Grantee's ability to accomplish fully the purposes of the grant (e.g., loss of collateral funding, loss of key personnel, etc.).
- f. The Grantee has failed or refused to submit a report, statement, accounting or return required by this Agreement or applicable law.
- g. The Grantee has materially modified its budget for the project, and such material modification has not been approved by Golden LEAF.
- h. The Grantee commits a material violation of the Internal Revenue Code or uses grant funds for some purpose not permitted by the Internal Revenue Code or for some purpose not contemplated by the grant.
- i. The Grantee breaches any of the covenants or agreements contained in this Grantee Acknowledgment and Agreement.
- j. The Grantee requests that the grant be rescinded or terminated.

It is anticipated that a grant will be rescinded in situations in which no grant funds have been disbursed. Where grant funds have been disbursed, it is anticipated that a grant will be rescinded in the case of more serious violations (including, without limitation, use of grant funds for some purpose not contemplated by the grant or in

violation of the Internal Revenue Code, or upon other affirmative misconduct of the Grantee), and that termination of a grant will occur in the case of the less serious instances of non-compliance or where the circumstance giving rise to termination is not the result of misconduct of the Grantee.

If the Board of Directors of Golden LEAF determines that a grant should be rescinded or terminated, Golden LEAF will notify the Grantee of that decision. Golden LEAF may choose to notify the Grantee that the grant is subject to rescission or termination unless the Grantee remedies the noncompliance, and Golden LEAF may establish deadlines or other limitations on the Grantee's opportunity to remedy the noncompliance. If Golden LEAF allows the Grantee the opportunity to correct the noncompliance, no further grant funds shall be advanced until the noncompliance is remedied.

15. **Release of Funds:** Unless otherwise agreed by Golden LEAF, up to twenty percent (20%) of funds may be released in advance after all conditions on the release of funds are satisfied. Funds may be released in additional advances of up to twenty percent (20%) of the grant amount upon receipt of evidence satisfactory to Golden LEAF that funds previously released have been properly expended and accounted for. Funds may also be released on a reimbursement basis, in which case payments may be made in an amount equal to or up to eighty percent (80%) of the grant amount upon receipt of evidence satisfactory to Golden LEAF that funds have been properly expended and accounted for. Unless otherwise approved by the President of Golden LEAF, a sum equal to twenty percent (20%) of the total amount of the grant will be retained by Golden LEAF until the Grantee completes its obligations under this grant, including submission of a satisfactory final report on the project funded. This final twenty percent (20%) retained by Golden LEAF shall be paid to the Grantee on a reimbursement basis. If the grant is conditional or contingent, all conditions and contingencies must be met before any payment will be made. Each request for payment shall be in writing using the approved Golden LEAF form and shall certify that the Grantee has performed in accordance with the terms and provisions of its Grantee Acknowledgment and Agreement, and that such Grantee is entitled under the terms of such Agreement to receive the amount so requested. Each request should be made to President, The Golden LEAF Foundation, 301 N. Winstead Avenue, Rocky Mount, NC 27804. Payment should not be requested until the Grantee has need for actual expenditures of the funds. The Grantee should request payment at least thirty (30) days prior to its desired payment date.
16. **Reporting:** The Grantee agrees to submit a progress report to Golden LEAF biannually, to be received by Golden LEAF six months from the date of award and every six months thereafter unless some other schedule is approved by Golden LEAF. The Grantee agrees to submit a final Progress Report for receipt by Golden LEAF within sixty (60) days after the completion of all obligations for the project funded or the end date, whichever comes first. The Grantee may be required to report results and accomplishments to Golden LEAF for a period beyond the grant term that is reasonably necessary to evaluate the outcomes of the grant. Report forms may be found on Golden LEAF's website, [www.goldenleaf.org](http://www.goldenleaf.org). The Grantee will furnish additional or further reports if requested by Golden LEAF on forms prescribed by Golden LEAF.
17. **Records:** The Grantee agrees to maintain full, accurate and verifiable financial records, supporting documents, and all other pertinent data for the project funded in such a manner so as to identify and document clearly the activities and outcomes of the project funded and the expenditure of Golden LEAF grant funds. Financial records regarding Golden LEAF's grant shall maintained in such a way that they can be reported separately from monetary contributions, or other revenue sources of the Grantee. The Grantee agrees to retain all financial and programmatic records, supporting documents, and all other pertinent records related to the project funded for a period of five (5) years from the end of the grant term. In the event such records are audited, all project records shall be retained beyond such five-year period until all audit findings have been resolved. The Grantee shall provide to Golden LEAF copies of all financial and other records requested by Golden LEAF and shall make available to Golden LEAF, or Golden LEAF's designated representative, all of the Grantee's records that relate to the grant, and shall allow Golden LEAF or Golden LEAF's representative to audit, examine and copy any data, documents, proceedings, records and notes of activity relating to the grant. Access to these records shall be allowed upon request at any time during normal business hours and as often as Golden LEAF or its representative may deem necessary. The Grantee may be subject to audit by the State Auditor.

18. This Section 18 is applicable if the following blank is marked: \_\_\_\_\_ Staff Initials & date: \_\_\_\_\_  
\_\_\_\_\_

Intellectual property/new developments: In consideration of its receipt of funds granted by Golden LEAF, the Grantee agrees that during the course of the project funded by the grant, the Grantee, and any recipient of grant funds, will promptly disclose to Golden LEAF any improvements, inventions, developments, discoveries, innovations, systems, techniques, ideas, processes, programs, and other things, whether patentable or unpatentable, that result from any work performed by or for the Grantee in connection with the project funded, or by individuals whose work is funded by the grant (the "New Developments"). If the Grantee provides to Golden LEAF a copy of any Invention Disclosure Reports it receives from Grantee employees that report making inventions under this Agreement, then the Grantee will be deemed to have satisfied the disclosure requirement in the preceding sentence.

The Grantee agrees that it, and any recipient of grant funds, shall take all reasonably appropriate actions to assure that the New Developments shall be and remain the sole and exclusive property of the Grantee. In the event that the interests of the public would be served by commercialization of the New Developments, the Grantee agrees to use its best reasonable efforts to pursue the commercialization of any such New Developments in a manner that will serve the interests of the public, including but not limited to the transfer, assignment or licensing of such New Developments; provided, however, that the Grantee, and any recipient of grant funds, shall not transfer, assign or license such New Developments in part or in whole without first having obtained the written consent of Golden LEAF.

Any revenue generated as a result of transferring, assigning, or licensing New Developments will be managed by the Grantee in accordance with its published patent, copyright and technology transfer procedures, if any, and in the absence of such procedures such revenue will be managed by the Grantee in accordance with procedures approved by Golden LEAF. Such procedures typically will prioritize the distribution of revenues to ensure that the Grantee first honors its obligation to its inventors and then to cover its own out-of-pocket expenses as necessary to protect its intellectual property.

The Grantee and Golden LEAF further agree that should there be any revenue generated greater than that necessary to meet the obligations of the preceding paragraph ("Net Revenue"), the Net Revenue shall be managed by the Grantee as follows:

- a) 15% of the Net Revenue will be retained by the Grantee as a fee for the management and distribution of funds as required under this Agreement.
- b) 30% of the remaining Net Revenue will be paid to Golden LEAF.
- c) 70% of the remaining Net Revenue will be retained by the Grantee and used in accordance with the procedures referenced in the preceding paragraph above.

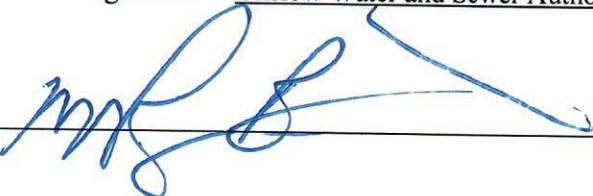
The Grantee's obligations pursuant to this Section will continue beyond the expiration of the funding period.

19. Independent entity: The Grantee acknowledges and agrees that the Grantee is an entity independent from Golden LEAF, is not an agent of Golden LEAF, and is not authorized to bind Golden LEAF to any agreement of payment for goods or services. The Grantee is responsible for payment of all its expenses, including rent, office expenses and all forms of compensation to employees. It shall provide workers compensation insurance to the extent required for its operations and shall accept full responsibility for payments of unemployment compensation, social security, income taxes and any other charges, taxes or payroll deductions required by law in connection with its operations, for itself and its employees. All expenses incurred by the Grantee are the sole responsibility of the Grantee, and Golden LEAF shall not be liable for the payment of any obligations incurred in the performance of the project funded.

20. Non-discrimination: The Grantee shall not discriminate by reason of age, race, ethnicity, religion, color, sex, national origin, or handicap related to the activities of a project funded by Golden LEAF.
21. Publicity: All publicity and printed materials regarding projects or activities supported in whole or in part by this grant should contain the following language: **“This project received support from The Golden LEAF Foundation.”** The Golden LEAF logo is to be displayed in all of the Grantee’s publicity and printed materials relating to this grant. Please contact Jenny Tinklepaugh ([jtinklepaugh@goldenleaf.org](mailto:jtinklepaugh@goldenleaf.org)) for digital versions of the logo.
22. Authority to execute/Necessary Approvals Obtained: The individual signing below certifies his or her authority to execute this Agreement on behalf of the Grantee and that the Grantee has received any third-party approval that may be required prior to entering this Agreement. By executing this Agreement, the Grantee, to induce Golden LEAF to make this grant, makes each of the representations set forth hereinabove and certifies that each of such representations is true, accurate and complete as of the date hereof.

IN WITNESS WHEREOF, the Grantee has executed this Agreement as of the date below:

Name of Grantee Organization: Onslow Water and Sewer Authority

Signature:  \_\_\_\_\_

Name of Person Signing: Michael Royce Bennett

Title of Person Signing: Chairman, ONWASA Board of Directors

Date: April 20, 2023

**RESOLUTION BY ONSLOW WATER & SEWER AUTHORITY  
BOARD OF DIRECTORS**

**WHEREAS**, the American Rescue Plan (ARP) funded from the State Fiscal Recovery Fund was established in S.L. 2021-180 and S.L. 2022-74 to assist eligible units of government with meeting their water/wastewater infrastructure needs, and

**WHEREAS**, the North Carolina Department of Environmental Quality has offered American Rescue Plan (ARP) funding in the amount of \$250,000 to perform work detailed in the submitted application, and

**WHEREAS**, The Onslow Water and Sewer Authority (ONWASA) intends to perform said project in accordance with the agreed scope of work,

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ONSLOW WATER AND SEWER AUTHORITY:**

That the Onslow Water and Sewer Authority does hereby accept the American Rescue Plan Grant offer of \$250,000.

That the Onslow Water and Sewer Authority does hereby give assurance to the North Carolina Department of Environmental Quality that any Conditions or Assurances contained in the Award Offer will be adhered to.

That Franky J. Howard, Chief Executive Officer, and successors so titled, is hereby authorized and directed to furnish such information as appropriate State agency may request in connection with this project; to make the assurances as contained above; and to execute such other documents as may be required by the Division of Water Infrastructure.

Adopted this the 20<sup>th</sup> of April, 2023 at Jacksonville, North Carolina.



*[Signature]*  
Michael Royce Bennett, Chairman

4/20/23  
Date

Attest:

*[Signature]*  
Heather W Norris, Clerk to the Board

**RESOLUTION BY ONSLOW WATER & SEWER AUTHORITY  
BOARD OF DIRECTORS**

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Adopted this the 20<sup>th</sup> of April, 2023 at Jacksonville, North Carolina.



*[Signature]*  
Michael Royce Bennett, Chairman

4/20/23  
Date

Attest:

*[Signature]*  
Heather W Norris, Clerk to the Board

NOTICE OF EXERCISE OF OPTION  
TO EXTEND CAPITAL LEASES

FROM: Onslow Water and Sewer Authority

TO : Town of Holly Ridge

DATE : April 21, 2023

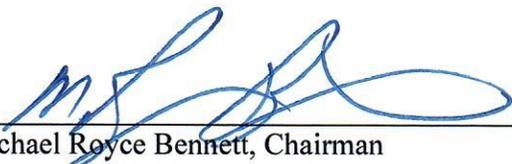
NOTICE is hereby given that Onslow Water and Sewer Authority, pursuant to the Resolution attached hereto as EXHIBIT A, has exercised both 15-year options to extend the Capital Lease Agreements with you identified as follows:

Capital Lease with Town of Holly Ridge, which is recorded in Book 5885, Page 653, Onslow County Registry.

(REST OF PAGE BLANK)

The undersigned certifies that the foregoing Notice of Exercise of Option to Extend Capital Leases was mailed by certified mail to the Town of Holly Ridge on the 21<sup>st</sup> day of April, 2023.

ONslow WATER AND SEWER AUTHORITY

By:   
Michael Royce Bennett, Chairman



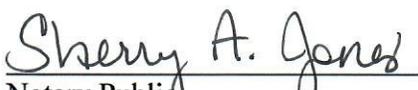
(SEAL)

Attest:

  
Clerk of the Board

STATE OF NORTH CAROLINA  
COUNTY OF ONSLOW

I, Sherry A. Jones, a Notary Public of the aforesaid County and State do hereby certify that Heather Norris, personally appeared before me this day and acknowledged that he/she is Clerk of the Board of the Onslow Water and Sewer Authority, a body politic and corporate of the State of North Carolina, and that by authority duly given and as the act of the authority, the foregoing instrument was signed in its name by its Chairman, sealed with its corporate seal, and attested by himself/herself as its Clerk to the Board. Witness my hand and official seal, this the 21<sup>st</sup> day of April, 2023.

  
Notary Public

My commission expires: 2-20-2027



RESOLUTION OF  
ONSLow WATER AND SEWER AUTHORITY  
(TO EXTEND TERMS OF CAPITAL LEASE)

WHEREAS, the Onslow Water and Sewer Authority ("ONWASA") has entered into a Capital Lease Agreement with the Town of Holly Ridge in which said unit of government leased its sewer system to ONWASA for a term of 30 years (the "Capital Lease"); and

WHEREAS, the Capital Lease is recorded in the Register of Deeds Office of Onslow County in Book 5885, page 653; and

WHEREAS, ONWASA has deemed it expedient and necessary to extend the foregoing Capital Lease; and

WHEREAS, the Capital Lease contains the following provision:

Option to Extend. Provided that the Authority is in compliance with all the terms and conditions of this lease, it may extend the term of this lease for additional successive terms of 15 years each by the giving of Notice of election to extend, which Notice must be given no later than 2 years before the end of the original or any extended term of this Agreement. The Authority shall be entitled to exercise these options to extend at any time after the commencement Date; and

WHEREAS, more than 2 years is left on the original term of the Capital Lease; and

WHEREAS, ONWASA has determined that it is in its best interest and the best interest of the citizens of Onslow County to exercise both options to extend contained in each of the Capital Leases.

NOW, THEREFORE, the Board of Directors of the Onslow Water and Sewer Authority hereby resolves:

1. That the Capital Lease from the Town of Holly Ridge referenced above is extended for two additional successive terms of 15 years each.
2. ONWASA shall give written notice of exercise of the option to extend the Capital Lease in accordance with the notice requirements contained therein to the Town of Holly Ridge.
3. A copy of such notice with a certified copy of this Resolution attached be recorded in the Register of Deeds Office of Onslow County.

THIS RESOLUTION is adopted at the April 20<sup>th</sup> meeting of ONWASA.

  
\_\_\_\_\_  
Michael Royce Bennett  
Chairman of the Board

CERTIFICATION

THE UNDERSIGNED officer, being Clerk to the Board of the Onslow Water and Sewer Authority ("ONWASA"), hereby certifies that the foregoing is a true copy of a Resolution adopted by ONWASA's Board of Directors at its meeting held on April 20, 2023, at which a quorum was present and acting throughout.

THIS the 21<sup>st</sup> day of April, 2023.



  
\_\_\_\_\_  
Heather Norris  
Clerk to the Board



April 21, 2023

Mr. Franky Howard  
Chief Executive Officer  
Onslow Water and Sewer Authority  
228 Georgetown Road  
Jacksonville, NC 28540

**Subject: System Development Fee Study Update**

Dear Mr. Howard:

Raftelis Financial Consultants, Inc. (“Raftelis”) has completed an evaluation to develop cost-justified water and sewer system development fees for fiscal year (“FY”) 2024 for consideration by the Onslow Water and Sewer Authority (“Authority” or “ONWASA”). This report documents the results of the analysis, which was based on an approach for establishing system development fees set forth in North Carolina General Statute 162A Article 8 – “System Development Fees.” The purpose of this report is to summarize Raftelis’ conclusion related to cost justified water and sewer system development fees. It is not intended to address anything else associated with the system development fees, such as the administration of these fees, etc.

The preparation of this report was developed by Raftelis for ONWASA based on a specific scope of work agreed to by both parties. The scope of Raftelis’ work consisted of completing a calculation of cost justified water and sewer system development fees using common industry practices and industry standards. We provide no opinion on the legality of the system development fees implemented by the Authority. It is the responsibility of the Authority to ensure compliance of the system development fees with North Carolina General Statute 162A Article 8 – “System Development Fees.”. The scope of work does did not include any additional work other than the calculation associated with the system development fees, such as opinions or recommendations on the administration of these fees, the timing and use application of revenues from the collection of these fees, etc., as that is the responsibility of the Authority.

In developing the conclusions contained within this report, Raftelis has relied on certain assumptions and information provided by ONWASA, who is most knowledgeable of the water and sewer system, its finances, etc. Raftelis has not independently verified the accuracy of the information provided by the Authority. We believe such sources are reliable and the information obtained to be reasonable and appropriate for the analysis undertaken and the conclusions reached. The conclusions contained in this report are as of the stated date, for a specific use and purpose, and made under specific assumptions and limiting conditions. The reader is cautioned and reminded that the conclusions presented in this report apply only as to the effective date indicated. Raftelis makes no warranty, expressed or implied, with respect to the opinions and conclusions contained in this report. Any statement in this report involving estimates or matters of opinion, whether or not specifically designated, are intended as such, and not as representation of fact.

## Onslow Water and Sewer Authority

### Background

System development fees are one-time charges assessed to new water and/or sewer customers for their use of system capacity and serve as an equitable method by which to recover up-front system capacity costs from those using the capacity. North Carolina General Statute 162A Article 8 (“Article 8”) provides for the uniform authority to implement system development fees for public water and sewer systems in North Carolina and was passed by the North Carolina General Assembly and signed into law on July 20, 2017 and was modified by Session Law 2021-76 and House Bill 344, which was approved on July 2, 2021. According to the statute, system development fees are required to be adopted in accordance with the conditions and limitations of Article 8, and the fees are required to conform to the requirements set forth in the Article no later than July 1, 2018.<sup>1</sup> In addition, the system development fees must also be prepared by a financial professional or licensed professional engineer, qualified by experience and training or education, who, according to the Article, shall:

- Document in reasonable detail the facts and data used in the analysis and their sufficiency and reliability.
- Employ generally accepted accounting, engineering, and planning methodologies, including the buy-in, incremental cost or marginal cost, and combined cost methods for each service, setting forth appropriate analysis to the consideration and selection of an approach appropriate to the circumstances and adapted as necessary to satisfy all requirements of the Article.
- Document and demonstrate the reliable application of the methodologies to the facts and data, including all reasoning, analysis, and interim calculations underlying each identifiable component of the system development fee and the aggregate thereof.
- Identify all assumptions and limiting conditions affecting the analysis and demonstrate that they do not materially undermine the reliability of conclusions reached.
- Calculate a final system development fee per service unit of new development and include an equivalency or conversion table for use in determining the fees applicable for various categories of demand.
- Consider a planning horizon of not less than five years, nor more than 20 years.
- Use the gallons per day per service unit that the local government unit applies to its water or sewer system engineering for planning purposes for water or sewer, as appropriate, in calculating the system development fee.

This letter report documents the results of the calculation of water and sewer system development fees for FY 2024 in accordance with these requirements. In general, system development fees are calculated based on (1) a cost analysis of the existing or planned infrastructure that is in place, or will be constructed, to serve new capacity demands, and (2) the existing or additional capacity associated with these assets. Article 8 is relatively explicit in the identification of infrastructure assets that may be included as part of the system development fee calculation, as the Article defines allowable assets to include the following types, as provided in Section 201:

*“A water supply, treatment, storage, or distribution facility, or a wastewater collection, treatment, or disposal facility providing a general benefit to the area that facility serves and is owned or operated, or to be owned or*

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## Onslow Water and Sewer Authority

*operated, by a local governmental unit. This shall include facilities for the reuse or reclamation of water and any land associated with the facility.”*

Therefore, the method used to calculate system development fees for ONWASA included system facility assets that satisfied this definition.

Article 8 references three methodologies that could be used to calculate system development fees. These include the buy-in method, the incremental cost method, and the combined cost method. A description of each of these methods is included in the following paragraphs:

### Capacity Buy-In Method:

Under the Capacity Buy-In Method, a system development fee is calculated based on the proportional cost of each user's share of existing system capacity. This approach is typically used when existing facilities can provide adequate capacity to accommodate future growth. The cost of capacity is derived by dividing the estimated value of existing facilities by the current capacity provided by existing facilities. Adjustments to the value of existing facilities are made for developer contributed assets, grant funds, and outstanding debt.

### Incremental Cost Method:

Under the Incremental Cost (or Marginal Cost) Method, a system development fee is calculated based on a new customer's proportional share of the incremental future cost of system capacity. This approach is typically used when existing facilities have limited or no capacity to accommodate future growth. The cost of capacity is calculated by dividing the total cost of growth-related capital investments by the additional capacity provided as a result of the investments.

### Combined Method:

Under the Combined Method, a system development fee is calculated based on the blended value of both the existing and expanded system capacity. As such, it is a combination of the Capacity Buy-In and Incremental Cost methods. This method is typically used when existing facilities provide adequate capacity to accommodate a portion of the capacity needs of new customers, but where significant investment in new facilities to address a portion of the capacity needs of future growth is also anticipated, or where some capacity is available in parts of the existing system, but incremental capacity will be needed for other parts of the system to serve new customers at some point in the future.

The Combined method was used to calculate the water and sewer system development fees for ONWASA, since in general, the Authority's existing water and sewer treatment facilities have some capacity to accommodate anticipated future growth over the near term, and the capital improvements projects are adding additional capacity to serve new customers. The following steps were completed to calculate the fees under the Combined Method:

1. The replacement value of existing system facilities was calculated, and adjustments were made to derive a net replacement value estimate in accordance with Article 8. Adjustments to the calculated replacement value included deducting accumulated depreciation, developer contributions, and a portion of outstanding debt. The growth-related capital improvement projects were incorporated into the total system value, making adjustments to the calculated value to account for future debt to fund the projects. A combined net system value was calculated by adding together the net system asset replacement value (net of contributions) and the growth-related capital spending (net of grants), and subtracting the current outstanding principal and the future borrowing net present value.

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2. The unit cost of system capacity was estimated by dividing the calculated system value from step 3 by the total capacity of the system. This includes the current capacity of the system (minus any capacity reserved for others by contract) plus any capacity added by the capital projects.
3. The amount of capacity assumed to be demanded by one service unit of new development was identified. One equivalent residential unit (“ERU”) was defined as the smallest service unit of new development.
4. The system development fee for one service unit of development was calculated by multiplying the cost per unit of system capacity by the capacity associated with one ERU, as defined below.
5. The calculated system development fee for one ERU was scaled for different categories of demand. Meter capacity ratios were used to scale system development fees from a base meter size, or the smallest unit of new development (one ERU), to different categories of demand, as defined by the different customer meter sizes.

## Calculation of System Development Fees

### *Step 1 – Estimate the System Value and Apply Adjustments*

A listing of fixed assets provided by ONWASA, as of June 30, 2022, was reviewed and each individual asset was categorized into one of the categories shown in Table 1. General assets, such as those related to administrative buildings, certain rolling stock, and certain equipment items were not directly attributable to a specific category. As a result, these assets were categorized as “Other Non-Core Assets.” These assets were excluded from the calculation of system value as these assets were not specifically identified as allowable under Article 8. Excluded assets included those relating to administrative and miscellaneous type buildings, rolling stock, and various types of equipment.

**Table 1. Fixed Asset Categories by System**

<b>Water System</b>	<b>Sewer System</b>
Treatment	Treatment
Land	Land
Distribution	Collection
Meters	
Vehicles	Vehicles
Easements	Easements
Other Non-Core Assets	Other Non-Core Assets

Next, the replacement value of existing assets in allowable categories was estimated. Each asset’s original cost, as contained in the fixed asset listing provided by the Authority, was escalated to 2023 dollars based on the year the asset was purchased and the corresponding escalation factor for that year. Escalation factors for each year were developed using the Handy-Whitman Index (“HWI”) for the South Atlantic Region, which provides an annual index value representing the relative change in costs for each year from 1908 to 2023. Using the HWI to estimate an asset’s current replacement cost is an industry accepted method by which to value system facilities.

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The replacement costs of the assets were adjusted by their indexed accumulated depreciation to derive the replacement cost new less accumulated depreciation (“RCNLD”) amounts. The estimated RCNLD values for water and sewer system assets allowable under Article 8 are summarized in Table 2.

As shown in Table 2, the RCNLD value of the water system was estimated to be approximately \$135 million, and the RCNLD value of the sewer system was estimated to be approximately \$190 million. Several additional adjustments were made to the estimated water and sewer system RCNLD values in accordance with Article 8, which included adjustments for meters, vehicles, other non-core assets, developer contributed assets, and a portion of outstanding debt, as described below.

### Non-Core and Developer Contributed Assets:

Assets such as meters, vehicles and easements are not allowable under Article 8, and as such are excluded from the total system value used in the fee calculation. Additionally, the listing of fixed assets was reviewed to identify assets that were contributed, or paid for, by developers. ONWASA tracks assets that were contributed by developers and identifies them in the fixed asset register as such. These assets were subtracted from the RCNLD value, as these assets do not represent an investment in system capacity by the Authority. The total RCNLD value of the non-core and contributed water and sewer system assets was estimated to be approximately \$42 million and \$64 million, respectively.

### Growth Related Capital Spending

The other component of the system value when utilizing the Combined Method is the growth-related capital spending. ONWASA staff provided us with the capital improvements plan for the next 10 years, as well as which projects are growth related, capacity added, and funding sources for each project. The growth-related portion of the spending is incorporated into the system value, with revenue credit given for future borrowing, as discussed below. For the Authority, \$177 million of growth-related water capital spending, and approximately \$47 million of growth-related sewer capital spending were added to the system value. The total system value used in the fee calculation including capital spending is shown in Table 2 below.

**Table 2. Water and Sewer System Value**

<b>Description</b>	<b>Water</b>	<b>Sewer</b>
Assets (RCNLD)	\$135,030,983	\$189,874,597
Less: Non-Core Assets/ Contributed Capital	-\$41,981,580	-\$64,212,467
Total Net Assets RCNLD	\$93,049,403	\$125,662,130
Plus: Growth Related CIP	\$177,263,425	\$46,610,810
Total System Value Before Credits	\$270,312,828	\$172,272,940

### Debt Credit

Article 8 specifies that the buy-in calculation should be determined using generally accepted methods, including the consideration of debt credits and other generally accepted valuation adjustments. Article 8 also states that in applying the incremental cost or the combined cost methods to calculate a system development fee, the analysis must include a credit against the projected aggregate cost of capital improvements and that in no case shall the credit be less than 25 percent of the aggregate cost of capital

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improvements. In calculating the system development fees for ONWASA, a debt credit was included in the calculation as described below.

The debt credit is applied to reflect that a portion of the outstanding debt associated with the system facilities will be repaid with water and sewer user charges and a portion will be repaid with system development fee revenues. An adjustment was made to prevent recovering the cost of the assets twice, once when assessing system development fees to new customers, and then again when these customers pay user charges.

The amount of the credit was calculated by first identifying the amount of existing outstanding debt attributable to both the water and sewer systems that funded qualifying assets. Then, the debt identified as funding growth-related projects was estimated over 30 years with an interest of 4.5%. The net present value (NPV) was then calculated on the projected principal of each issue, using the current weighted average cost of debt of 4.1%. A summary of the debt credits is provided in Table 3.

**Table 3. Debt Credit**

<b>Description</b>	<b>Water</b>	<b>Sewer</b>
Outstanding Principal	-\$17,482,362	-\$39,687,417
NPV Of Future Debt	-\$79,421,991	-\$18,731,548
Total Credit	-\$96,904,352	-\$58,418,964

The resulting adjustments to the water and sewer system values are shown in Table 4.

**Table 4. Calculation of Net Water and Sewer System Value**

<b>Description</b>	<b>Water</b>	<b>Sewer</b>
System Facilities RCNLD	\$135,030,983	\$189,874,597
Less: Non-Core/Contributed Assets	-41,981,580	-64,212,467
Plus: Growth CIP	+177,263,425	+46,610,810
Less: Debt Credit/Revenue Credit	<u>-96,904,352</u>	<u>-58,418,964</u>
Net System Value	\$173,408,475	\$113,853,976

### *Step 2 – Calculate the Unit Cost of System Capacity*

The cost per unit of system capacity was calculated by dividing the adjusted system values (derived in Step 1) by the water and sewer system capacities. The treatment capacity of the water system is currently 11.44 million gallons per day (“MGD”). Additionally, the Authority will be adding 6 MGD of capacity with the capital expansion projects, for a total water system capacity of 17.44 MGD. Therefore, the cost per unit of system capacity for the water system was calculated to be \$9.94 per gallon per day ( $\$173,408,475 \div 17.44 \text{ MGD}$ ).

The treatment capacity of the sewer system is 3.754MGD, but the capital expansion projects are necessary to access the full treatment capacity of the existing system for future growth. Therefore, the cost per unit of system capacity for the sewer system was calculated to be \$30.33 per gallon per day ( $\$113,853,976 \div 3.754 \text{ MGD}$ ).

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### *Step 3 – Estimate the Amount of Capacity Per Service Unit of New Development*

Section 205 of Article 8 states that the system development fee calculation “...use the gallons per day per service unit that the local governmental unit applies to its water or sewer system engineering for planning purposes for water or sewer, as appropriate, in calculating the system development fee.” For the water and sewer system, one ERU of peak day capacity was defined to be 300 gallons per day (“GPD”) for single-family customers. This information was provided by staff and is based on data from the NCDHEC planning estimates which assigns 120 gallons per day per bedroom. The ERU of 300 gallons is derived assuming the average gallons per day per bedroom for a 2 and 3 bedroom house.

### *Step 4 – Calculate the System Development Fee for One ERU*

The system development fee for one ERU was calculated by multiplying the unit cost of capacity from Step 2 by the capacity demanded by one ERU from Step 3. The calculations are provided in Table 5.

**Table 5. Calculation of Water and Sewer System Development Fees for One ERU – Single-Family**

<b>Description</b>	<b>Water</b>	<b>Sewer</b>
Net System Value	\$173,408,475	\$113,853,976
System Capacity (MGD)	17.44	3.75
Unit Cost of Capacity (\$ / gallon per day)	\$9.94	\$30.33
Capacity Required for 1 ERU (gallons per day)	300	300
System Development Fee per ERU	\$2,983	\$9,099

### *Step 5 – Scale the System Development Fees for Various Categories of Demand*

The system development fees for various categories of demand (for non-residential customers) were scaled using water meter capacity ratios. The scaling factors were based on rated meter capacities for each meter size, as published by the American Water Works Association in Principles of Water Rates, Fees, and Charges.<sup>2</sup> The meter scaling factors are shown in

<sup>2</sup> Manual of Water Supply Practices (M1), Principles of Water Rates, Fees, and Charges, American Water Works Association, 7th Edition, Table VII.2-5 on p. 338.

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Table 6 and the resulting system development fees scaled by meter size are shown in Table 7.

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**Table 6. Meter Capacities and Scaling Factors by Meter Size**

Meter Size	Scaling Factor
3/4"	1.0
1"	1.7
1.5"	3.3
2"	5.3
3"	10.7
4"	16.7
6"	33.3
8"	53.3
10"	80.0

**Table 7. Maximum Cost-Justified Water and Sewer System Development Fees by Meter Size for Single-Family Residential Customers and Non-Residential Customers**

Meter Size	Water Fee	Sewer Fee
3/4"	\$ 2,983	\$ 9,099
1"	\$ 4,971	\$ 15,165
1.5"	\$ 9,943	\$ 30,328
2"	\$ 15,907	\$ 48,525
3"	\$ 31,814	\$ 97,053
4"	\$ 49,710	\$ 151,644
6"	\$ 99,419	\$ 303,286
8"	\$ 159,071	\$ 485,259
10"	\$ 238,606	\$ 697,561

The water and sewer system development fees shown in Table 7 represent the maximum cost-justified level of system development fees that can be assessed by ONWASA per Article 8. If the Authority chooses to assess fees that are less than those shown in the tables, the adjustments need to be reflected consistently across all categories of demand.

We appreciate the opportunity to assist the Onslow Water and Sewer Authority with this important engagement. Should you have questions, please do not hesitate to contact me at (704) 373-1199.

Very truly yours,

RAFTELIS FINANCIAL CONSULTANTS, INC.



**Elaine Conti**

*Executive Vice President*