

WATER AND SEWER AUTHORITY OF CABARRUS COUNTY
MARCH 16, 2023
5:00 P.M.

The Board of Directors (the “Board”) of the Water and Sewer Authority of Cabarrus County (“WSACC”) met in regular session on Thursday, March 16, 2023 at the Administrative Offices. The meeting was also set up for virtual attendance administered by Zoom and streamed on YouTube.

Public access to the meeting could be obtained by calling into the conference bridge at 1-(267) 930-4000 and using the participant access code.

The following Board Members were present:

Mr. Jeff Corley	Mr. Jonathan Marshall
Mr. Rob Donham	Mr. Robert Ritchie
Mr. Darrell Hinnant	Mr. Jim Sells
Mr. Mike Legg	Mr. Lynn Shue

Ms. Hubbard was unable to attend due to a prior commitment.

Also present were Mr. Michael Wilson, Executive Director; Ms. Tammy Garifo, Executive Secretary/Secretary to the Board; Ms. Robin Moore, Deputy Executive Director/Administration; Mr. Chad VonCannon, Engineering Director; Ms. Wendi Heglar, Finance Director; Mr. Thomas Jakubisin, IT Manager; and Mr. William Isenhour, Johnston, Allison & Hord, P.A. (“JAH”).

At 5:00 P.M., Chairman Legg called the meeting to order.

UNFINISHED BUSINESS

Request for Approval of the Minutes of February 16, 2023

Mr. Marshall made a motion to approve the minutes of February 16, 2023. Mr. Ritchie seconded the motion and the Board approved by unanimous vote.

NEW BUSINESS

Presentation of the Proposed Budget for the Fiscal Year 2023-2024 and decide if a Budget Work Session is desired then set Budget Public Hearing for June 15, 2023

Mr. Wilson presented a summary of WSACC’s proposed Fiscal Year 2023-2024 (FY 24) budget. The budget items he highlighted were:

Revenue and Flow Highlights

A seven-point nine percent (7.9%) increase in the variable sewer rate was proposed for the upcoming year. The variable sewer rate increase was expected to generate \$915,850 in additional revenue.

The Town of Mt. Pleasant budgeted sewer flow was reduced from 80 million gallons to 65 million gallons and the Town of Harrisburg increased from 570 million gallons to 585 million gallons. The Cities of Concord and Kannapolis sewer flows remained at last year's amounts based on recent metered flows. Mr. Wilson said the total budgeted sewer flows were the same as the prior year amount of 7.045 billion gallons. Fixed charge revenues decreased by \$156,284. Mr. Wilson explained that the fixed charge revenue decrease was associated with the payoff of State Revolving Funds (SRF) debt for the Rocky River Regional Wastewater Treatment Plant (RRRWWTP) Phase 1 upgrade.

Expense Highlights

Mr. Wilson recommended a 3% across the board increase for all employees and up to a 4% increase in merit pay based on personal evaluations. He said 7% of current salaries and benefits was included in the proposed FY 24 budget.

The proposed FY 24 budget includes a pool of \$20,000 plus fringe benefits for the implementation of the career ladder to allow for employee training.

The Local Governmental Employees' Retirement System (LGERS) increased the retirement contribution rate from 12.10% to 12.85%. The direct budgeted impact of this increase was \$34,671 for WSACC. Employees will continue to contribute their mandatory 6% of covered payroll.

Mr. Wilson stated that a 5% increase in health insurance premiums was included in the proposed FY 24 budget which represents an additional \$48,750 in cost for 58 full-time employees and 9 retirees.

WSACC experienced price increases of approximately 15% during the year for chemicals. The proposed FY 24 budget includes a 10% increase for the cost of chemicals which is an additional \$314,838 in both pretreatment and effluent chemicals associated with both increased flow volumes and maintaining compliance with discharge limits.

The RRRWWTP, Biosolids and Interceptor departments budgeted an additional \$464,811 based on the purchase power adjustment passed down from the City of Concord.

Mr. Wilson recommended an increase in the Septage Hauler Rate from \$0.055 per gallon to \$0.06 per gallon. The budgeted Septage Hauler revenue increased from \$400,000 to \$450,000.

The total proposed FY 24 budget for the Operating Fund was \$21,668,220, a 5.93% increase or \$1,212,944 more than the prior year budget. Mr. Wilson said most of the increase was associated with utilities, chemicals, and employee salaries and benefits.

Mr. Wilson said due to the uncertainty of the current economic climate and the impact that raising System Development Fees (SDF) would have on building starts, the proposed SDF Reserve Fund would remain at the previous year budgeted level of \$3.2 million. The entire amount of SDF collected is budgeted to go into reserves until the Board approves the transfer to capital projects.

Mr. Wilson will send the Board a complete package of the proposed FY 24 budget along with supplemental sheets that include a comparison of prior year actuals to current year budget, and detailed line item requests by department.

A copy of the proposed FY 24 budget is available for viewing at the Secretary to the Board's office.

Mr. Wilson suggested setting the variable rate and fixed charges for the jurisdictions at WSACC's April 20, 2023 board meeting to provide the jurisdictions with at least 60 days advance notification of the new rate and charges as required by the Wastewater Service Agreements. He also recommended setting the budget public hearing and adoption of the annual budget ordinance for June 15, 2023.

Chairman Legg asked the Board if they wanted to have a work session on the budget. The board didn't feel it was necessary. Chairman Legg then asked for a motion to set the budget public hearing for June 15, 2023.

Mr. Hinnant made a motion to set the budget public hearing for June 15, 2023. Mr. Shue seconded the motion and the Board approved by unanimous vote.

Mr. Wilson presented the SDF analysis completed by Raftelis Financial Consultants, Inc. for the Board to review. He said North Carolina General Statutes require local governmental units to update their SDF analysis every five years. Mr. Wilson said WSACC is required to post the SDF analysis for 45 days on WSACC's website for public comment. After the 45 day period, WSACC is required to conduct a public hearing prior to considering adoption of the SDF analysis with any modifications or revisions.

There are three methodologies used to calculate the SDF. These methods include the buy-in method, the incremental cost method, and the combined cost method. Mr. Wilson said he would review the combined method approach and the Board agreed. Under the combined method, SDF's are calculated based on the blended value of both the existing and expanded system capacity. The combined method is a combination of the buy-in method and the incremental cost method.

After a lengthy discussion, Mr. Wilson requested the Boards approval to post the SDF analysis on WSACC's website to begin the 45 day public comment period and set the public hearing for May 18, 2023.

Mr. Marshall made a motion to accept the system development fees analysis report and authorize staff to post the analysis report on WSACC's website for public comment, then set the public hearing for May 18, 2023. Mr. Ritchie seconded the motion and the Board approved by unanimous vote.

Presentation of Proposed Capital Improvement Program (CIP) FY 23-24

Mr. Wilson presented WSACC's proposed Capital Improvement Program (CIP) for the fiscal year 23-24. Mr. Wilson stated that Black & Veatch was developing the Master Plan with an updated 20-year CIP. He said since the Master Plan would not be complete until the summer of 2023, WSACC required Black & Veatch to produce a 10-year CIP of expansion projects so

that WSACC could compute the new SDF in accordance with the North Carolina General Statutes.

Mr. Wilson said the CIP was presented to the Board for discussion and to review for edits if needed. The CIP will be presented for approval at the June 15, 2023 meeting during the adoption of the annual budget ordinance.

Continued Discussion Regarding the Allocation of Wastewater Capacity from the RRRWWTP Expansion

The Board continued the discussion and alternative methods for the allocation of wastewater capacity from the RRRWWTP expansion.

After a lengthy discussion, the Board asked Mr. Wilson and WSACC staff to look at alternative methods and impacts for allocating wastewater capacity from the RRRWWTP and calculate the impact of allocating an additional 20,000 gallons per day (gpd) to the Town of Mt. Pleasant, then present that to the Board at the next board meeting for discussion.

REPORTS

Dredging Update at Lake Don T. Howell

At WSACC's December 2022 board meeting, the Board approved the award of contract for dredging at Lake Don T. Howell (Coddle Creek Reservoir). Lake Don T. Howell includes two raw water intakes, one near the dam along Highway 73, and another near Highway 3. The City of Concord owns and operates the raw water intake near Highway 73, and the City of Kannapolis owns and operates the raw water intake near Highway 3.

Mr. VonCannon provided a power point presentation with pictures to update the Board on the dredging that will soon begin at Lake Don T. Howell. The dredging work should begin later in March in the area surrounding the existing raw water intake for Kannapolis at Lake Don T. Howell. The sediment accumulation has prevented the City of Kannapolis from accessing the available raw water in recent years. Approximately 9 feet of sediment has accumulated according to a recent study by WitherRavenel.

Mr. VonCannon said the scope of work would be to remove and dewater approximately 4,000 cubic yards of sediment from the area surrounding the intake. He said the initial dredging of this sediment would be sufficient for the City of Kannapolis to resume use of their intake.

Mr. VonCannon said the adjacent site (owned by WSACC) has been prepared by the grading contractor to accommodate the dewatering tubes. Mr. VonCannon said the dredging should take approximately six weeks to complete.

RRRWWTP Expansion Update

Mr. VonCannon provided pictures and videos of the most recent expansion progress with views of the aeration basins and various construction work taking place at the RRRWWTP. He said the coordination between the construction contractors and WSACC staff has been very productive and continues to work well. `

Mr. VonCannon said Crowder Construction will continue working in various areas of the RRRWWTP over the next couple of months. He noted that WSACC received an updated schedule from Crowder Construction stating that the switch gear deliveries could be delayed for a few months.

RRRWWTP Phase 4 30 Percent Cost Estimate and RRRWWTP Expansion Update

Mr. VonCannon said WSACC received a 30 percent cost estimate for the RRRWWTP Phase 4 expansion in early February. The Phase 4 30 percent cost estimate was presented as follows:

- WSACC first received the Phase 4 30 percent cost estimate in early February 2023. The total cost was \$180,378,042.
- WSACC staff was obviously surprised by the number as it represented a significant increase over what had previously been forecasted. WSACC was expecting a total cost in the 80-100 million dollar range.
- WSACC quickly met with the design build team to dissect the costs and begin a value engineering process.
- This effort was successful, in a two-week period scope changes and design changes resulted in the 30 percent cost being reduced to \$138,615,738.
- It should be noted that this is a 30 percent cost with almost 20 percent of the total costs being contingency due to many items still not totally defined within the design.

Moving Forward:

- As the team continues to develop the design and associated costs to the final guaranteed maximum price package WSACC will continue to work to identify cost saving measures.
- Several of the potential value engineering measures that have been identified will take more evaluation to ensure that they seem right for the project.
- WSACC has researched other wastewater plant projects in the area and found that the cost per gallon for wastewater capacity appears to be in the \$30 to \$40 per gallon range. This represents a significant increase over the past few years.
- Phase 3 cost per gallon = \$30/gallon
- Phase 4 (30% estimate) = \$34.50/gallon

PUBLIC COMMENTS

There were no public comments.

CLOSED SESSION

At 6:40 P.M. **Mr. Shue made a motion to go into closed session - G.S.143-318.11(a)(1) - to prevent the disclosure of information that is privileged or confidential pursuant to the law of this State or of the United States, or not considered a public record within the**

meaning of Chapter 132 of the General Statutes and G.S.143-318.11 (a)(3) - to consult with WSACC's attorney in order to preserve the attorney-client privilege for consideration of and to give instructions to WSACC's attorney concerning the handling or settlement of a claim, judicial action or administrative procedure. Mr. Hinnant seconded the motion and the Board approved by unanimous vote.

The Board agreed to table G.S. 143-318.11(a)(1), approval of the closed session minutes, until the April 20, 2023 board meeting.

At 6:46 P.M. Mr. Marshall made a motion to come out of closed session. Mr. Hinnant seconded the motion and the Board approved by unanimous vote.

Mr. Hinnant then made a motion to adjourn. Mr. Marshall seconded the motion and the Board approved by unanimous vote.