

**COLUMBUS COUNTY BOARD OF COMMISSIONERS
COMBINATION of FIVE (5) WATER DISTRICTS WORKSHOP**

Monday, August 26, 2013

6:30 P.M.

The Honorable Columbus County Commissioners met on the above stated date and at the above stated time in the Dempsey B. Herring Courthouse Annex Building, located at 112 West Smith Street, Whiteville, North Carolina, for the purpose of conducting a workshop for the combination of the five (5) Water Districts in Columbus County.

COMMISSIONERS PRESENT:

Charles T. McDowell, **Chairman**
Ricky Bullard, **Vice Chairman**
Amon E. McKenzie (Arrived: 7:03 P.M.)
James E. Prevatte
Giles E. Byrd
P. Edwin Russ
Trent Burroughs

APPOINTEES PRESENT:

William S. Clark, **County Manager**
Mike Stephens, **County Attorney**
June B. Hall, **Clerk to Board**

APPOINTEE ABSENT:

Bobbie Faircloth, **Finance Officer**

OTHERS in ATTENDANCE:

Leo Green, Green Engineering
Rodney Tart, Green Engineering
Kip McClary, Former Public Utilities Director

WORKSHOP CALLED to ORDER:

At 6:30 P.M., Chairman McDowell called the August 26, 2013 Combination of Five (5) Water Districts Workshop to order.

WORKSHOPS MEETINGS DEFINED:

Chairman McDowell stated the following relative to the purpose of workshops.

First: the workshop meeting is to inform the Board and permit discussion - no final action is taken;
and

Second: the procedures are less formal that at a regular meeting, but such meetings are part of the decision-making process, deliberations are going on, and therefore, they constitute "official meetings".

PRESENTATION - FINDINGS of FEASIBILITY STUDY:

Chairman McDowell turned the floor over to Leo Green and Rodney Tart, Green Engineering, to present the findings of a feasibility study to combine all five (5) Water Districts in Columbus County.

CONSOLIDATED BUSINESS PLAN with INFRASTRUCTURE MASTER PLANNING

Rodney Tart stated the following:

1. Back in January of this year, we made a presentation to you about an outline and a format that we would look at relative to the consolidation effort the Board had formed an agreement on, and that the Board wanted to move forward with;
2. Since about February 01, 2013, we have been collecting a lot of information from County staff;
3. In the late 1980's, Columbus County started developing a water system;
4. I have been unable to find in any of the records officially where it was ever truly expressed that it was the vision of the County to form a county-wide system;
5. As you go through the process of the districts and how they were formed, I think there was clearly an undefined and unexpressed vision that the different Boards through the years wanted to see water throughout the County as it became feasible;
6. With that vision, you have the issues with the interest of the public and the availability of

public funding, getting funding at the right time and getting people to commit to that is what has brought you to this point today;

7. There are two (2) parts of this study as follows:
 - A. Consolidation and putting business methods, polices and practices together for your staff to use to implement to truly bring the system into a truly unified and consolidated system; **and**
 - B. To try to identify in the Infrastructure Master Plan, improvements to the system that would be necessary over time as prices became feasible and as money would become available; **and**
8. The first objective in the study was to find a financial solution and the other objective was to develop a business plan.

CONSOLIDATED BUSINESS with INFRASTRUCTURE MASTER PLANNING

CONSOLIDATED BUSINESS PLAN

1.1 **Executive Summary**

- Develop a sustainable financial solution
- Develop a Business plan
 - Consolidate all districts with one (1) unified budget
 - Eliminate the current tax assessed in Districts II and III
 - Establish a Long Range Financial Plan
 - Set a Par Rate
 - Meet the annual fiscal needs of the budget
 - Create a Capital Improvement Plan
- Develop new policy to meet current industry standards
- Develop a long range Infrastructure Master Plan

STATISTICAL INFORMATION:

#	GIVEN	2013-14 CURRENT BUDGET	2014-15 BUDGET
1	Total Active Customers	4,767	5,037
2	Inactive Customers (0 Revenue)	1,112	-0-
3	Total All Customers	5,879	6,149*****
4	Residential Revenue	\$1,835,114	\$2,217,263
5	Commercial/Bulk Revenue	\$350,000	\$350,000
6	Districts II and II Tax Assessment	\$467,115	-0-
7	Other Revenue*	\$188,550	\$188,550
8	Grand Total All Revenue	\$2,840,779	\$2,755,813
9	Annual Residential Consumption (gallons)***	202,241,228	213,694,628
10	Annual Comm/Bulk Consumption (gallons)	58,615,000	58,615,000
11	Total All Consumption (gallons)	260,856,228	272,309,628
12	District II Interconnect Debt Service	-0-	\$78,000
13	Hallsboro District IV Debt Service	-0-	\$56,327
14	District I Ser.1995 and Ser. 1998 Payoff (\$945,000) - Debt Service Savings	-0-	\$87,005

#	GIVEN	2013-14 CURRENT BUDGET	2014-15 BUDGET
15	District III Series 2002B (\$205,000) - Debt Service Savings	-0-	\$13,238
16	Debt Service - ALL DISTRICTS	\$1,276,247	\$1,310,331
17	Debt Service Per Residential Customer	\$22.31	\$21,68
18	Total O & M	\$1,589,682	\$1,446,982 (1)
19	Total O & M And Debt Service	\$2,865,929	\$2,757,313
20	Unaudited Fund Balance Districts I - V (June 30, 2013)**	\$2,905,169	
21	Indirect Cost	\$77,000	\$38,500
22	Northwest Water Purchase	\$10,00	-0-
23	Tabor City Water Purchase Reduction	\$150,000	-0-
24.	Average Monthly Residential Usage (gal/mo) [(9) + (1)] + 12	3,535	-0-
25	Additional O&M Cost for New Construction	-0-	\$85,000

* Penalties, Return Checks, Taps and Leases

** I - \$505,015; II - \$934,048; III - \$688,898; IV - \$583,285; and V - \$193,923 = \$2,905,169

*** 5,037 x 12 x 3,535 gal/mo

**** Includes: 5,879 + {Hallsboro (75); Interconnect (75); 2013-2014 (60); 2014-2015 (60)} = 6,149

(1) Total O&M: Original O&M + Addt'l O&M - Tabor City Water Purchase - Northwest Water Purchase - District V Purchases from District I - 50% Indirect Cost

WHAT it NOW COST to PRODUCE and SELL WATER:

To Recover O & M and Debt Service -

\$2,840,929 Divided by total water sales in gallons 266,485M = \$10.66/1,000

To Recover just O & M -

\$2,840,929 Less debt service \$1,276,247.00 / 266,485M = \$5.87/1,000

PROPOSED PROJECTED COST with SAVINGS and NEW CONSTRUCTION:

To Recover O & M and Debt Service -

\$2,755,313 Divided by total water sales in gallons 272,283M = \$10.12/1,000

To Recover just O & M -

\$2,755,313 Less debt service \$1,310,331 / 272,283M = \$5.31/1,000

WATER SYSTEM CONSOLIDATION UTILITY RATE WORKSHEET:

#	SCENARIO	Avg. Monthly Residential Charge	Availability Charge*	Commodity Charge	Rate/1,000 Gallons
I	Rate required to break even in the current year budget including the new anticipated debt service for District I and District II Interconnect Project. This is a break even budget. Income equal expense. \$2,380,229	\$39.28	\$22.35	\$16.93	\$4.79
II	Takes into account the revenue required from residential customers in Scenario I and no water is purchased from Tabor City and/or Town of Northwest. Savings anticipated to be \$150,000 and \$10,200 respectively. \$2,220,029	\$36.63	\$22.35	\$14.28	4.04
III	Takes into account the savings in Scenario II plus paying off the debt for District I (\$945,000) and \$205,000 in District III. Total annual savings for this debt reduction of \$100,243 first year. \$2,119,786	\$34.98	\$22.35	\$12.63	\$3.57
IV	Takes into account the cumulative savings from Scenarios I, II and III. Reduces Indirect Costs from \$77,000 per year to \$38,500. \$2,081,286	\$34.34	\$22.35	\$11.99	\$3.39
V	Takes into consideration borrowing an additional \$1,337,000 loan with a \$1,119,300 grant to construct Hallsboro Project. This adds \$56,327 in new annual debt service cost with approximately \$62,434 in new Residential Revenue. (1) Assumes a 50% signup/connection rate for District II Interconnect and Hallsboro Projects. Adds an additional 150 connections giving the County a total of 5,037 connections; and (2) Adds an additional \$85,000 in new expenses. \$2,217,263	\$35.20	\$23.00	\$12.26	\$3.45

* Availability Charge equates to Debt Service only.

CONSUMPTIVE ANALYSIS

Year Total:

0

BLOCK RANGE	USERS PER YEAR	USE PER YEAR	AVG. MO. USE	%
0 - 999	9,391	0	0	16.42
1,000 - 1,999	6,685	6,685,000	5,000	11.69
2,000 - 2,999	8,885	17,770,000	10,000	15.53

3,000 - 3,999	8,977	26,931,000	15,000	15.69
4,000 - 4,999	7,301	29,204,000	20,000	12.76
5,000 - 10,999	13,895	88,734,000	31,926.62	24.29
11,000 - 15,999	1,291	15,971,000	61,873.60	2.26
16,000 - 20,999	349	6,170,000	88,350.32	0.61
21,000 - 50,999	329	9,550,000	145,265.81	0.58
51,000 - 999999	106	13,998,000	132,056.60	0.19
TOTAL:	57,209	215,013,000	3,758,38	0
ADJUSTED:	4,767	202,233,513	3,535	---

- 0 - 4,999 gallons consumed per month represents 72.09% of customer base
- 5,000 - 10,999 gallons consumed per month represents 24.29% of customer base
- 0 - 10,999 gallons consumed per month represents 96.37% of customer base

WATER SYSTEM CONSOLIDATION RATE COMPARISON

Current Rate System (Districts I, II, III and V)	(IV)	Consolidation Rate System	
Base Rate = \$25.00 (Includes 2,000 gallons in base)	\$26.00	\$23.00	
Commodity = \$4.00 / 1,000	\$5.00 / 1,000	0 - 4,999	\$3.45 / 1,000
		5,000 - 21,000	\$3.85 / 1,000
		21,000 - 51,000	\$5.50 / 1,000
		51,000 -	\$6.15 / 1,000

WATER SYSTEM CONSOLIDATION RATE COMPARISON

Comparison Based
(Avg Use of 3,535 gpm)

DISTRICT	PRESENT	PROPOSED	DIFFERENCE
I	\$31.14	\$35.20	\$4.06
II	\$31.14	\$35.20	\$4.06
III	\$31.14	\$35.20	\$4.06
IV	\$33.68	\$35.20	\$1.52
V	\$31.14	\$35.20	\$4.06

PROJECTED MONTHLY PROPERTY TAX REDUCTION

Real Property Tax Value	District II Mo. Chg @ \$0.07 / \$100.00	District III Mo. Chg @ \$0.11 / \$100
\$100,000.00	\$5.83	\$9.17
\$200,000.00	\$11.67	\$18.33
\$300,000.00	\$17.50	\$27.50

The current budget rate schedule does not adequately recover Debt Service. Services larger than 3/4" x 5/8" should be charged according to some standard.

The **revised** debt service availability fee is as follows:

<u>METER SERVICE SIZE</u>	<u>DEBT SERVICE AVAILABILITY FEE</u>
3/4" - 1"	\$23.00
1 1/2"	\$34.50
2"	\$46.00
3"	\$69.00
4"	\$92.00
6"	\$138.00
8"	\$184.00

REVENUE PROJECTION TABLE
(CPI 2.7% Annual Increase)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Projected Annual Budget	\$2,835,929	\$2,756,313	\$2,830,733	\$2,907,163	\$2,985,656	\$3,066,269
Net Change Per Year		-\$79,616	\$74,406	\$76,415	\$78,479	\$80,598
Districts I, II, III, V	\$25 Flat / \$4.00/1,000	\$31.14				
District IV	\$26 Flat / \$5.00/1,000	\$33.68				
Consolidated		\$35.20	\$36.15	\$37.13	\$38.13	\$39.16
			\$0.95	\$0.98	\$1.00	\$1.03
2013-14 Budget Revenues	\$2,888,929					
2012-13 Budget Revenues	\$2,826,668	\$62,261	2.20%			

CONSOLIDATION RATE CHANGE BENEFITS

1. Scenario V Rate if adopted by the Board will provide the lowest residential rate and abolishes the current tax assessed in Districts II and III once all conditions are met.
2. Reduces cost of operations and debt service.
3. Allows for new construction and new debt service.
4. Establishes a debt recovery system.

CONSOLIDATED BUSINESS PLAN

1. Provides new policies for management and governance;
2. Defines Vision, Mission and history;
3. Financial Goals and Objectives in Management;
4. Provides for direction to staff on how to plan for new additions;
5. Integrates proposed system expansion into a Capital Improvement Plan that can be adjusted annually;
6. Evaluates operating efficiencies;
7. Gives recommendations for the Water Advisory Board's role;
8. Provides new Rules and Regulation changes;
9. Provide master planning maps;
10. Provides draft specifications; **and**
11. Provides draft policy for scoring higher on future funding programs.

INFRASTRUCTURE MASTER PLAN

1. Provides a master overview of the entire County system;

2. Proposes long range changes to expand services and transport water;
3. Provides for direction to staff on how to plan for new additions;
4. Includes water supply, transmission, pumping, storage, SCADA controls and planning; **and**
5. Integrates proposed construction into a Capital Improvement Plan that can be adjusted annually.

NEXT STEPS:

1. Approve the Consolidation Resolution;
2. Approve the Inter-local Management Agreement;
3. Pay off debt in District I and part of debt in District II;
4. Begin implementing action under Options IV and V; **and**
5. Ensure construction sequences for new construction to be on schedule to meet the new rate implementation time line.

IMPLEMENTATION TIME LINE:

1. September 03, 2013:
 - Board approves Consolidation Resolution
 - Board approves Inter-Local Management Agreement
2. October 01, 2013:
 - Finance Department pays off debts
3. December 01, 2013:
 - Board approves new mutual aid contract with Town of Northwest
4. July 01, 2014:
 - Implement indirect cost savings
 - Start using water from District II
 - Switch Acme system over to District IV grid
 - Implement rate change
5. January 2014:
 - Initiate phasing out water tax from Districts II and III
6. January 2015:
 - Start up Hallsboro System

1.12 RECOMMENDATIONS:

1.12.1 Board approve the Consolidated Business Plan, charge the staff, with the assistance of the Finance Department and County Attorney, to proceed with implementation.

1.12.2 Ensure that collaboration be enforced through the implementation phase and make adjustments to the plan that best fits the needs of the utility.

1.12.3 Board passes the Consolidation Resolution, create the General Utility Fund and enter into an agreement with all Districts and the County for perpetual care and management of the Districts.

1.12.4 Initiate measures under Section VIII- "Rates and Fees", Subsection 8.4, Scenario V, to reduce budget cost and to set the FY 2014-2015 Budget water rate to go into effect July 1, 2014.

1.12.5 Review the roles of the Water and Sewer District Advisory Commission, consider making new appointments, and redefine their role. Charge the Commission with seeing that the Consolidated Business Plan is implemented. Garnish their input on new policy recommended by the Plan. Require quarterly reports to the Columbus County Board of Commissioners.

1.12.6 Give a directive to staff to ensure that the new mission and vision statement be promoted throughout the County via water bills, correspondence, internet, and other media

resources.

1.12.7 Begin adopting new policy as recommended in the Consolidated Business Plan.

1.12.8 Redesign the Utility Department website to make available useful information such as billing rates, fees and charges, water user agreements, maps, and Advisory Commission Meeting minutes.

1.12.9 Adopt the Long Range Financial Plan as recommended in the Consolidated Business Plan.

1.12.10 Require Utility Director to present to the Water and Sewer Advisory Commission the Annual Capital Improvement Plan for review and concurrence. Upon Commission approval, present to the Board of Commissioners as part of the FY 2014-15 budget.

1.12.11 Authorize the Utility Department to hire temporary help to assist billing clerk in correcting old records to facilitate the new billing software change as soon as possible.

CONCLUSION:

Chairman McDowell stated there was a need for the Board to decide when the necessary documents, as recommended by Rodney Tart, should be placed on the Agenda for consideration of approval.

After discussion was conducted, it was the general consensus of the Board, to place the following documents on the September 16, 2013 Agenda for consideration of approval:

1. Consolidation Resolution;
2. Inter-Local Management Agreement; **and**
3. Consolidated Business Plan.

The order of approval of these applicable documents was discussed, and the County Attorney is to decide what order the documents would be approved in.

COMMENT:

Robert Adams: stated the following:

1. I have been sitting in the audience for the last ten (10) years listening to discussions on the water issues;
2. This is the best business plan that I have heard so far;
3. If this is carried out like he proposes it to be, I think people will be satisfied with it and we will still have a lower than average water rate for people to use; **and**
4. I would like to thank you for having him propose this, and I encourage you to adopt this.

Rodney Tart: I would like to thank all the staff that was involved in getting all this detailed information compiled.

ADJOURNMENT:

At 8:23 P.M., Chairman McDowell stated the Workshop was adjourned.

APPROVED:

JUNE B. HALL, Clerk to Board

CHARLES T. McDOWELL, Chairman