

# BOARD OF ALDERMEN MINUTES

JUNE 21, 2024, 10:00AM

TOWN HALL COUNCIL CHAMBERS, 321 CAUSEWAY DRIVE, WRIGHTSVILLE BEACH

A duly-noticed special called meeting of the Board of Aldermen was called to order at 10:00am by Mayor Mills. After the Pledge of Allegiance, the invocation was provided by Acting Town Manager Tony Wilson. The following were present:

## Board of Aldermen

F. Darryl Mills, Mayor  
Hank Miller, Mayor Pro-tem  
Jeff DeGroot, Alderman  
Ken Dull, Alderman  
Vivian (Zeke) Partin, Alderman

## Staff

Tony Wilson, Acting Town Manager  
Lance G. Heater, Town Clerk  
Brian Murray, Finance Director  
Bill Fay, Public Works Director  
Brian Edes, Town Attorney

## BACKGROUND INFORMATION

Mills stated that the purpose of the meeting was to consider presentations on the proposed merger of the Town's Water & Sewer utility with the Cape Fear Public Utility Authority and to consider approval of a Consolidation Agreement. Mills noted that the meeting was the culmination of a multi-year effort to provide a safe and secure source of quality water. Mills asked Dull to review the sequence of events leading up to the meeting, stating that Dull had chaired the ad hoc committee which was formed several years ago to examine issues related to water.

Dull provided a history as follows: 1) Water & Sewer Ad Hoc Committee formed in October, 2014; 2) GMA delivered a 212 page report on the Town's water system in August, 2015; 3) in September 2016, McKim & Creed was contracted to perform a system assessment; 4) in January 2018, a joint meeting between the Ad Hoc Committee and Board of Aldermen was held to review the McKim & Creed results; 5) in January 2019, PFAS was discovered in the main well for WB (#11) and it was immediately shut down; 6) following the shutdown, the Town entered into an agreement to purchase water from the CFPUA; 7) in March, 2019, internal discussions began with staff, McKim & Creed and GMA concerning the future options for the Town; 8) in February 2022, talks began with CFPUA regarding a potential merger of the two systems; 9) in October 2022, a kickoff meeting was held with the Town and CFPUA with third party HDR acting as moderator/mediator; 10) in February 2023, Town officials met with Representative Ted Davis and Senator Michael Lee regarding State funding for a possible merger; 11) in July 2023, the State appropriated \$26 million to help in obtaining clean water for Wrightsville Beach; 12) in November 2023, the Town hired Stantec to represent the Town, conduct a financial analysis and make recommendations; and 13) in March 2024, a deal in principle was agreed to between the CFPUA and the Town.

## PRESENTATION

A presentation was made by Jeff Adkins of HDR Engineering. Adkins reviewed the core principles for utility consolidation as 1) Town customers would become CFPUA customers, with the same service expectations; 2) that there would be a transition period prior to the transfer date in which final details would be settled in order to facilitate the transfer; and 3) consolidation costs would be funded by state budget appropriations and Town utility funds. Adkins stated that factors in the success of the consolidation were 1) confidence in determining if consolidation was feasible; 2) that a win-win outcome be achieved for the Town and CFPUA; 3) that the final agreement would be fair and reasonable; and 4) that the Town achieve a dependable, economically feasible, long term water

source. Adkins reviewed the feasibility study perspectives as including 1) a capital plan; 2) organizational/operational considerations; 3) financial pro forma; and 4) agreement terms.

Regarding capital improvements, Adkins noted that the Town relied on prior studies to identify projects that would integrate the Town system into the CFPUA service area and deliver a consistent level of services. The implementation period was stated to be 5-10 years, with a preliminary budget of \$24 million.

Adkins stated that financial factors included 1) that the Town is nearly built out, with growth not being a factor; 2) the State appropriation provided reimbursement for actual costs (\$17M to CFPUA and \$8M to the Town) on a reimbursement basis; 3) the Town's utility fund/capital reserves would be utilized; 4) the pro forma model was developed to map consolidation costs and revenues and the timing to cost recovery; 5) that the Town and CFPUA rate structures differ, but generate similar revenue overall. Adkins then reviewed the rate structures and changes to monthly bills with the conversion to CFPUA rates.

Regarding the consolidation agreement, Adkins stated 1) that it used concepts and draft terms that were included in other prior successful NC utility consolidations; and 2) that the initial consolidation agreement was prepared based on responses to the initial positions questionnaire. Adkins then reviewed the timeline which led to the agreement. In describing the key terms of the agreement, Adkins noted 1) that the target transfer date was 9/30/2025; 2) that the capital plan includes the Town paying water system development charges for existing Town customers; 3) that the Town's cost liability was capped at the sum of the net state direct appropriations and the utility fund balance at the end of the transition period; 4) that Town customers adopt CFPUA rate structure on transfer date and would have the same base monthly rate and consumption rates as CFPUA customers; 5) during the cost recovery period, there would be 1 water/wastewater system with 2 service areas in order to track costs; 6) that the Town will transfer to CFPUA ownership of facilities, property, land, equipment, financial assets, information and data subject to the agreement; and 7) that the Town water/sewer utility staff (7 positions) would be eligible to transfer to CFPUA employment at the transfer date with no loss of pay, leave or years in the retirement system.

Adkins reviewed the transition period timeline as 1) CFPUA Board approval was granted on 6/19/2024; 2) the Board of Aldermen approval was slated for 6/21/2024; 3) that approval was contingent upon technical review by the Wilmington City Engineer and New Hanover County Engineer (projected July 2024) and approval of the Local Government Commission (projected September 2024); 4) a joint staff Utility Advisory Committee be selected (July 2024); 6) approval of a program management contract (October 2024); 7) begin design activities (January 2025); 8) finalize transition reports (July 2025) and 8) transition date of 9/30/2025.

Adkins briefly reviewed transition period activities which would include customer communications, HR collaboration; employee training; modification of CFPUA billing system, beginning the consolidation capital program, finalizing property and easements transfers, evaluating town service-related contracts for transfer, and transferring Town utility records, data and permits to CFPUA. Following the transfer date, the CFPUA would be responsible for the operation of the Town water/wastewater utility and would continue operating the Town's wells for a period of time until key projects were completed. Adkins noted that the wells may remain as a long-term tool for water supply resiliency.

Andrew Burnham of Stantec reviewed the financial analysis done on behalf of the Town. Burnham reviewed the potential rate impacts based on a merger not occurring with two different scenarios: one in which the Town would receive the State appropriation and one in which the Town would receive no State appropriation. Even under the State appropriation scenario, the Town would need to increase rates by 80% over 4 years, with a 100% increase by 2030. Without the State appropriation, the increase would be approximately 160% higher in 4 years and 200% higher by 2030. With the proposed merger, forecasted rate increases were in the range of 3-4% per year.

Members of the Board expressed appreciation to Adkins and Burnham for their report and to the Town and CFPUA staff members who have been involved in the process.

### **PUBLIC HEARING**

The Mayor declared the public hearing open at 10:50am. In response to a question from Lisa Pruim, 834 S. Lumina, the Mayor stated that there would be no assessment if project costs went over the projection, as the Town's total financial investment was capped. Pruim also expressed concern regarding water quality, asking if it would improve under the proposed merger. Kenneth Waldroup, CFPUA Executive Director, noted that the CFPUA had just installed a \$43 million water filtration system which has greatly improved water quality.

Neal Briggi, 4 W. Henderson St., asked about the Town's ongoing responsibility after the transition, to which the Mayor responded that CFPUA would own and operate the system once the transaction is finalized. Briggi also expressed concern that coordination occur between the CFPUA and the Town's Public Works Department after the merger is complete. In response to a question from Briggi, Finance Director Brian Murray stated that revenues received by the Town for leases on its water towers would be CFPUA revenues after the merger, as these funds are now received by the Water and Sewer Fund.

Jeff Turpin, 105 Island Dr., stated that there should have been more notice of the meeting and asked if the CFPUA was taking the property "as is", to which Mills responded that they were. In response to a question from Turpin, Waldroup stated that the utility fund balance (estimated at \$11million) would be utilized for Town projects and activities.

The meeting was adjourned at 11:16am.

Respectfully submitted,

Lance G. Heater, Town Clerk