

MINUTES OF THE SPECIAL CALLED JOINT MEETING OF
MCRWASA BOARD OF COMMISSIONERS
TOWN OF WILLIAMSTON BOARD OF COMMISSIONERS
MARTIN COUNTY BOARD OF COMMISSIONERS

The Martin County Regional Water and Sewer Authority (MCRWASA) Board of Directors met in a special called session with the Town of Williamston Board of Commissioners and Martin County Commissioners on Wednesday, July 15, 2020 at 5:30 p.m. in the NC Telecenter located at 415 East Boulevard, Williamston, NC.

ASSEMBLY

Martin County Regional Water and Sewer Authority Board of Directors and Staff in attendance: Chairman David Bone, Vice Chairman Al R. Chesson, Director-Alt. Tommy Bowen, Director Stacy Stalls, and Director-Alt. William Coffield. Director Julius Patrick participated remotely. Also in attendance was Suez Project Manager Joe Thaxton.

Martin County Commissioners and Staff in attendance: Chair Tommy Bowen, Vice Chair Dempsey Bond, Jr., Commissioner Ronnie Smith, Commissioner Elmo “Butch” Lilley, County Manager David Bone, Clerk to the Board Jessica Godard, and Sheriff Tim Manning. Finance Officer/Deputy Clerk Cindy Ange and Water District Manager Ed Warren participated remotely. Commissioner Joe R. Ayers was absent.

Town of Williamston Commissioners and Staff in attendance: Mayor Joyce Whichard-Brown, Mayor Pro-Tem Ronell Rodgers, Commissioner Al Chesson, Commissioner William Coffield, Commissioner Jerry Knox, and Commissioner Alton Moore, Town Clerk Christina Craft, and Town Administrator John O’Daniel. Also in attendance were Gary Barmer with the Town of Williamston Water Department, and Town of Williamston Public Works Director Kerry Spivey.

Martin County Commissioner/Chairman Tommy Bowen, Williamston Mayor Whichard-Brown, and Martin County Regional Water and Sewer Authority Chairman Bone called the meeting to order at 5:30 p.m. Williamston Commissioner Moore led the Pledge of Allegiance. Martin County Commissioner Chairman Bowen provided the invocation.

Clerk to the Board Jessica Godard performed a roll call for the Martin County Board of Commissioners. Town Clerk Christina Craft performed a roll call for the Martin County Regional Water and Sewer Authority Board of Directors and the Town of Williamston Commissioners.

AGENDA APPROVAL

For the Martin County Regional Water and Sewer Authority, Director Stalls made a motion to approve the agenda as presented, with a second from Director Chesson. The Board approved the motion unanimously.

For Martin County, Commissioner Lilley made a motion to approve the agenda as presented, with a second from Vice Chairman Bond. The Board approved the motion unanimously.

For the Town of Williamston, Commissioner Chesson made a motion to approve the agenda as presented, with a second from Commissioner Coffield. The Board approved the motion unanimously.

Roll Call Vote for agenda approval:

Aye:

Director Patrick
Chairman Bone
Director Chesson
Director Stalls

Nay:

MCGILL ASSOCIATES -- Water Merger and Regionalization Study Report

County Manager Bone stated staff from McGill Associates would be providing the results of a Water Merger and Regionalization study. County Manager Bone stated this had been in the works for many years, and Martin County had received a grant to pay for the study. No decision would need to be made tonight, but there would be an opportunity for questions and discussion after the presentation of the report.

Project Manager R.J. Mozeley and Business Services Manager Gary Jackson with McGill Associates were present to review the water systems merger and regionalization evaluation. Project Manager Mozeley provided a summary of what would be discussed in the presentation. Next, Project Manager Mozeley reviewed the Merger & Regionalization Program and how it was administered (through North Carolina Division of Water Infrastructure) through grant funds. Project Manager Mozeley reported the state recognized systems that were in distress and prioritized those projects for mergers to attempt to relieve the distressed systems.

Project Manager Mozeley reviewed the current state of the water systems in Martin County, noting the current Public Water Service providers and Wastewater Service providers throughout the county. Next, Project Manager Mozeley showed a map of Martin County, showing the current systems and water districts and where needs were for services.

Project Manager Mozeley next discussed the current state and need, stating it was a universal truth that utility systems all had needs, and those needs would vary. Affordability and viability (fixed costs and variable costs) would continue to be important, as industry trends showed costs to provide services would continue to increase. Rates established for utility systems would need to continue to increase to cover the cost of providing those services.

In the financial analysis section of the presentation, Project Manager Mozeley highlighted population served, number of connections, and current demand (MGD) for each water district in Martin County. He pointed out that there were a relatively low number of connections in the water districts 1 and 2, making it more difficult to make money or break even. The number of customers for the Town of Williamston's water system was relatively low also. All information used in the report was based on audit information.

It was noted that Martin County Water District 1 and the Town of Williamston operated at an operating ratio of 1.0 or better, meaning operating at a break-even status. Martin County Water District 2 and MCRWASA operating ratios were below 1.0, meaning they operated at a loss. If a system operated below 1.0 for an extended period of time, the Local Government Commission should step in to help utility systems evaluate their operations. Some cooperation with operating utility systems would be necessary to ensure services were provided at the most efficient cost. The overall need included more customers and more sales.

Mr. Gary Jackson provided information about the importance of collaboration, mergers and consolidation. Mr. Jackson highlighted his work history and experience working with utility systems and in city management. Mr. Jackson stated McGill staff was unable to find a system that had the same unique challenges as those in Martin County. Mr. Jackson explained how affordable water service was a difficult business, not just in Martin County. Mr. Jackson discussed the fragmented systems all across North Carolina and touched on how mergers and consolidations could potentially be helpful to some utility systems.

Mr. Jackson reported several strategies that were discussed in the merger study. The strategies for evaluation that Mr. Jackson discussed were 1) management partnership with Greenville Utilities Commission, 2) comprehensive consolidation of water and wastewater utilities in Martin County, 3) informal and formal partnerships of MCRWASA and other utilities in Martin County (Martin County and Town of Williamston), and 4) additional cost saving measures. Mr. Jackson provided examples for each strategy and discussed pros and cons of each approach. Mr. Jackson stated it was up to the elected officials to decide if a merger was in their best interest but stated it was a huge challenge.

Mr. Jackson further discussed methods for informal and formal partnerships. Informal examples included shared equipment, bulk supply purchases, and mutual aid agreements. Formal examples included shared operators, line maintenance agreements, and shared administrative and billing functions. Mr. Jackson stated formal and informal partnerships would not solve any outstanding debt or bring the rates down, but over time the small savings would add up.

Project Manager Mozeley showed some comparative financial analyses with comparable systems throughout the state. The administrative costs of Town of Williamston and MCRWASA + Water District 1 and 2 were compared with Anson County, Boone, Lenoir, Valdese, and Waynesville. The estimated administrative costs were based on the annual cost divided by the total number of connections to reach a cost per connection. The cost per connection for the Town of Williamston was \$109 per connection. The cost per connection for MCRWASA + District 1 and 2 was \$88 per connection. There were many other jurisdictions that had costs per connection much lower than those in Martin County, highlighting the opportunity for improvements and savings.

Project Manager Mozeley discussed water production cost and compared those costs to comparable water plants. Although costs would vary from plant to plant, this comparison did show that overall, there could be room for improvements regarding the cost of water production at the MCRWASA plant.

WATER PRODUCTION COST PER MILLION GALLONS			
Utility	Mgal/Year	Cost/Year	\$/Mgal
MCRWASA	239	\$ 829,672	\$ 3,471
Comparison			
Anson County NC	2,335	\$ 2,162,000	\$ 926
Broad River Authority	2,147	\$ 1,005,000	\$ 468
Boone NC	451	\$ 1,014,000	\$ 2,249
Lenoir NC	1,885	\$ 2,386,000	\$ 1,266
Marion NC	471	\$ 723,835	\$ 1,537
TWSA, Sylva NC	324	\$ 703,150	\$ 2,170
Valdese NC	993	\$ 1,034,000	\$ 1,042
Waynesville NC	1,286	\$ 1,417,000	\$ 1,102

Project Manager Mozeley discussed the debt services of the different water entities in Martin County. Debt service restructuring for MCRWASA and Water Districts 1 and 2 was discussed. This was not discussed for the Town of Williamston because of the low debt and interest for that debt service. The principle and interest remaining on the debt service was discussed, as well as the potential savings that could be utilized with debt restructuring with a lower interest rate and potential lengthening of term. The figures could be reasonable assumptions based on the current market, but the date showed there could be some better conditions of terms on the market.

MCRWASA Alone		
Principle & Interest Remaining - \$28,846,448 (~36 years)	Current Rate – 2.875%	Current Payment - \$812,130
25	2.0%	\$919,155 / increase ~\$107k
30	2.0%	\$801,246 / decrease ~\$10k
35	2.0%	\$717,843 / decrease ~\$94k
Martin County Alone		
Principle & Interest Remaining - \$19,621,3238 (~24 years)	Current Rate – 4.0%	Current Payment - \$838,000
25	2.0%	\$662,280 / decrease ~\$176k
25	2.5%	\$701,788 / decrease ~\$136k
30	2.5%	\$617,765 / decrease ~\$220k
MCRWASA & Martin County Combined		
Principle & Interest Remaining - \$48,467,776	Current Rate – 2.875% - 4.0%	Current Payment - \$1,650,130
25	2.0%	\$1,581,435 / decrease ~\$69k
30	2.3%	\$1,436,083 / decrease ~\$214k
30	2.5%	\$1,475,138 / decrease ~\$175k

When discussing future capital needs, Project Manager Mozeley reviewed there was no formal plan that existed for the Town of Williamston. The County plan included radio-read meter replacements and water main/loop replacements. The MCRWASA water treatment plan was effectively new, but depreciation should be beginning now. Moving forward, each water system should assume a 1% per year minimum amount for general renewals and replacements within the distribution systems.

In conclusion, Project Manager Mozeley stated the systems in Martin County were very similar to others across the state in being fragmented. Martin County was unique in its high debt burden and how it came to be (unfunded regulations) and the high cost of operations at the water treatment plant. It was suggested to grow existing partnership and cooperation by seeking improved financing terms or cost sharing. Also, legislative debt relief or other means of debt relief was suggested as something to consider pursuing. Project Manager Mozeley then opened the floor for any questions.

Martin County Commissioner Smith stated he remembered Mr. Gary Jackson being involved with Asheville, NC consolidation process and commended Mr. Jackson on his work. Also, Commissioner Smith asked where Marion, NC got its water. Project Manager Mozeley stated Marion, NC had a surface water plant, similar to Martin County, although slightly more efficient. Commissioner Smith stated there were many cities and counties that Martin County officials could sit down with to get helpful information regarding operations.

Williamston Commissioner/MCRWASA Board Member Al Chesson stated there was a disparity between Martin County and the other entities it was being compared to regarding

water production cost, stating most of the entities were approximately double the size of Martin County.

Mr. Gary Jackson stated since the merger study had been done, it was “time to pivot”. The current debt issues would not be solved with mergers and acquisitions. Mr. Jackson said the leaders of the county should continue to reach out to partners for helpful information, and work with legislators to try to receive some debt relief.

Martin County Commissioner Smith asked how many other systems similar to ours actually have received debt relief from legislature, and Project Manager Mozeley stated none that he could recall. However, he spoke about House Bill 536 in Cumberland County (Eureka) with a small utility company, and the Local Government Commission (LGC) stepped in to manage that water system. The LGC comes in for a water system that are not operating at a break-even or profitable status. Commissioner Smith stated when the water treatment plant was built, there was already a tremendous amount of debt. Unless some other method of selling water was utilized, the debt would be an issue for many years to come. There were no programs in place to come in and completely relieve a debt, but HB 536 was put in place to help manage debt.

Mr. Gary Jackson reiterated it was “time to pivot”. Legislative relief would not come overnight. Mr. Jackson stated there had been a certain injustice, due to unfunded mandates that had caused the debt problem with the water system. Commissioner Smith stated the merger study was not the solution, but it provided leverage for talking with legislators when requesting relief.

County Commissioner Lilley discussed the situation regarding the unfunded mandate in building the water treatment plant, causing the problem with the debt. Commissioner Lilley stated the issues were caused at a state level, and Martin County was doing the best it could with its limited resources. It was a “no-win” for Martin County according to Commissioner Lilley.

Williamston Commissioner / MCRWASA Board Member Al Chesson stated putting all politics and existing equities aside, the most ideal situation would lead to cutting operational costs and cost per gallon to the consumer, not eliminate the debt problem. Mr. Gary Jackson agreed and reiterated there were no short-term solutions to the problem. Commissioner Chesson spoke about the future possibility of federal assistance, but Project Manager Mozeley stated those funds would be focused on rehabilitation and replacement projects, with a large portion of funds going towards other utilities other than water/sewer utilities.

Project Manager Mozeley stated growing the customer base, whether by adding new customers or having one customer greatly increase their usage (commercial customer), would be the most effective way of being able to drive down costs to the customer. Even with these efforts, the debt would not be eliminated immediately. Mr. Gary Jackson stated one exception related to Community Development Block Grant funds that would potentially address needs in older and disadvantaged neighborhoods.

Martin County Commissioner Vice Chairman Bond thanked McGill for their information. He stated the water needs in the county were much less than they were 20 years ago, along with the Town of Williamston losing one of their biggest customers. Vice Chairman Bond recalled officials were told many years ago that their water aquifer was being infiltrated by salt water. He further stated he did not feel the brackish water was gone. The river levels were currently high because of water being released from the dams in Virginia. The lower the river gets, the

more brackish water will continue to come in. Vice Chairman Bond stated the Domtar Plymouth plant ran lines up the river to get fresher water. At some point in time, the fresh water would stop because the dams will stop releasing as much fresh water to preserve their lakes. Then, Martin County would have to utilize another source of water, and the water treatment plant would be that source. If the area wanted to continue to grow, water would need to be available. Officials would have to get together to work something out, and Martin County needed to keep the water treatment plant because it was an asset.

County Commissioner Smith stated Washington County would be needing fresh water soon, due to salt getting in their aquifer. Commissioner Smith stated the aquifer in Martin County was losing water at a rate of 2 inches per year at one point. Officials were told water usage needed to decrease by 75% over time by 2018. He stated the situation needed to be looked at beyond Martin County for making water sales.

Project Manager Mozeley stated Robersonville was looked at as a possible partner but that was not a good plan for them.

County Commissioner Smith asked how many towns or counties sold their water in bottles. Project Manager Mozeley stated he was not aware of any. County Commissioner Smith stated there were no FDA regulations for water. He stated there were counties that had water bottles with their name on it, implying they were selling water. County Commissioner Smith stated officials needed to think outside of the box and approach other avenues to increase revenue. SUEZ Project Manager Joe Thaxton stated that type of production was very expensive. County Commissioner Smith stated there had to be some other type of operation the county could partner with to sell water.

County Commissioner Smith Chairman Bowen thanked the McGill staff for their hard work and presentation.

County Manager Bone also thanked McGill for their diligence. County Manager Bone stated Williamston Town Administrator John O'Daniel and he were looking for guidance from the elected officials, and would continue to work with the Boards as the conversation continued regarding the water situation. Chairman Bowen stated another meeting would need to be held sometime in the near future for further conversation. County Commissioner Smith stated the officials needed time to digest the information and come up with options, and then meet back at a later date with ideas as partners to help eliminate the debt to the County and Town of Williamston. County Manager Bone stated staff would have a discussion with its financial consultant, Davenport, to discuss possibilities for refinancing.

County Commissioner Lilley compared this situation to the new 9-1-1 center, stating collaboration was successful in that project. County Commissioner Lilley stated there were so many potential avenues and possibilities to help this situation.

County Commissioner Smith thanked the Town of Williamston for agreeing to participate in this study and for being willing to partner with Martin County. He stated partnerships and collaboration were vital to be successful. Chairman Bowen agreed, stating Martin County had always had a good relationship with the Town of Williamston.

ADJOURNMENT

With no further business to discuss, MCRWASA Chairman Bone adjourned the meeting at 7:11 p.m.

With no further business to discuss, Martin County Commissioner/Vice Chair Bond made the motion to adjourn the meeting at 7:11 p.m., with a second by Martin County Commissioner Lilley. The Board approved the motion unanimously.

With no further business to discuss, Town Commissioner Chesson made a motion to adjourn the meeting at 7:11 p.m., with a second by Commissioner Coffield. The Board approved the motion unanimously.

David Bone, MCRWASA Chairman

Christina Craft, NCMCC
MCRWASA Secretary