

Onslow Water & Sewer Authority
Board of Directors' Special Meeting Jacksonville City Hall
Thursday, July 30, 2020
APPROVED MINUTES

CALL TO ORDER: Having a quorum, Chairman Jerry Bittner called the meeting to order at 6:00pm. Board members present included Chairman Jerry Bittner, Vice-Chairman Royce Bennett, Secretary/Treasurer Paul Conner and Directors Timothy Foster, Gregory Hines, Joann McDermon, and Pat Turner. Absent was Director Michael Lazzara.

INVOCATION: Chairman Jerry Bittner requested that Jeff Hudson, CEO, provide the invocation. Mr. Hudson led the Board and audience in prayer.

PLEDGE OF ALLEGIANCE: Secretary/Treasurer Paul Conner led the board and audience in the Pledge of Allegiance.

CHAIRMAN'S REMARKS – Chairman Bittner provided general guidance to the audience regarding the meeting.

1. **APPROVAL OF AGENDA** – Chairman Jerry Bittner called on Mr. Hudson to provide information on a requested agenda change. Mr. Hudson stated that at the pleasure of the Board he would ask that Item F Declaration of Intent to Amend Utility Ordinance inside the Consent Agenda be pulled from the agenda. Mr. Hudson explained that some additional language is required, and the item would be brought back for Board consideration at a future date. Director Gregory Hines made a motion to approve the agenda as amended. Secretary Paul Conner made a second. The motion passed unanimously.

2. **APPROVAL OF ITEMS ON CONSENT AGENDA** – A motion was made by Secretary/Treasurer Paul Conner to approve the consent agenda items with Item F removed. A second was made by Director Gregory Hines. The motion passed unanimously. Therefore, the April 2020, May 2020, and June 2020 Financial Reports, April 2020 and May 2020 OPS Reports were accepted, the April 30, 2020 Special Meeting Minutes, Administrative Service Agreements with Towns of Holly Ridge, Richlands, and Swansboro, County of Onslow and ONWASA Fiber Service Agreement, the Motion to proceed with execution of Change Orders for contract time extensions with A.C. Shultes of Carolina, Inc. and Enviro-Tech Unlimited Construction Services, LLC and authorization to for the Chief Executive Officer to execute the change orders and any additional documents as required in connection with the action, the Motion to approve the sale of the property to Gwendolyn Cummings in the amount of \$3,000 by Special Warranty Deed were approved.

3. **SPECIAL BUSINESS**

1. Introduction, Overview of Capital Construction and Annual Rate Adjustments

[A copy of the presentation may be found at Exhibit A and are fully incorporated herein by reference.]

Chairman Bittner called on ONWASA CEO, Mr. Jeffrey Hudson to present the item to the item to the Board. Mr. Hudson introduced the consultants present to the Board and audience. He asked Ms. Conti to provide background and an overview of the Authority's financial position. She began with an overview of the 10-year history of annual rate adjustments. Ms. Conti shared that ONWASA's rate increases over 10 years have averaged 1.25% in comparison to the North Carolina average of 4% for water and sewer rates. She stated that the history of the financial position has been very strong. Ms. Conti asked Mrs. Tiffany Riggs, CFO, to provide information on ONWASA's financial position during COVID-19.

2. Proposed Capital Improvement Program – The Foundational Layer of Proposed Future Construction

Mr. Jeffrey Hudson, CEO, provided an overview of the item. Mr. Hudson explained that the Foundational CIP is the first of the future construction decisions being presented and does not include the Swansboro or Southeast Wastewater Options.

Mr. Hudson asked Mr. David Mohr, ONWASA Chief Operations Officer and Professional Engineer to present this item.

Mr. Mohr explained the differences between the Proposed Foundational CIP and the 2018 Approved CIP. [p 2, slides 7 and 8 of Exhibit A]

Chairman Jerry Bittner asked why not put the Topsail Island Booster station on the other side of the bridge and cut down on cost. Mr. Mohr explained that by placing it on the mainland it would be accessible at all times even in the event of a hurricane. Mr. Mohr added that they did consider putting in additional storage but they were worried about the potential for damage due to storms. Director McDermon added that a large amount of the land on the mainland side of the bridge is taken up by North Shore Country Club and that the Town of North Topsail Beach town hall and acreage is located right over the bridge. Mr. Mohr replied that after assessing what land is available that might be considered. Vice Chairman Royce Bennett asked if the booster station would be like a pressure operated pump so it only came on when the pressure dropped. Mr. Mohr replied yes, if it is not needed to operate it would not come on.

Ms. Conti provided information on necessary future investment to fund the Proposed Foundational CIP. [p 2, slides 9-12 of Exhibit A]

Mr. Hudson stated if there were no other questions concerning this item staff request Board consideration of the 2020 Foundational CIP, the Topsail Booster Station Project Ordinance, and the ORWRG Aquifer Study Monitoring Wells Project Ordinance.

Action: A motion was made by Vice Chairman Royce Bennett to approve the 2020 Foundational Capital Improvement Plan. Director Gregory Hines made a second. All were in favor. The motion carried unanimously.

Action: A motion was made by Director Joann McDermon to approve the Topsail Island Booster Pumping Station Project Budget Ordinance. Director Pat Turner made a second. All were in favor. The motion carried unanimously.

Action: A motion was made by Director Gregory Hines to approve the ORWRG Aquifer Study Monitoring Wells Project Budget Ordinance. A second was made by Director Paul Conner. All were in favor. The motion passed unanimously.

3. Swansboro Wastewater Alternatives – Second Layer of Proposed Future Construction

Mr. Hudson provided an overview of the item. He asked Mr. David Mohr to begin with explaining why we are studying the wastewater alternatives. Mr. Mohr said the why we are here can be explained by using the graph Capacity Versus Demand Swansboro. [p 3 and p 4, slides 15-20 of Exhibit A]

Chairman Jerry Bittner asked Mr. Mohr to explain the land acquisition easement cost which varies from zero to \$300,000. Mr. Mohr said that would come in where we have to do a pump station. He gave the example of an intermediate pump station that would require the purchase of property because it wouldn't be anywhere near an ONWASA facility. Mr. Mohr added that with Alternative 1 the first major pump station would be going on the grounds of the Hubert Water Plant because it is close and would not require property acquisition.

Ms. Elaine Conti provided data concerning necessary future investment to fund the Swansboro Wastewater Alternatives and the customer impact. [p 4 slides 21 and 22 of Exhibit A]

Pat Turner asked what happens to the property in Swansboro if we go to the base and with the lease that we have with the base and what are the options if the

Base decides to stop doing this. Mr. Mohr replied the Intergovernmental Agreement with the Base provides a 3 year notice should they (Base) be unable to take it. Mr. Hudson answered that he believes it is essential that ONWASA retain the property. He further stated that staff's professional recommendation would be that ONWASA not release any of the property for any other purpose. Chairman Jerry Bittner asked who owned the property. Mr. Chuck Kitchen replied that the Town of Swansboro owns the wastewater treatment plant and if ONWASA stopped using it and decommissioned it including filling in all of the lagoons then it would revert back to Swansboro. Secretary/Treasurer Paul Conner said but we are not proposing to decommission it.

Mr. Hudson added that staff's professional recommendation would be to retain the property. Mr. Mohr answered that even if the Board chose Alternative One there would be active facilities on the site.

Action: Director Tim Foster made a motion to approve Swansboro Alternative 1. Director Joann McDermon made a second. The motion passed unanimously.

4. **Southeast Wastewater Alternatives – Third Layer of Proposed Future Construction**

Mr. Hudson provided an overview of the item. Mr. Hudson reiterated that there are now 4 Southeast Wastewater Alternatives. Mr. Hudson asked Mr. Mohr to answer the question why do we have to do anything. [p 4 & p 5, slides 24-29 of Exhibit A]

Director Gregory Hines asked if the Summer House Plant line would be reversed going back to Holly Ridge. Mr. Mohr said that was correct.

Vice Chairman Royce Bennett asked if there was a timeframe on Alternative 4. Mr. Hudson asked Mr. Carl Sharpe with The Wooten Company to come forward to answer the question. Mr. Sharpe stated that based upon the Swansboro Alternative 1 he would expect it to take a year for design and probably 15 months for construction. The lines would be longer for Southeast Alternative 4 than Swansboro Alternative 1.

Chairman Jerry Bittner asked if someone could clarify the cost of the treatment facility for a new treatment plan with Pluris. He asked if the cost was stand alone and something Pluris would absorb or something ONWASA would be expected to pay or would it be reflected in the rates they would charge ONWASA for

treatment. Mr. Hudson stated that Mr. Andrew Carter and Mr. Doug carter were authorized at the last Board meeting to begin some preliminary negotiations and conversations with Pluris. Mr. Hudson asked Mr. Andrew Carter and Mr. Doug Carter with DEC to present the Board with information on Alternative 3. [p 5 & p 6, slides 30-32 of Exhibit A]

Vice Chairman Royce Bennett asked if the agreement was for ONWASA to pay for construction cost. Mr. Doug Carter stated that there would be a construction agreement separate from the operating agreement. He further stated that under the construction agreement ONWASA would certainly want to pay actual cost and there would need to be a discussion if that actual cost had any development cost charged by the private party or if it was purely their invoice cost.

Chairman Bittner asked how Pluris rates compared to ONWASA rates. Director Joann McDermon responded that in North Topsail Beach customers pay a flat rate of \$58 a month.

5. Mr. Hudson asked Ms. Elain Conti to provide the Board with the necessary future investment to fund the Southeast Wastewater Alternatives. [p 6, slides 34 and 35 of Exhibit A]

Action: Secretary/Treasurer Paul Conner made a motion to move forward with Alternative 4 with more data brought back to the Board at the next meeting and approve a Project Budget Ordinance for the Southeast Alternative 4. A second was made by Director Gregory Hines. The motion passed unanimously.

4. **CHIEF EXECUTIVE OFFICER'S COMMENTS** – Chairman Jerry Bittner called upon Mr. Hudson to provide any comments. Mr. Hudson expressed his thanks to the Board for their deliberation. He added that for the benefit of the public in the room and also those watching on television the Board received a technical memoranda that was written by the Wooten Company and a wealth of other information prior to this meeting. Mr. Hudson stated the staff did not ask the Board to consider these items at first sight this evening and the Board's diligence is appreciated.

5. **BOARD OF DIRECTOR'S COMMENTS**

Director Tim Foster expressed how important it is that the relationship with Marine Corps Base Camp Lejeune is to continue. He further stated not only are there a significant number of military families aboard the installation, but we have a lot of them living within Onslow County.

Secretary/Treasurer Paul Conner thanked staff for the work they put into the presentations.

Vice Chairman Royce Bennett stated expressed his gratitude to staff for the work put into the agenda items. Vice Chairman Bennett stated he is excited about the partnership with Camp Lejeune to save rate payers money. He added that the goal of ONWASA is to provide service at the best rate we possibly can and through partnering with the Marine Corps that gives us a lot of options ONWASA would not otherwise have.

Director Gregory Hines thanked staff for all of the information that was provided to the Board.

Director Joann McDermon expressed appreciation for the work that went into the meeting package that was delivered.

Director Pat Turner stated she appreciated all of the information provided by Mr. Hudson and staff.

Chairman Jerry Bittner said it is a tribute to the consultants and especially to the staff that they were able to put together very valuable and comprehensive information to help the Board make the kind of decisions they were elected to make.

6. **ADJOURNMENT:** A motion was made by Director Gregory Hines to adjourn at 7:44 PM. Vice Chairman Royce Bennett seconded the motion. All in favor, the motion passed

The minutes were approved on November 19, 2020.

Onslow Water & Sewer Authority Board of Directors

Jerry A. Bittner

Jerry Bittner, Chairman

ATTEST:

Heather W. Norris

Heather Norris, Clerk



Onslow Water and Sewer Authority

Water & Wastewater Rate Study/Financial Plan Update
July 30, 2020



1

Before the Board ...

- Introduction of Consultants
- Meeting Overview
 - Background and Overview of the Authority’s Financial Position
 - Three components of future capital construction needs
 - » Proposed Foundational Capital Improvement Program (CIP)
 - › Request Board consideration of the 2020 CIP & approve 2 Project Budgets
 - » Swansboro Wastewater Capacity Alternatives
 - › Request that the Board choose the Swansboro alternative
 - » Southeast Wastewater Capacity Alternative
 - › Request that the Board choose the Southeast alternative & approve 1 Project Budget

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10-YEAR HISTORY OF ANNUAL RATE ADJUSTMENTS

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Authority Annual Rate Adjustments	0%	0%	0%	0%	0%	0%	0%	7.0%	5.5%	0%
NC Median Annual Rate Adjustments	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

3

HISTORY OF FINANCIAL POSITION

- Revenue growth has been steady
- Cost control
 - Operational efficiencies
 - Debt refinancing
- Strong position
 - Unrestricted fund balance (650 days cash on hand)
 - Debt service coverage (ability to pay debt)

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FINANCIAL POSITION DURING COVID-19

1. Water and Sewer Revenue
 - » Both water and sewer revenue increased 13.0% and 13.1% respectively for the 12 month comparison of FY 19 to FY 20. The Covid-19 related months increased 5.3% for water and 6.8% sewer.
2. System Development Fees – FY 19 Compared to FY 20
 - » Both water and sewer system development fees increased 20.4% and 36.7% respectively for the 12 month comparison of FY 19 to FY 20. The Covid-19 related months increased 3.6% for water and 53.5% for sewer.
3. Tap Fees – FY 19 Compared to FY 20
 - » Water tap fees increased 13.4% for the 12 month comparison of FY 19 to FY 20 and 17.6% during the Covid-19 related months.
4. Active Accounts
 - » Both water and sewer active accounts increased 4.2% and 5.4% respectively for the 12 month comparison of FY19 to FY20. The Covid-19 related months active accounts increased 1% for water and 2.5% for sewer.
5. Collection Rate
 - » Payments collected compared to revenue billed is slightly lower than last year at this time.

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FOUNDATIONAL CIP

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FOUNDATIONAL CIP

- Primary changes from the 2018 Capital Improvement Plan**
- Does not include costs associated with the Swansboro or Southeast wastewater treatment plant projects.
 - Adjusts estimated costs for existing CIP projects where more accurate information is now available.
 - Removes projects already completed or to be completed this fiscal year.
 - Delays the start of several projects to Years 6-10 in order to address changing priorities since 2018 and the potential impact of wastewater treatment plant projects.
 - Adds a new project to address recurring distribution system issues on Topsail Island.

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FOUNDATIONAL CIP COSTS PER YEAR



Five-year CIP costs total \$28.2 million for water projects and \$14 million for wastewater projects.

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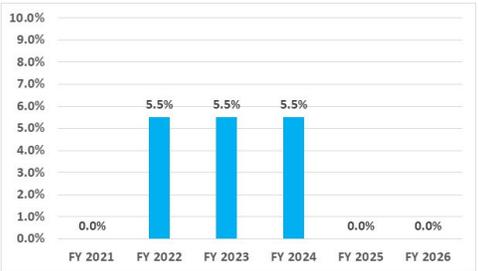
KEY WATER/WASTEWATER RATE STUDY ASSUMPTIONS

- ASSUMPTIONS**
1. Moderate growth in water/sewer customers to reflect service area expansion provided by CIP
 - estimated annual water/sewer customer growth of 2.5%/2% and annual increase in water/sewer flow of 0.5%/0.25%, respectively
 2. Estimated operating costs associated with CIP and annual growth
 3. Capital projects funded with 30-year bonds, with 2 years of capitalized interest
 4. Maintain sound metrics - target debt service coverage and fund balances for favorable bond ratings
 5. Draw down fund balance to invest in critical infrastructure, while maintaining target fund balance
 6. All rate adjustments are applied to water and wastewater rates (across-the-board)
 7. Utilize "rate smoothing" for rate increases

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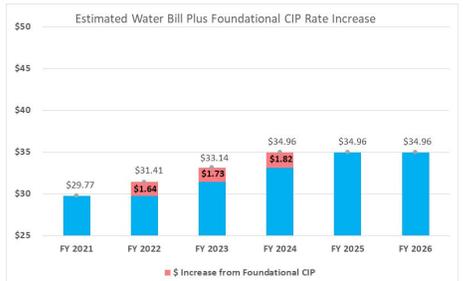
ESTIMATED ANNUAL RATE ADJUSTMENTS FOR FOUNDATIONAL CIP



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ESTIMATED AVERAGE WATER BILL

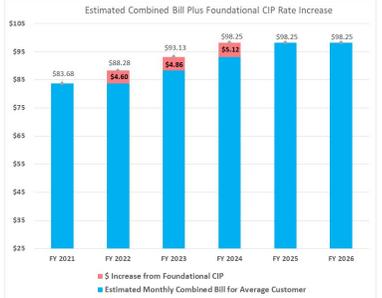


Average customer uses 5,000 gallons of water per month and has a 3/4" meter.

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5-YEAR AVERAGE COMBINED W&S BILL



Average customer uses 5,000 gallons of water per month and has a 3/4" meter.

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Decision Point – Foundational CIP

Actions Requested:

1. Consider “Motion to approve the 2020 Foundational CIP.”
2. Consider “Motion to approve the Project Budget Ordinance for the Topsail Island Booster Pumping Station.”
3. Consider “Motion to approve the Project Budget Ordinance for the ORWRG Aquifer Study Monitoring Wells.”

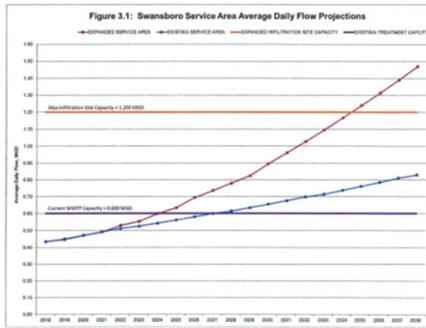
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Wastewater Alternatives

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CAPACITY VERSUS DEMAND SWANSBORO



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SWANSBORO

Swansboro - Alternative No. 1	
Scope of Work	Send all flow to Marine Corps Base Camp Lejeune and decommission Swansboro WWTP
Project Costs - Capital	<ul style="list-style-type: none"> Construction: \$ 11.0 M Engineering/Permitting: \$ 2.4 M Land Acquisition/Easements: \$ 0.1 M Contingency: \$ 2.3 M Total: \$ 15.8 M
Project Costs - Operations & Maintenance	<ul style="list-style-type: none"> O & M - Year One: \$ 0.58 M / Year O & M - Year Twenty: \$ 3.90 M / Year
Project Schedule	<ul style="list-style-type: none"> Design/Permitting: 10 Months Bidding/Contract Award: 4 Months Construction: 12 Months Total: 26 Months

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FRENCH CREEK WWTP (MCBCL)

French Creek WWTP

Permitted Capacity	15.0 MGD
Current Average Daily Flow	<u>4.0 MGD</u>
Available Capacity	11.0 MGD

Intergovernmental Service Agreement (IGSA)

Maximum Allowable Flow	5.0 MGD*
Current Average Daily Flow	<u>0.3 MGD</u>
Available Capacity	4.7 MGD

* ONWASA 4.0 MGD, City of Jacksonville 1.0 MGD

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SWANSBORO

Swansboro - Alternative No. 2	
Scope of Work	Maintain existing Swansboro WWTP and send additional flow to Marine Corps Base Camp Lejeune
Project Costs - Capital	<ul style="list-style-type: none"> Construction: \$ 17.1 M Engineering/Permitting: \$ 3.5 M Land Acquisition/Easements: \$ 0.3 M Contingency: \$ 3.4 M Total: \$ 24.3 M
Project Costs - Operations & Maintenance	<ul style="list-style-type: none"> O & M - Year One: \$ 0.58 M / Year O & M - Year Twenty: \$ 3.40 M / Year
Project Schedule	<ul style="list-style-type: none"> Design/Permitting: 10 Months Bidding/Contract Award: 4 Months Construction: 17 Months Total: 31 Months

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SWANSBORO

Swansboro - Alternative No. 3

Scope of Work

Expand Swansboro WWTP to maximum capacity and send additional flow to Marine Corps Base Camp Lejeune

Project Costs - Capital		
	Phase 1 - Force Main	Phase 2 - WWTP
• Construction	\$ 16.5 M	\$ 27.3 M
• Engineering/Permitting	\$ 3.6 M	\$ 4.9 M
• Land Acquisition/Easements	\$ 0.3 M	\$ 0 M
• Contingency	\$ 3.4 M	\$ 5.5 M
• Total	\$ 23.8 M	\$ 37.7 M

Project Costs - Operation & Maintenance

	O & M - Year One	\$ 0.58 M / Year
	O & M - Year Twenty	\$ 2.30 M / Year

Project Schedule

	Phase 1	Phase 2
• Design/Permitting	10 Months	14 Months
• Bidding/Contract Award	4 Months	4 Months
• Construction	17 Months	31 Months
• Total	31 Months	49 Months

80% of Flow
Treatment by OWASA

20% of Flow
Treatment by MCBCL

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SWANSBORO OPTIONS

Wastewater Options in the North - Swansboro	Capital Cost
SW #1: All Flow to Base	\$ 15,800,000
SW #2: Use existing plant, remainder to Base	\$ 24,600,000
SW #3: Expand existing plant, remainder to Base (1)	\$ 61,500,000

(1) Phase I is \$23.8 million and Phase II is \$37.7 million. Phase II doesn't begin until after FY 2026.

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ESTIMATED OVERALL RATE INCREASES

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Combined 6-yr increase
Foundational CIP Baseline Rate Increases	0.0%	5.5%	5.5%	5.5%	0.0%	0.0%	16.5%
<i>PLUS incremental rate increases from alternatives:</i>							
Wastewater Options in the North - Swansboro							
SW #1: All Flow to Base	0.0%	0.5%	0.5%	0.5%	6.0%	0.0%	7.5%
SW #2: Use existing plant, remainder to Base	0.0%	1.5%	1.5%	1.5%	7.0%	0.0%	11.5%
SW #3: Expand existing plant, remainder to Base (1)	0.0%	0.5%	0.5%	0.5%	6.0%	0.0%	7.5%
Total Estimated Rate Increase for Foundational and Swansboro Alternatives							
SW #1: All Flow to Base	0.0%	6.0%	6.0%	6.0%	6.0%	0.0%	24.0%
SW #2: Use existing plant, remainder to Base	0.0%	7.0%	7.0%	7.0%	7.0%	0.0%	28.0%
SW #3: Expand existing plant, remainder to Base (1)	0.0%	6.0%	6.0%	6.0%	6.0%	0.0%	24.0%

(1) Second phase of this project doesn't begin until after FY 2026. It is estimated an additional one-time rate increase of 6.5% would be needed after FY 2026 for this option.

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ESTIMATED AVERAGE BILLS PER YEAR

Average Water Bill							
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	
Foundational CIP	\$ 29.77	\$ 29.77	\$ 31.41	\$ 33.14	\$ 34.96	\$ 34.96	
SW #1	\$ 29.77	\$ 29.92	\$ 31.72	\$ 33.64	\$ 37.59	\$ 37.59	
SW #2	\$ 29.77	\$ 30.22	\$ 32.36	\$ 34.65	\$ 39.03	\$ 39.03	
SW #3	\$ 29.77	\$ 29.92	\$ 31.72	\$ 33.64	\$ 37.59	\$ 37.59	

Average Combined Water & Wastewater Bill							
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	
Foundational CIP	\$ 83.68	\$ 88.28	\$ 93.13	\$ 98.25	\$ 98.25	\$ 98.25	
SW #1 Total	\$ 83.68	\$ 88.70	\$ 94.02	\$ 99.66	\$ 105.64	\$ 105.64	
SW #2 Total	\$ 83.68	\$ 89.53	\$ 95.80	\$ 102.51	\$ 109.68	\$ 109.68	
SW #3 Total	\$ 83.68	\$ 88.70	\$ 94.02	\$ 99.66	\$ 105.64	\$ 105.64	

The current median water and sewer bill for the state of NC is \$35.95 and \$44.20, respectively or \$80.15 combined. (Source: UNC Environmental Finance Center 2020 NC Dashboard)

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Decision Point – Swansboro Area

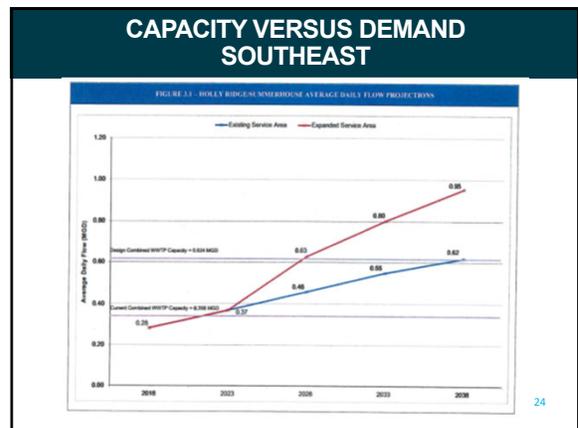
Available Alternatives: 1,2,3

Action Requested:

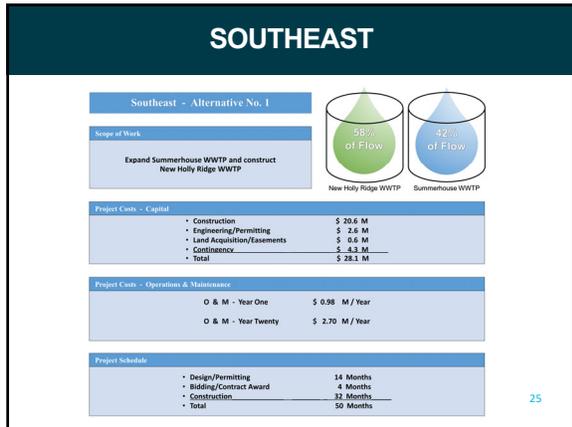
1. Consider "Motion to approve Alternative _____."

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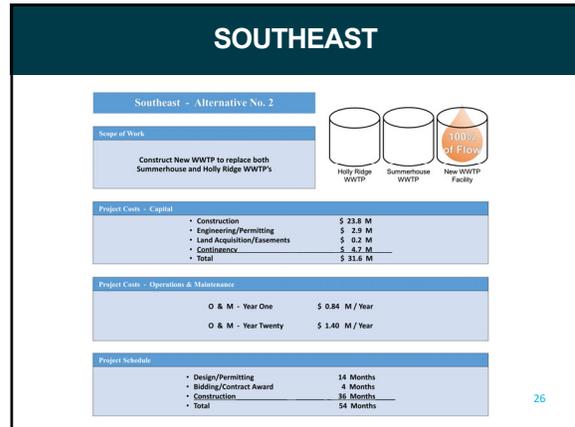
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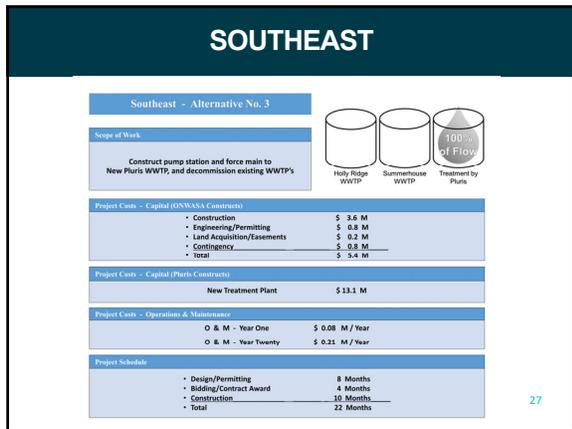
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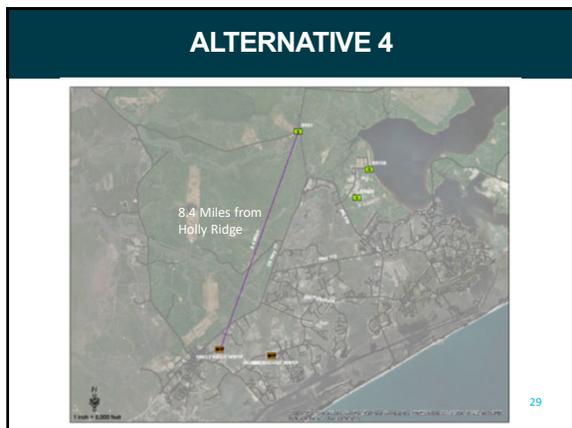
Southeast – Alternative 4

Recent discussions with Marine Corps Base Camp Lejeune (MCBCL) have resulted a potential fourth alternative for consideration:

- MARSOC/Stone Bay, on the Sneads Ferry side of MCBCL, sends its wastewater to the French Creek WWTP through a system of pump stations and force mains.
- One of these pump stations is located in the immediate vicinity of Highway 17 and appears to be readily accessible for connection.
- The existing Intergovernmental Service Agreement (IGSA) would allow a new connection and discharge by ONWASA with no new negotiations necessary.
- Alternative 4 would consist of new pumping stations at both treatment plants to send all flow to the MCBCL system.
- This alternative will require further preliminary engineering, in coordination with MCBCL engineers, to determine estimated capital and O&M costs.

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ALTERNATIVE 4

Estimated Capital Costs

Item	Estimated Cost
Summerhouse Pump Station	\$ 600,000
Transmission from Summerhouse PS to Holly Ridge PS	\$ 1,330,000
Holly Ridge Pump Station	\$ 1,600,000
Force Main to SR61 Pump Station	\$ 9,130,000
Decommission Holly Ridge WWTP	\$ 80,000
<u>Decommission Summerhouse WWTP</u>	<u>\$ 500,000</u>
Construction Subtotal	\$ 12,740,000
Capital Contingencies (20%)	\$ 2,548,000
Subtotal	\$ 15,288,000
<u>Project Administration (design, permitting, CA/CO)</u>	<u>\$ 2,752,000</u>
Total Estimated Capital Cost (2021 dollars)	\$ 18,100,000

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Pluris SE Alternative 3

- DEC reviewed this alternative upon selection by ONWASA Board
- Primary business points in Pluris term sheet – preliminary and does not represent final offer:
 - Build and operate one MGD plant – by construction and operating agreement
 - Convey plant to ONWASA at end of 20 years (negotiated no purchase cost)
 - Annual escalator for operating cost – benchmarked to appropriate metric – metric selection to come
 - Other points
- Information unknowns – location of plant, cost of land, effluent disposal method/cost, financial condition of private party, others
- Risks and rewards of this alternative
 - Private party - likely build the plant more rapidly, at somewhat lower construction cost, higher borrowing cost
 - Operating cost proposed is generally higher - with annual escalator
 - Preliminary user rate analysis shows this alternative does not offer rate savings
 - Multiple potential negative impacts to ONWASA if future financial stress/bankruptcy occurs for private party
 - Others

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Pluris SE Alternative 3

Process and timing if this alternative is moved forward

- Establish a negotiating team – financial, legal, management, other – Sept. 2020
- Negotiate with Pluris – terms for construction and operations – develop legal documents – six months(+)
- Obtain Local Government Commission approval – three months
 - May require independent third-party feasibility study – adds two months(+)
- ONWASA approve final business terms and legal documents – close deal with Pluris – one month(+)

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Private Purchase of Public Utility Assets

- ONWASA reviewed this alternative – means to cover all potential modes of operation
- Under N.C. law the N.C. Utilities Commission (NCUC) controls the process of purchase
- NCUC controls user rates of private utility companies, includes total of three following elements:
 - Base rate – basically by determining the cost of system assets
 - Reasonable rate of return to the utility company
 - Determining reasonable operating expenses
- Number of users and revenues produced - NCUC method obviously has an impact on new private rates
- Private purchase of public Water and Sewer assets is rare in N.C.
- Valuing the cost of system assets – determining the purchase price for the public assets is complex
 - Two methods exist to value by NCUC – original cost or “fair value” (new method 2018 change)
 - Neither method is easy to determine cost – fair value requires three appraisals
 - Neither of the methods considers the outstanding public debt on facilities evaluated for sale
 - ONWASA values its assets based upon cost and depreciates them based upon GASB guidance
 - Essentially the NCUC determined value could potentially be less than outstanding debt – difficult to estimate/project given there is no benchmarks for comparison (due to infrequent sale by public)
- Private method could take considerable time to determine value and would involve potentially significant cost
- Resulting NCUC waste-water user fee and average monthly bill cannot be estimated now

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SOUTHEAST

Wastewater Options in the Southeast

Wastewater Options in the Southeast	Capital Cost
SE #1: Existing Summerhouse WWTP, New Holly Ridge WWTP	\$ 28,100,000
SE #2: New WWTP to replace both existing plants	\$ 31,600,000
SE #3: Send all to Pluris (PS and Pluris capital) *	\$ 18,450,000

*SE#3 includes \$13.05 million in capital costs for Pluris and \$5.4 million in capital costs for ONWASA.

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ESTIMATED OVERALL RATE INCREASES

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Combined 6-yr increase
Foundational CIP Baseline Rate Increases	0.0%	5.5%	5.5%	5.5%	0.0%	0.0%	16.5%
PLUS incremental rate increases from alternatives:							
Wastewater Options in the Southeast							
SE #1: Existing Summerhouse WWTP, New Holly Ridge WWTP	0.0%	0.0%	0.0%	0.0%	2.0%	8.0%	10.0%
SE #2: New WWTP to replace both existing plants	0.0%	2.0%	2.0%	2.0%	3.0%	3.0%	12.0%
SE #3: Send all to Pluris (PS and Pluris capital)	0.0%	3.0%	3.0%	2.0%	4.0%	0.0%	13.0%
Total Estimated Rate Increase for Foundational and Southeast Alternatives							
SE #1: Existing Summerhouse WWTP, New Holly Ridge WWTP	0.0%	5.5%	5.5%	5.5%	2.0%	8.0%	26.5%
SE #2: New WWTP to replace both existing plants	0.0%	7.5%	7.5%	7.5%	3.0%	3.0%	28.5%
SE #3: Send all to Pluris (PS and Pluris capital)	0.0%	8.5%	8.5%	8.5%	4.0%	0.0%	29.5%

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ESTIMATED AVERAGE BILLS PER YEAR

Average Water Bill

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Foundational CIP	\$ 29.77	\$ 29.77	\$ 31.41	\$ 33.14	\$ 34.96	\$ 34.96
SE #1	\$ 29.77	\$ 29.77	\$ 31.41	\$ 33.14	\$ 35.66	\$ 38.51
SE #2	\$ 29.77	\$ 30.37	\$ 32.68	\$ 35.16	\$ 38.10	\$ 39.24
SE #3	\$ 29.77	\$ 30.67	\$ 33.32	\$ 36.21	\$ 39.55	\$ 39.55

Average Combined Water & Wastewater Bill

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Foundational CIP	\$ 83.68	\$ 88.28	\$ 93.13	\$ 98.25	\$ 98.25	\$ 98.25
SE #1 Total	\$ 83.68	\$ 88.28	\$ 93.13	\$ 98.25	\$ 100.22	\$ 108.24
SE #2 Total	\$ 83.68	\$ 89.95	\$ 96.70	\$ 103.95	\$ 107.07	\$ 110.28
SE #3 Total	\$ 83.68	\$ 90.79	\$ 98.50	\$ 106.88	\$ 111.15	\$ 111.15

The current median water and sewer bill for the state of NC is \$35.95 and \$44.20, respectively or \$80.15 combined.
[Source: UNC Environmental Finance Center 2020 NC Dashboard]

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Decision Point – Southeast Area

Available Alternatives 1,2,3,4

Actions Requested:

1. Consider “Motion to approve Alternative _____.”
2. Consider “Motion to approve the Project Budget Ordinance for the Southeast Alternative selected.”

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ESTIMATED BILLS FOR CHOSEN OPTIONS

Resulting Average Bill for Options SW ___ and SE ___:

WATER	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Existing Bill	\$ 29.77	\$ 29.77	\$ 31.56	\$ 33.45	\$ 35.46	\$ 38.29
Plus General CIP	\$ -	\$ 1.64	\$ 1.73	\$ 1.82	\$ -	\$ -
Plus SW #1	\$ -	\$ 0.15	\$ 0.17	\$ 0.18	\$ 2.13	\$ -
Plus SE #1	\$ -	\$ -	\$ -	\$ -	\$ 0.70	\$ 2.85
Total Bill	\$ 29.77	\$ 31.56	\$ 33.45	\$ 35.46	\$ 38.29	\$ 41.14
% Change in Water Bill		6.0%	6.0%	6.0%	8.0%	7.5%

Combined Bill	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Existing Bill	\$ 83.68	\$ 83.68	\$ 88.70	\$ 94.02	\$ 99.66	\$ 107.60
Plus General CIP	\$ -	\$ 4.60	\$ 4.86	\$ 5.12	\$ -	\$ -
Plus SW #1	\$ -	\$ 0.42	\$ 0.47	\$ 0.52	\$ 5.98	\$ -
Plus SE #1	\$ -	\$ -	\$ -	\$ -	\$ 1.97	\$ 8.02
Combined Bill	\$ 83.68	\$ 88.70	\$ 94.02	\$ 99.66	\$ 107.60	\$ 115.62
% Change in Combined Bill		6.0%	6.0%	6.0%	8.0%	7.5%

The current median water and sewer bill for the state of NC is \$35.95 and \$44.20, respectively or \$80.15 combined. 38
(Source: UNC Environmental Finance Center 2020 NC Dashboard)

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Thank you!

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