

MINUTES
UTILITIES COMMITTEE MEETING
NOVEMBER 5, 2008- 6:00 P.M.
DALLAS TOWN HALL

Committee Members Present: Walker R. Reid, III, Chairman
Councilman Keith Tidwell
Councilman James Watson
Other Council Members Present: Councilman Dale Burkett
Mayor of Dallas: Rick Coleman
Alderman: Jack Etter
Bill Trudnick

The Utilities Committee met on Wednesday, November 5, 2008 at 6:00 P.M. in Dallas, North Carolina in the Dallas Town Hall, 210 N. Holland Street, Dallas, N.C. Chairman Reid called the meeting to order. (Note: This was a joint meeting specifically scheduled with the Town of Dallas' Public Works Commission to discuss those items shown.)

Item 1: Proposed Memorandum of Understanding between the Town of Dallas and the City of Gastonia – Consolidate Water and Sewer Utility System Study and Item 2 proposed Scope of Engineering services for Utility Feasibility Study – McGill Associates

Steve Miller, City Manager, Town of Dallas, said he appreciated everybody coming tonight and there were there because they have had some preliminary discussions with Matt Bernhardt, Flip Bombardier and Jim Palenick about the possibility of service consolidation on the sewer, a wholesale water agreements and things of that nature. This group has discussed some different options and they drafted a MOU.

Mr. Miller said he didn't know if the Mayor or the Chairman had anything they wanted to ask about the MOU, if they had had a chance to look at it. They do have one attorney there if they have any legal questions.

Mr. Miller said he didn't know if everybody had had a chance to review the MOU or if there were any questions. It is pretty straightforward; they have the five options that they were going to ask the consulting engineer, McGill and Associates to study. The two municipalities will split the costs 50/50. It will be around \$8,000 per City, with a \$16,000 total.

Mr. Jack Eppers, Alderman from Dallas, said the MOU is strictly a Memorandum of Understanding. The matters that it refers to on Page 2, when it comes to the feasibility of improvements, transfer of assets - those matters will be discussed individually at a later time. Mr. Miller said that was correct. Mr. Miller said if there were no more questions, he would turn it over to McGill & Associates.

Mr. Andy Lovingood, from McGill & Associates said their firm is from Hickory, N. C. and they are going to talk a little bit about the project and some of the issues and hopefully have some discussion on some of the key aspects.

Mr. Lovingood said the City of Gastonia or the Town of Dallas did not currently employ them. They are a full service engineering firm. They do planning and finance. They have a staff of over 140 professionals. They provide engineering services for 125 units of local government and serve as engineers for a lot of communities, such as doing plan reviews for every day operations, from looking at manholes to water tanks. They are a relationship firm; they attend Council meetings on a lot of nights and doing a lot of things on behalf of towns and cities. They have a strong financial planning side to their firm that is important, particularly in this project. Certainly, they can provide the best technical effort, but also, they think it is unique that they can also help them with the financing and grants. They do a lot of revenue and rates studies and also offer electrical engineering, land planning, recreation, and master planning. They also do a lot of stormwater work, GIS and surveying and mapping

Mr. Martin said they had had the pleasure of meeting with the key Management staff at Dallas and Gastonia three or four weeks ago. They talked about this project at length. He thinks that there are two or three points to that conversation that stuck with them: 1. As they go through this process that they look at all the organizational alternatives that are viable for the two units of government to. One alternative is not to do anything. But one message that they got clearly is that they need to examine all alternatives and not only from the technical standpoint but from a management organization standpoint and a financial standpoint. 2. In order for this to work, if the two units of government go forward, there has to be mutual benefit, everyone has to benefit by it one way or the other. Any feedback they could give him as far as your own objectives as Gastonia and Dallas. There are three dimensions to this job - technically, which examines the hardware and what is out there in the ground, and the management organizational and the financial aspects of it. Mr. Doug Chapman is the key engineer that will be involved with the project.

Mr. Doug Chapman said there are a lot of issues related to the technicality of the two systems and how they interconnect. Dallas is going to face a renewal of a Wastewater discharge permit in the next couple of years. They have to look and see if there are any issues related to that; that's going to prompt making improvements or changing the system. What is their capacity for the future, what is the future, how long do you want to look ahead and see what is on the horizon? What they want to do is to identify any improvements that need to be done in those facilities, and what are the life cycles of some of that equipment. The wastewater plant is nearly 20 years old, and sometimes, they look at equipment having a 20-year life cycle. Are there things that need to be replaced? Some improvements have already been made. Items that are in the distribution and collection systems that need to be upgraded, conditions of pipes, materials that may be aging and issues that are going to be on the horizon. We will evaluate the need and how that would fit into a Capital Improvement Plan. What are the regulatory issues? Because sometimes it may not be where you are at today but what comes down the pike in 5 years,

10 years down the road. McGill Associates has an employee who was with the division of water quality and has a degree in electrical engineer and he is on the Environmental Management Commission.

So they want to try to look and see what would be on that horizon. Are there issues if the systems are interconnected, how are they interconnected, how does the water system hydraulics work from Gastonia to Dallas, water storage pressure issues, how does the wastewater connection affect their systems. Finally, where you are as far as certification wise and the resources they have, because there are things that you need, for maintaining the system that it may not be feasible to have financially on a smaller system. They will look at the technical aspects of combining the systems or leaving them separate. If they leave the situation as it is, what is on the horizon for them to look at as far as expectations of capital expenditures? There also has to be an answer to financial questions and. When they identify these alternatives, each one of them has financial and management elements that has to be examined, so you will know what the pros and cons are. They collect the data on the Enterprise Funds on both these programs, these are organized under the statutes as water and sewer enterprise funds, they need to understand all the financial aspects including present rate structures, the debt service and debt structure that exists now. They factor in the Capital assumptions that are developed in the technical part of the project and they try to understand beyond those Capital requirements.

Dallas, for example, what their expectations are on serving new areas, annexations, and places they plan to go in the future. They need to try to understand the present ownership of the systems and so they can understand what their options are. When they get that information down on paper, they build a model and you can look into the future with the assumptions that have been made and anticipate the revenue requirements. The key issue is the cash flow or the issuance of debt, if debt is required to do some of the things that are expected, required or needed. They do this so both municipalities can understand what the implications are from the management side, any of these alternatives that are evaluated will hold management issues for both units of government. The first thing is, where there is a change in the way systems are being operated and/or owned, both units of government want to know how decision making in the future is shared. When services are expanded due to annexations, the mechanics' of that, how it is handled, and the year-to-year capital expenditures is a continuing process for planning capital investments. It is important the both units have a say in the capital that is invested in your water system. There will be management issues that will have to be dealt with. Based on the alternatives that are identified, they will try to assign management pros and cons and help them get through a process of narrowing down their options and making a decision that is mutually beneficial to Gastonia and to Dallas. Their staff will be available to help them implementation of whatever the course of action is that they chose.

Mr. Andy Lovingood, from McGill Associates, said one thing that they have found, is a lot of the solutions they have worked on to creating an Authority to a simple Interlocal Agreement. It is a matter of control and assignment and responsibilities and they have seen it successful. It has to be tailored to the situations of the people involved. This is specific to the two communities involved. The control issue can be handled in different

ways; they have seen a simple inter-local agreement work. They like to form a P.O.D., which is a group of shareholders and decision makers such as this group that helps with the decision-making through the process. Their role in this is to help the decision making process. This will flush out the issues and they will have some recommendations. There is a lot of infrastructure out there that needs to be evaluated. They have looked at some of the things on the Dallas side; they haven't on Gastonia's. There is a need to have an understanding of the costs of this. They think this is a strategic issue for both Gastonia and Dallas.

Mr. Philip Bombardier, Assistant City Manager, asked if he (McGill) would, for the elected officials, go over the 4 or 5 specific alternatives that they want to study. Mr. Lovingood said there is an alternative of no action. The no action alternative would be to remain independent. The second is a relationship between the two municipalities - that is where Dallas would be purchasing water and wastewater services from Gastonia. There is a lease system option where Gastonia assumes total operation of the Dallas system, but Dallas retains ownership. That structure is basically an Interlocal agreement with a time period and at the end of that time period, you can renew or make other arrangements.

Chairman Reid asked if City Staff would give an overview.

Steve Miller said this was a positive. Originally, they asked Gastonia about wholesale and Mr. Bernhardt came back and wanted to look at other alternatives. This was a very receptive conversation. It was now time to bring in experts to deal with and explore other issues. He said he thought it was a turning point for both municipalities.

Mr. Bernhardt said he has worked with system consolidation in the past, and there are some unique situations here. The City has staff that already works at the Dallas wastewater plant. That is a common link. Gastonia's Long Creek Plant is a little under loaded and could use some additional flow running to it; that happens to be right where the flow from Dallas would be going. He understands that Dallas will soon have its water and sewer debt paid off. That puts them in a better position. Some of the City of Gastonia's operations are closer to Dallas, than Gastonia. They think they should partner with Dallas in any way they could. He said as far as McGill Associates, he found them to be very good to deal with and they have a good bit of experience in this area. They basically agree with City staff that it sounds like this could have a positive outcome. They feel there is something there that needs some study and see what the best opportunities are for both municipalities.

Councilman Watson asked if Dallas was in agreement that McGill and Associates? Mr. Miller, City Manger of Dallas, said they liked McGill and Associates and they feel they have the experience needed and felt they would do them well. Dallas Councilman said this was new to them and they wanted to make sure they were all on the same page.

Mr. Bombardier said that City Staff is certainly recommending to their Utilities Committee and to our City Council, that they move forward and adopt this recommendation.

Mr. Martin from McGill and Associates asked what kind of time frame are they looking at for them to come back with their recommendations? Are they talking 6 months? They said they had plenty of staff to jump on this right away and get that information together. What tends to slow these thing down is trying to get everybody to meet and for decisions to be made. There are two governments involved and they will get their questions asked and answered and they will be responsive. It is important that they are satisfied with the results they are getting, then for them to rush.

Chairman Reid said speaking of the oversight group that could easily be the group that is there tonight. Mr. Rick Coleman, Mayor of Dallas, said it probably would be on the Dallas side. Councilman Tidwell said it should be the same ones there tonight. Chairman Reid said he thought so too. That was one thing they could settle tonight, who those individuals will be. If they were all in favor of pursuing this, it would probably speed up the process.

Mr. Bombardier said the next step would be adopting the MOU. that would go to the full Boards.

Councilman Tidwell said if they have a wastewater plant that is under-utilized and that can bring more usage to it.

Mr. Martin from McGill and Associates said when this becomes what the State likes to call a Regional endeavor, you probably will also find that it qualifies you for some grants and other resources for Capital. Part of their responsibility would be to advise them about funding as they go forward.

Chairman Reid said they need a motion from their Committee to take before full Council as a recommendation that they move forward. Mr. Bombardier said there was one clarification point that Steve made earlier. The proposed cost of this first study is \$16,500, and that Gastonia would fund ½ of the costs.

Chairman Reid asked if they could hear from Dallas? Mayor of Dallas said they don't have it budgeted, but they can come up with their half.

Councilman Watson made a motion to accept the recommendation, Councilman Tidwell seconded the motion and it was approved unanimously.

Mr. Ethers, Alderman from Dallas, made a motion on behalf of Dallas and it was seconded and approved unanimously by Dallas.

Councilman Tidwell asked if they would model this study with their experience with other towns? Would they go back to the towns they have agreements with now. Mr. Martin said actually they would like to understand that and how it works and any feedback from them as far as that being a satisfactory relationship. It needs to be customized for this particular situation. Mr. Martin from McGill Associates said they

appreciate the opportunity to work with these two municipalities and they would live up to their expectations.

Mayor Coleman said their next (Council) meeting would be on the 13th of November 2008. Chairman Reid said this would be on their next meeting on November 18, 2008. Councilman Tidwell said they need to get across to them that it is just a study; someone will think they are trying to merge. Mayor Coleman said when this gets to the newspaper that is when they need to express to the news media. That this is a study and no decisions have been made.

Chairman Reid asked if there were any other questions concerning these two items? Councilman Burkett asked if it would be in their best interest to get in touch with the papers and give them a news release? Mr. James Palenick, Gastonia City Manager, said he would prepare a news release and send it to Mr. Miller and then to the news media.

Item # 3 OTHER BUSINESS

Chairman Reid asked if there was any other business they needed to discuss?

Mr. Palenick said he would like to thank the town of Dallas; they had been very gracious to invite them to their community. One of the things that McGill Associates brought up as a new evaluation of the system is how each community may want to grow. Both communities are aware that they have a Sphere of Influence Agreement and it is set to expire on January 12, 2009. He would just mention to both of these groups, that it would be of mutual interest to begin some negotiations and discussions and talking about how they might be able to negotiate a new agreement. That is something they both should look at, one of the things that has the City of Gastonia thinking in that regard, is the Pasour Mountain Property. He discussed the use of that property. The city may at some point in the future have to decide whether what to do with this property. They can find ways that will mutually benefit both sides if they would like to begin those discussions.

Mayor Coleman said he thought staff from the two municipalities should begin the discussions and get the elected officials involved at a later point.

Chairman Reid said he thought this was a good meeting and he thanked everyone that was there tonight that they could come together and discuss these matters. Chairman Reid said his understanding was that they would pursue the study at their next meeting. The press release will be handed out tomorrow. Mr. Palenick and Mr. Miller will collaborate on this. He asked if there were any other questions or comments.

Councilman Watson said there had been talk about countywide water and sewer, so he hopes whatever they do they can keep that in mind.

Chairman Reid said with no other questions, the meeting was adjourned.

