



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
PUBLIC HEARING/ SPECIAL MEETING
WEDNESDAY, MAY 23, 2018 – 1:00 P.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting/ Public Hearing on Wednesday, May 23, 2018 at 1:00 p.m. in the Town Hall Public Assembly. Present were Mayor J. Alan Holden; Commissioner Pat Kwiatkowski, Joe Butler, John Fletcher and Peter Freer; Town Manager David W. Hewett; Town Clerk Heather Finnell, Public Works Director Chris Clemmons; Fiscal Operations Clerks Margaret Lancaster and Mandy Lockner; and Town Attorney Noel Fox. Mayor Pro Tem Mike Sullivan was unable to attend the meeting.

DISCUSSION AND POSSIBLE AWARD OF CONTRACT AND ASSOCIATED ITEMS FOR VACUUM SEWER SYSTEM #4 UPGRADE – GREEN ENGINEERING

Town Manager Hewett said the Board has a memo that attempts to summarize the three items necessary to move forward with the rehabilitation project on lift station 4. Bids were received on May 17th at 2:00 p.m. The apparent low bidder is T.A. Loving Company. Green's Engineering has determined the bid is complete and responsive and recommends the Town award the contract to T.A. Loving Company. The bid and the project's required direct purchase equipment identified by the engineer will exceed the programmed budget by \$283,000, which will drive the need for a budget amendment to that effect. The attainment of a temporary construction easement from the adjacent property owner will be required to obtain the necessary access for construction and provide for lay down of building materials. The Town will need to execute the easement in order to move forward with the project.

Commissioner Butler stated he is confused about the total project amount on page 16. Leo Green responded that on page 16, the total construction includes the direct purchase of the triplex pump skid, SCADA equipment and a temporary pump skid. The three items need to be added to the bid price of T.A. Loving. They were in the original scope. They are being direct purchased and would have been added to either bid that was received. Mr. Green said they are being direct purchased for compatibility with the existing equipment and also for the delivery time from the manufacturer. He said they would recommend the Town issue a PO for that equipment as soon as a contract is awarded. Commissioner Butler said he was surprised to see the increase from the original engineer's estimate. Mr. Green replied we are in a seller's market as far as contracts are concerned. You have a limited supply of contractors available that are capable of doing this kind of work. The cost estimate is about a year old and there has been a significant elevation of prices since then. Mr. Green stated that coupled with time constraints to have the system online February 1st increased the cost. Commissioner Butler suggested going back to see what we can do to reduce that number.

Commissioner Freer is concerned about the contingency numbers. The engineer's estimate was \$157,400 and the actual bid was only \$52,480. Mr. Green explained that the original contingency was 15%. Typically when you take bids on the project, you adjust that to around 5%. Commissioner Fletcher asked about the engineer's estimate. Mr. Green stated that was McGill's estimate from the original report. Commissioner Fletcher inquired if the additional \$283,000 is the additional equipment that is needed. Town Manager Hewett said basically the cost of equipment is close to \$250,000. He said if you want to look at it that way, the additional equipment is what we need to move forward, regardless of how the construction costs came in. Mr. Green stated you are not seeing anything that wasn't included in the original bid besides the pump skid. The Board discussed the contingency numbers further. Mr. Green explained 5% is the normal amount after bids are taken. Commissioner Freer said this bid is not over the estimate by \$280,000, it is really \$380,000 because of the lower contingency amount. Commissioner Butler stated there is an increase of \$55,000 from the engineer's estimate on site work and \$172,000 over the estimate for general construction. Commissioner Kwiatkowski said when McGill reported last year, they were very clear in their report that these are estimates based on a certain level of understanding and once you got to a more in depth examination of the details and closer to time, the numbers could change. Unfortunately, this is what is to be expected given what is happening out there in terms of contracting costs and the limited number of bidders. Mr. Green stated this is a very complicated project. We need to maintain sewer service on that end of the island and that is reflected in the bid. He said he is sure the schedule has run the prices up. Commissioner Fletcher asked for confirmation that this is McGill's estimate and that is lacking the three direct purchase items. Mr. Green explained how he consolidated some of McGill's items differently for the bid than it reflects in the original report. He added the \$15,000 temporary pump may not be needed, but is insurance to keep the system operating while they are doing the changeover.

Commissioner Freer said Stations 4 and 1 have a wet well. During the last storm, there was some problems with the wet well in Station 4. Mr. Green said they are sealing the wet well. The temporary pump is a rental. Once this project is complete you will have two spare pumps. Commissioner Fletcher inquired if Mr. Green had a view on what to expect for the total cost picture as we move to the next one if this one goes as expected. He said the Board is anticipating doing it over the next two budget schedules. Mr. Green replied the question is how the Town will address those now that flood levels are changing. He thinks the cost will come down if the job is bid in the next seven months. Commissioner Fletcher asked if we will still have pumps under the ground. Mr. Green said yes, they are submersible pumps and can operate underwater. Commissioner Freer stated that this is the first one and there is a lot of unknowns, the intent is to do Station 3 and maybe Station 2. He asked if it would be cost effective to do them together. Mr. Green said he can't say it would be any cheaper to bid them together. He stated he thinks you need to do the preliminary design before you make that call. Commissioner Freer asked if there is anything that can be taken from the design or the scope to reduce the cost. Mr. Green replied that he didn't think so. Commissioner Freer asked about the SCADA system. Mr. Green explained the cost is \$72,000 and that there are three components to the SCADA system. Two of those components will not be required again. He anticipates in the next projects the SCADA costs will be around \$30,000. Public Works Director Clemmons added that the stations are classified as a critical facility and they need the SCADA system for monitoring. He said it is a good insurance policy. Commissioner Fletcher asked if Public Works Director Clemmons would put his thumbs up on this. Public Works Director Clemmons replied yes. He said when people saw how complex the job is and the timeline for the project, he thinks it deterred some of them. Mr. Green added there was 10 or 11 firms that attended the pre-bid conference.

Mayor Holden asked what the reason is for the timeframe for completion being in February. Mr. Green responded that it would give a little wiggle room for any delays that may arise. Public Works Director Clemmons added it is a low flow time. Mayor Holden inquired if one or two additional months for completion would help with the cost. Mr. Green replied that it is hard to say. He would hate to move it a month because he would not want to be operating on a temporary pump when the flow goes up and people start coming to the beach. Town Manager Hewett stated that the commissioners indicated the desire to get it done as quickly as possible and also to allow time to work on the follow on services for the next lift station. Mayor Holden asked when we are expecting construction on the next job. Mr. Green said there are two more stations that are identical to this. The engineering would not be as complex and it won't take as long to design. The Board further discussed the timeframe of the current project and upcoming project. They talked about streamlining the upcoming projects. Commissioner Kwiatkowski suggested that be discussed at a future meeting as a separate agenda item. The Board discussed the penalty for not completing the project on time.

Commissioner Fletcher called for a vote.

Motion by Commissioner Fletcher to approve the award of the Lift Station #4 upgrade contract to T.A. Loving Company in the amount of \$1,205,000, approve the associated easement agreement for Tax Parcel 245GA130 and approve Ordinance 18-09, An Ordinance Amending Ordinance 17-08, The Revenues and Appropriations Ordinance for Fiscal Year 2017 – 2018 (Amendment No. 4) in the amount of \$283,000; second by Commissioner Freer.

Mr. Green asked if the Board needed to do something with the direct purchase items. Town Manager Hewett said they are addressed in the budget amendment.

The motion passed by unanimous vote.

The Board took a break from 1:43 p.m. – 1:46 p.m.

PUBLIC HEARING: SYSTEM DEVELOPMENT FEES ANALYSIS – MCGILL ASSOCIATES

Town Manager Hewett explained this is the required public hearing for the capacity fees per the legislation. The study has been out for public consumption as required and we have not received any comments on it. The study was vetted by the Audit Committee and they had no comment other than it appeared to be accomplished in accordance with the legislation.

Michael Norton and Dale Schepers from McGill Associates presented information on the study. Mr. Norton said the next phase will be adoption of the study and fees. Mr. Schepers explained the background of House Bill 436. He said using the calculation and applying it to a cost per gallon per day gives you the numbers for the water system and sewer system. That translates into the total of \$20,577 for an Equivalent Residential Unit (ERU), which is defined as a typical three bedroom dwelling unit. That is followed by a requirement for a conversion (a table) that will apply those same values to any other category of use, besides the one you are obligated to do. Commissioner Butler asked how it compares to today's per gallon/ per day calculation. Mr. Schepers replied you can't really do an apples to apples comparison because the eligible dollar values for each of the systems have a lot to do with what the value

of the entire system is and also the debt service. The basic approach for this is to get an equitable buy in cost of the existing capacity for the new development hooking onto the system. He said the second component of the evaluation is the incremental cost, the things you will build in the future. You can also assign a value in today's dollars and then apply that to the capacity that those assets would be bringing to the system. He said you figure out how much capacity you have, what it is worth and then add to it the value of the additional capacity you are yet to build. The timeframe for the future assets is up to 20 years. Commissioner Freer asked if this needs to be addressed every five years. Mr. Schepers explained you can address it as often as you would like, but you need to look at it at least every five years. Commissioner Fletcher stated these costs are only to expand capacity, not maintenance of existing capacity. He provided some examples. Commissioner Freer asked about the typical three bedroom number. Mr. Schepers discussed preserving capacity. The pump station projects were discussed. Attorney Fox explained why this legislation came out. Mr. Schepers said the law is clear and says you must do the calculation based on a service unit definition. A service unit definition is the most common connection in a given system, which is a typical three bedroom house. The next thing they did was to get the value and the capacity. They came up with dollars per gallon per day value. You want to recover that in a cost. They looked at the typical three bedroom house and then two design standards that are in the state regulations for water and sewer. They took those tables and looked up what a three bedroom house is based on the design tables. When you design your system, you need to use those values to plan, design, construct and finance everything you do to expand the system. You use those values to apply to get the gallons per day to get those costs. By the same standard, you determine how much a new customer/ new development would need to pay so it is equitable as they come on the system. Commissioner Freer said the Town purchases water and sewer from the county and they can change their rates at any time. Mr. Schepers said the Town has a contract where we purchase capacity. They had a question on if that is covered or not. They determined that those costs are eligible because you are buying capacity just as you would a treatment plant. The other charge from the county is for operation and maintenance. If the treatment capacity changes, that would be eligible to calculate into the fee. Mr. Schepers said you are required to have a conversion table to apply these costs to other categories of customers. They use the same tables to do that. The tables are in the schedule. He also developed a spreadsheet calculator that he will make available to staff.

Mr. Schepers said the Town needs to adopt the study by resolution or ordinance. The fees need to be published in either the budget, rate schedule or by separate ordinance. Both items need to occur before July 1, 2018. Town Manager Hewett stated the staff will attempt to roll the recommendations from the study into the budget and also administratively prepare the ordinances and fee schedule for concurrent adoption before June 30th. Town Manager Hewett confirmed that on the water side the only item in the study for additional capacity is the second water tower.

Lou Cutajar asked is the \$20,577 is the fee for hooking up a new house. Mr. Schepers responded yes. Mr. Cutajar inquired if there is any calculations in the study on if the bill for an average house would be higher, lower or revenue neutral. Town Manager Hewett replied the Town will not be able to charge sewer share fees that are in the current fee schedule. Those will go away, along with impact fees. The capacity fees will need to be sequestered in their own capital reserve fund for expansion of facilities in the future. Most of the sewer share fees have been paid in advance, so they will not have been used for operations. Sheila Young asked the impact for the monthly water and sewer bill. Town Manager Hewett said \$0. Commissioner Fletcher said it is only for new building. Ms. Young asked if it will impact the charge on the tax bill. Town Manager Hewett replied no it isn't part of the discussion; that charge will not change.

Commissioner Fletcher asked for confirmation that the charge is per bedroom above three. Mr. Schepers explained you need to use the calculator to determine the number. Mr. Norton provided a spreadsheet this morning to staff so they can see the changes as they change incrementally. Mr. Schepers said the calculator also has a percent value in there so the Board can view other percentages to evaluate this. Town Manager Hewett stated the fee schedule in place today is about \$13,500 to hook up if they haven't already paid their fees in advance. The Board will decide the percentage, but he is going to make the budget recommendation that the Board do the maximum fees for water and sewer.

Mayor Holden asked if anyone else would like to speak.

Mayor Holden declared the Public Hearing closed at 2:20 p.m.

ADJOURNMENT

Motion by Commissioner Fletcher to adjourn at 2:20 p.m.; second by Commissioner Butler; approved by unanimous vote.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk