

MINUTES
BEECH MOUNTAIN TOWN COUNCIL
Special Meeting – September 19, 2016

I. CALL TO ORDER – Mayor E. ‘Rick’ Miller called the special meeting of the Beech Mountain Town Council to order at 1:04 p.m., Monday, September 19, 2016 at the Foscoe Grandfather Community Center located at 233 Park Road Banner Elk, NC 28604. Other Council Members present were Paul Piquet, Rick Owen, Wendel Sauer, and Renee Castiglione. Town Attorney Stacy C. Eggers, IV. was not present. Staff members present included Town Manager Ed Evans, Town Clerk Jennifer Broderick, Public Utilities Director Robert Heaton, and Finance Officer Steve Smith. Dale Schepers, Construction Administrator for West Consultants was also present.

II. New Business

a. Water and Sewer Planning – Manager Evans stated that staff has been working with Dale Schepers, Construction Administrator for West Consultants, on developing future water and sewer plans. Specifically, Mr. Schepers has been looking into future funding. Mr. Schepers has used resources provided by the University of North Carolina School of Government to analyze Beech Mountain’s data. During the process Mr. Schepers realized that the tool had areas that could be strengthened. Mr. Schepers has worked alongside the University of North Carolina School of Government to increase the tool’s potential use for the purpose of financial planning. Mr. Schepers stated that long range planning is necessary to provide a framework for areas that need to be reasonable and sustainable. Mr. Schepers discussed the methodology which included; identifying capital needs based on asset condition, determining scope and cost estimates of potential projects, identifying potential rate impacts using the University of North Carolina School of Government’s Environmental Finance Center “PlantoPlay” model, and lastly develop three approaches for management/Council consideration. Mr. Schepers reviewed the capital needs based on asset condition with Council and then moved into discussing the three approaches for Council’s consideration. First approach is ‘Reactive Reinvestment Renewal Continues as a Response to Immediate Needs’ which included discussion on the following: renewing infrastructure to meet regulatory requirements; renewing infrastructure in response to equipment failures; and difficulties this approach created in predicting/planning for potential rate impacts. Mr. Schepers stated that when things are deferred and deferred again this causes functioning and action to occur in a reactive manner. Negative impacts incurred by this behavior pattern included increased costs and undeterminable rates which both create lower

customer confidence. Mr. Schepers reviewed rate increases with this approach and how the rate increases did not show the appropriate amount of reinvestment. Approach number two is 'Value-Paced Reinvestment Renewal Keeps Up with Depreciation'. The Government Accounting Standards Board created standard 34 in part for governments to report depreciation expenses in the statement of activities. Depreciation is an important aspect to look at within Utility Departments. The Value-Paced Reinvestment approach includes; renewing infrastructure to keep pace with depreciation, encouraging proactive management controls cost, and incurs rate of renewal costs of approximately 1% per year. Questions from Council were asked concerning identifying the leak issues in the pipe. Mr. Schepers informed Council that the Town's pipes are not the issue with leaks. The issue comes from joints that were initially used on the pipes and placement of pipes in the ground against rock. Public Utilities Director Robert Heaton stated that there are over 20,000 couplings like Mr. Schepers is talking about in the ground. The Town has been using a leak detection system for approximately five years and have only found one leak with the system. This is due to the majority of leaks coming from the couplings. Approach number three is 'Accelerated Reinvestment Rehabilitation'. This approach included the following; renewing infrastructure above current depreciation, proactive management continuing to reduce financial impacts, and assuming rate renewals of approximately 2% per year. The industry standard approach used was the Government Accounting Standards Board statement 34. The Town can change the standard approach but the best place to start from when studying data is the industry standard. Mr. Schepers stated that Council is currently in the 'What do we do next?' phase of planning. The next steps are to select an infrastructure redevelopment approach that will address the sustainability of revenue requirements and support of fiscal and operational policies and practices; review utility rates through a cost of service (COS) rate study which will take into consideration the cost of service methodology and the outcomes and deliverables. The final step will be to implement the comprehensive capital improvements program using the 'Program vs "Projects" Approach' and integrating resources to improve overall utility management. This will include balancing water quality requirements with capacity needs and prioritizing and scheduling capital improvements needs. Mr. Schepers made a recommendation that Council consider creating a service line definition, such as keeping up with a percentage of depreciation when making their decision. This would be a program approach rather than a project approach. Mr. Schepers stated that he was also asked to work on a water hydro project. The various elevation levels on the mountain there create unique challenges in assuring quality water while also meeting today's demands

and future developmental needs. The program needs to be sustainable and affordable. These prerequisites need to be balanced and included into the program approach. This helps to develop a consistent message for customers to understand. Everyone is a participant in the program. Mr. Heaton stated that staff has been working diligently on completing projects identified in the 2011 Rothrock Engineering Report. Mayor Miller suggested that Council work on an appropriate structure to support the utility program for the Town and include this in the 2016-2017 budget. Manager Evans stated that when working with his previous locality and working with the Local Government Commission on obtaining a loan for a water project the Local Government Commission informed them during the process that they were supportive of their loan goals due to the recent rate increase the Town had implemented. The Local Government Commission is focused on sustainability. Mr. Schepers explained that everything in front of Council right now is based on a theoretical 5,000 gallon a month customer. Mr. Heaton stated that the Environmental Finance Center likes the 5,000 gallon rate structure and uses this on everything that is sent out. Mr. Heaton requested that Council review everything, think about it, and determine a direction they would like to go. Mr. Schepers stated that using the industry standard approach provides for a rational baseline. Manager Evans stated that a Cost of Service Study would be an additional cost. Mr. Heaton stated that the cost for the study should be less than \$5,000.

Note: Renee Castiglione stepped away from the meeting at 2:18 p.m., returning at 2:20 p.m.

Manager Evans stated that outside Town utility rates were discussed in the class he recently attended. Outside utility rates can be set at whatever rate structure the Town determines. Mayor Miller questioned what Council consensus currently was on the three approaches discussed. Council consensus currently was in favor of the second approach or the third approach. Mayor Miller encouraged staff to continue moving forward with further development of the plan. Vice Mayor Piquet motioned that the Town proceed with the Hydraulic Model Study and Cost of Service Study, waiving the request for proposals due to the dollar threshold being under the required amount. Councilwoman Castiglione seconded the motion. Mr. Heaton stated that there is money in the budget to take care of the studies. Mayor Miller called the vote, the vote carried unanimously. Mr. Schepers stated that the Cost of Service Rate Study should be able to be completed within 60 days and that the Hydraulic Model Study would take more time. Mayor Miller stated that Council needed to be prepared to make decisions and to include these decisions in the upcoming budget.

III. Adjourn – At 2:51 p.m., Vice Mayor Piquet moved to adjourn, which was seconded by Councilwoman Castiglione. The motion passed unanimously.

Minutes approved by Town Council on October 11, 2016.

E. *Rick* Miller, Mayor

ATTEST:

Jennifer Broderick, MMC
Town Clerk