

Lower Cape Fear Water & Sewer Authority
Regular Board Meeting Minutes
April 14th, 2025

Chairman DeVane called to order the Authority meeting scheduled on April 14th, 2025, at 9:00 a.m. and welcomed everyone present. The meeting was held at the Authority's office located at 1107 New Pointe Boulevard, Suite 17, Leland, North Carolina. Director Leonard gave the invocation.

Roll Call by Chairman DeVane:

Present: Norwood Blanchard, Patrick DeVane, Wayne Edge, Jerry Groves, Harry Knight, Al Leonard, Charlie Rivenbark, Bill Sue, Phil Tripp, and Frank Williams

Present by Virtual Attendance: Bill Saffo and Chris Smith

Absent: Scott Phillips and Rob Zapple

Staff: Tim H. Holloman, Executive Director; Matthew Nichols, General Counsel; Sam Boswell, COG; Tony Boahn P.E., McKim & Creed; Jess Powell P.E., McKim & Creed; and Danielle Hertzog, Financial Administration Assistant

Guests Present: Devon Moore, Computer Warriors; Anthony Colon, Pender County Utilities Director; James Proctor, Pender County Utilities Deputy Director; John Nichols, Brunswick County Public Utilities Director; Glenn Walker, Brunswick County Water Resources Manager; David Carson, Brunswick County Kings Bluff Water Resource Supervisor; Sean Kenyon, McKim & Creed Senior Project Engineer; Adam Paukovich, McKim & Creed P.E., McKim & Creed; Amy Vitner, First Tryon Advisors Managing Director; Christopher "CJ" Cahoy, Garney Construction; Alex Littleton, Garney Construction Assistant Project Manager; and David Fournier, HDR Construction Services

Guests Virtual Attendance: Erin Jones, Pender County Utilities Water Treatment Plant Superintendent; Ken Waldroup, Cape Fear Public Utility Authority Executive Director; Craig Wilson, Cape Fear Public Utility Authority Engineering Manager; Kevin Morris, Cape Fear Public Utility Authority Deputy Director; James Kern, Smithfield Wastewater Supervisor; Heidi Cox, NC DEQ Regional Engineering Supervisor, Division of Water Infrastructure. Dodie Bowman Render, President of Electus Governmental Affairs; Sam Shumate, Vice President of Electus Governmental Affairs, Inc

PLEDGE OF ALLEGIANCE: Chairman DeVane led the Pledge of Allegiance.

APPROVAL OF CONSENT AGENDA

C1 – Minutes of March 10, 2025, Regular Board Meeting

C2 – Minutes of March 10, 2025, Personnel Committee Report

C3 – Minutes of March 10, 2025, Long Range Planning Committee Report

C4 – Kings Bluff Monthly Operations and Maintenance Report

C5 – Bladen Bluffs Monthly Operations and Maintenance Reports

C6 – Implementation of Salary Study

C7 – Resolution Adopting the Lower Cape Fear Water & Sewer Authority's Local Water Supply Plan for Kings Bluff Raw Water Pump Station, PWSID 50-09-013, for calendar year 2024.

C8 – Resolution Adopting the Lower Cape Fear Water & Sewer Authority's Local Water Supply Plan for Bladen Bluff's Regional Surface Water System, PWSID 50-09-013, for calendar year 2024.

C9 – Line-Item Adjustment for February 28, 2025

C10 – Resolution Recognizing National Drinking Water Week

Motion: Director Leonard **MOVED**; seconded by Director Blanchard, approval of the Consent Agenda Items C1-C10. Upon voting, the **MOTION CARRIED UNANIMOUSLY**.

NEW BUSINESS

NB1- SCADA System Upgrade at the Kings Bluff Plant

Executive Director Holloman advised this year's budget included the SCADA system for the Kings Bluff Plant. Initial budget figures were \$125,000.00; the lowest bid is \$157,714.56. The Scada has not been upgraded since the plan was completed in 2009.

Motion: Director Leonard **MOVED**; seconded by Director Knight, approving the SCADA System Update at the Kings Bluff Plant. Upon voting, the **MOTION CARRIED UNANIMOUSLY**.

NB2- Fiber Optic Update

Executive Director Holloman advised that Brunswick County requests for LCFWASA to upgrade the existing direct burial Fiber Optic cable that allows monitoring of the KB Pump Station and Raw Tank from the Northwest Treatment plant. Three bids have been secured to perform the work. This line was put in by Brunswick County in the early to mid-80's.

Motion: Director Tripp **MOVED**; seconded by Director Blanchard, approval of the Fiber Optic Update of Lower Responsible Bidder. Upon voting, the **MOTION CARRIED UNANIMOUSLY**.

Director Williams stated that Electus Governmental Affairs, Inc., is a client of his and would like to be recused from this discussion.

Motion: Director Blanchard **MOVED**; seconded by Director Rivenbark, to recuse Director Williams from voting on the Resolution Approving Agreement for Governmental Affairs Consulting and Legislative Lobbying Services. Upon voting, the **MOTION CARRIED UNANIMOUSLY**.

NB3- Resolution Approving Agreement for Governmental Affairs Consulting and Legislative Lobbying Services

Executive Director Holloman advised LCFWASA needs regular engagement with state and federal legislators on matters impacting the five counties of the regional authority. To support these efforts, staff recommend entering into an agreement with Electus Governmental Affairs, Inc., a firm with extensive experience in legislative advocacy, to assist with governmental affairs consulting and lobbying efforts. The agreement includes monitoring legislation, advocating for key funding priorities, and providing strategic advice throughout the legislative cycle.

Motion: Director Leonard **MOVED**; seconded by Director Knight, approval of the Resolution Approving Agreement for Governmental Affairs Consulting and Legislative Lobbying Services. Upon voting, the **MOTION CARRIED UNANIMOUSLY**.

PRESENTATION: Quarterly Review from First Tryon Advisors

A copy of the presentation will be attached with the minutes.

PRESENTATION: Raw Water Main Update by Christopher "CJ" Cahoy with Garney Construction

A copy of the presentation will be attached with the minutes.

ENGINEER'S COMMENTS

No comments

ATTORNEY COMMENTS

Matt Nichols advised the board that he is watching Senate Bill 428 and 605, and House Bill 850. These bills will change IBT standards.

EXECUTIVE DIRECTOR REPORT

EDR1 – Comments on Customers' Water Usage and Raw Water Revenue for Fiscal Year to Date Ending March 31, 2025

Executive Director Holloman reported that during March, all customers were under projections.

DIRECTOR'S COMMENTS AND/OR FUTURE AGENDA ITEMS

No comments.

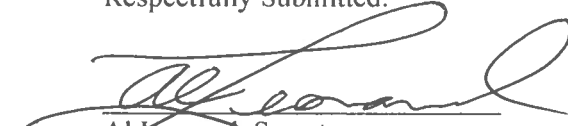
PUBLIC COMMENT

No comments.

ADJOURNMENT

There being no further business, Chairman DeVane adjourned the meeting at 9:45 a.m.

Respectfully Submitted:


Al Leonard, Secretary



Lower Cape Fear Water & Sewer Authority

Financial Update Presentation

April 14, 2025

Agenda

- 1 Credit Overview
- 2 Financial Results and Peer Comparisons
- 3 Preliminary Debt Schedules
- 4 Market Update



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Credit Overview



Credit Profile of the Authority

- Three primary rating agencies include Moody's, S&P Global and Fitch
- The Authority does not currently carry any standalone long-term credit ratings
 - The Authority's 2010 Bonds carry a short-term credit rating of A+/A-1 from S&P Global through the Substitute Credit Facility provided by Rabobank Nederland.
- The Members of the Authority carry the following ratings:
 - Bladen County (Aa3/NR/NR)
 - City of Wilmington (Aaa/AAA/AA+)
 - Brunswick County (Aaa/AAA/AAA)
 - Columbus County (Aa3/NR/NR)
 - New Hanover County (Aaa/AAA/NR)
 - Pender County (Aa2/AA/NR)

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Financial Results and Peer Comparisons



3-Year Historical Operating Results

FY 2022 - FY 2024

- Operating Revenues
 - 34.3% increase since FY 2022
 - 9.7% decrease from FY 2023 to FY 2024
- Operating Expenditures
 - 12.1% increase since FY 2022
 - Increase in FY 2023 driven by administrative costs
- Net Position
 - 29.0% increase since FY 2022

	FY 2022	FY 2023	FY 2024
Operating Revenues:			
Charges for services	7,472,215	11,170,678	10,098,155
Other operating revenue	114,314	114,314	89,005
Total operating revenues	7,586,529	11,284,992	10,187,160
Operating Expenses:			
Operations and administration	4,483,011	7,503,574	5,146,860
Depreciation and amortization	1,727,437	1,785,716	1,812,138
Total operating expenses	6,210,448	9,289,290	6,958,998
Operating income (loss)	1,376,081	1,995,702	3,228,162
Nonoperating Revenues (Expenses)			
Investment earnings	765	2,312	42,221
Insurance Claim Proceeds	1,411	3,614	-
Capital contributions	-	-	1,664,740
Interest and fees paid	(101,023)	(506,120)	(607,137)
Other non-operating revenues (expenses)	18,272	1,611,154	97,496
Total nonoperating revenues (expenses)	(80,575)	1,110,960	1,197,320
Income (loss) before transfers and capital contributions	1,295,506	3,106,662	4,425,482
Change in net position	1,295,506	3,106,662	4,425,482
Net position, beginning	24,693,765	25,989,271	29,095,933
Net position, ending	25,989,271	29,095,933	33,521,415

Source: LCFWASA Audits

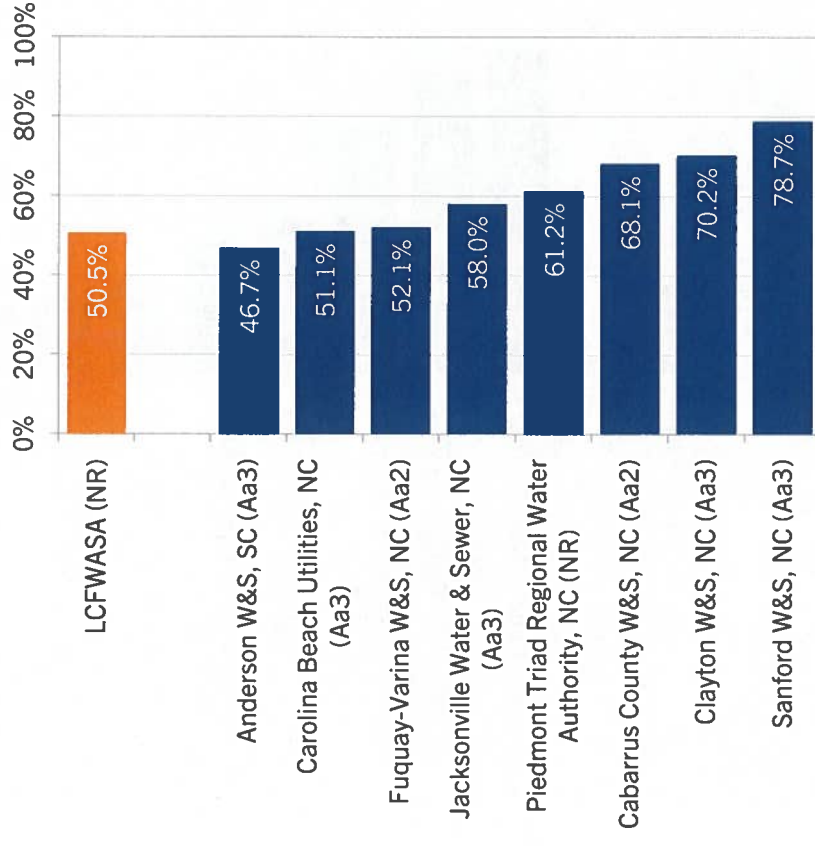


Lower Cape Fear Water & Sewer Authority

Financial Performance

Operating Ratio

- Calculation
 - O&M Expenses / Total Operating Revenues
- Why it matters
 - A lower ratio indicates greater operational efficiency
 - Aim for the lowest costs required to generate maximum revenues
- LCFWASA's Performance
 - 50.5% as of June 30, 2024
 - Strong result compared to peer group



Source: LCFWASA Audits, Moody's Investors Service

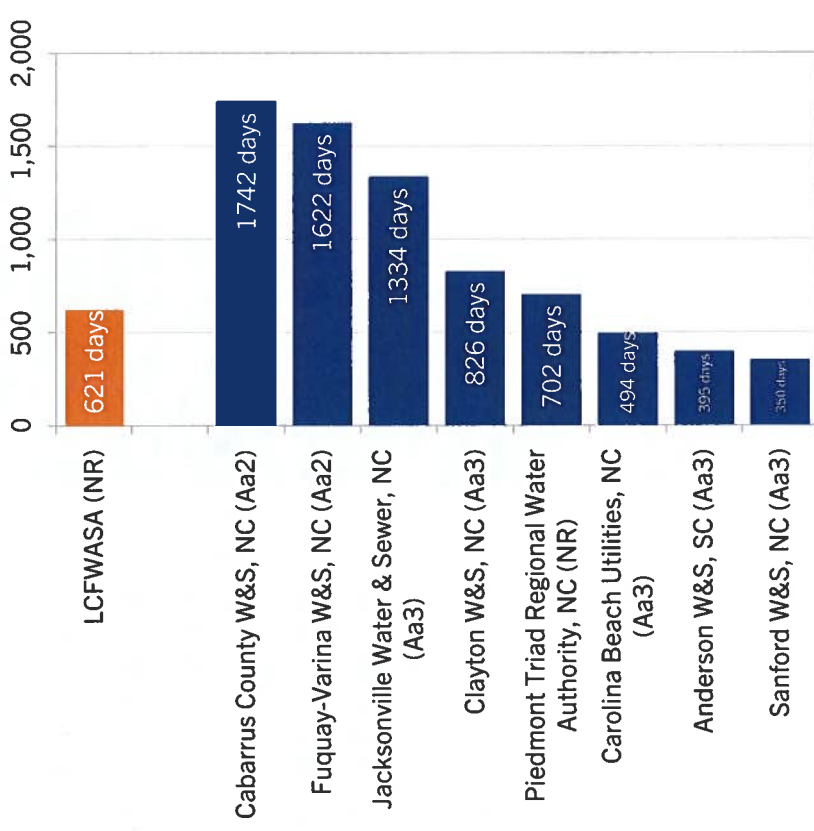


Lower Cape Fear Water & Sewer Authority

Liquidity

Days Cash on Hand

- Calculation
 - Unrestricted Cash & Investments / O&M Expenses * 365
- Why it matters
 - Represents how long a system can operate without generating any revenues
 - Greater levels of unrestricted cash leave a system better prepared for unforeseen expenditures or hardships (such as a hurricane)
- LCFWASA's Performance
 - **621 days** as of June 30, 2024
 - Around the median for the peer group, but at a very strong level
 - Coastal systems often maintain higher cash levels



Source: LCFWASA Audits, Moody's Investors Service

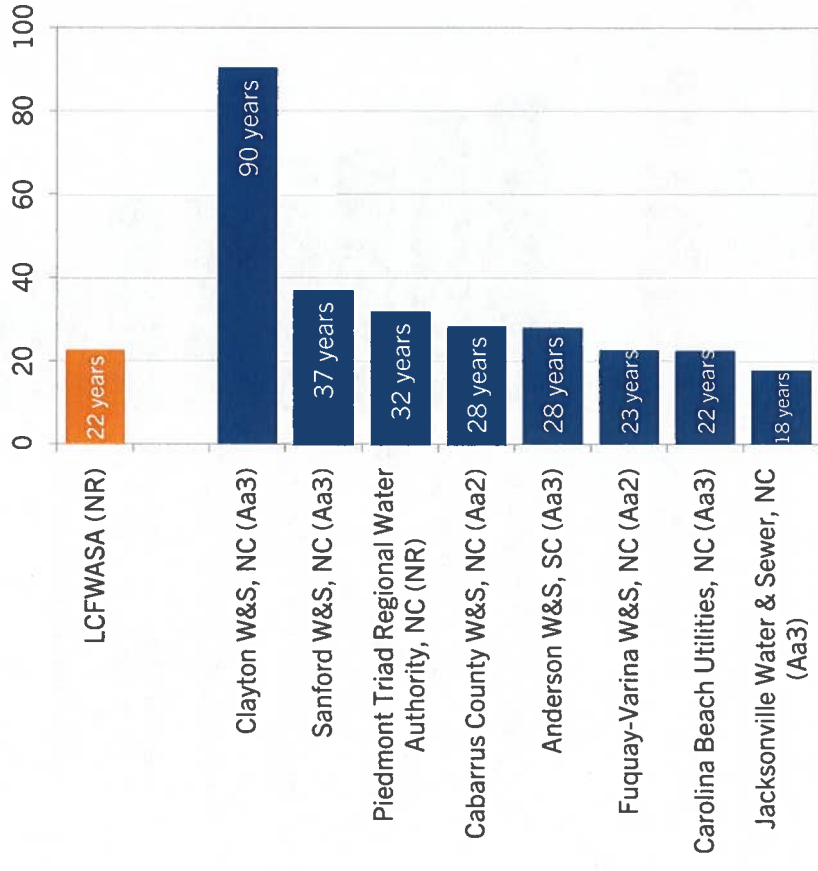


Lower Cape Fear Water & Sewer Authority

Asset Condition

Remaining Useful Life

- Calculation
 - Fixed Assets (Net of Depreciation) / Annual Depreciation
 - Expressed in years
- Why it matters
 - Indicates the average age of a system's plant and equipment
 - A higher remaining useful life indicates that a system's infrastructure is in newer condition and less prone to issues with environmental regulations or service disruptions
- LCFWASA's Performance
 - 22 years as of June 30, 2024
 - On the lower end of the peer group, but in line with many of the regional entities



Source: LCFWASA Audits, Moody's Investors Service

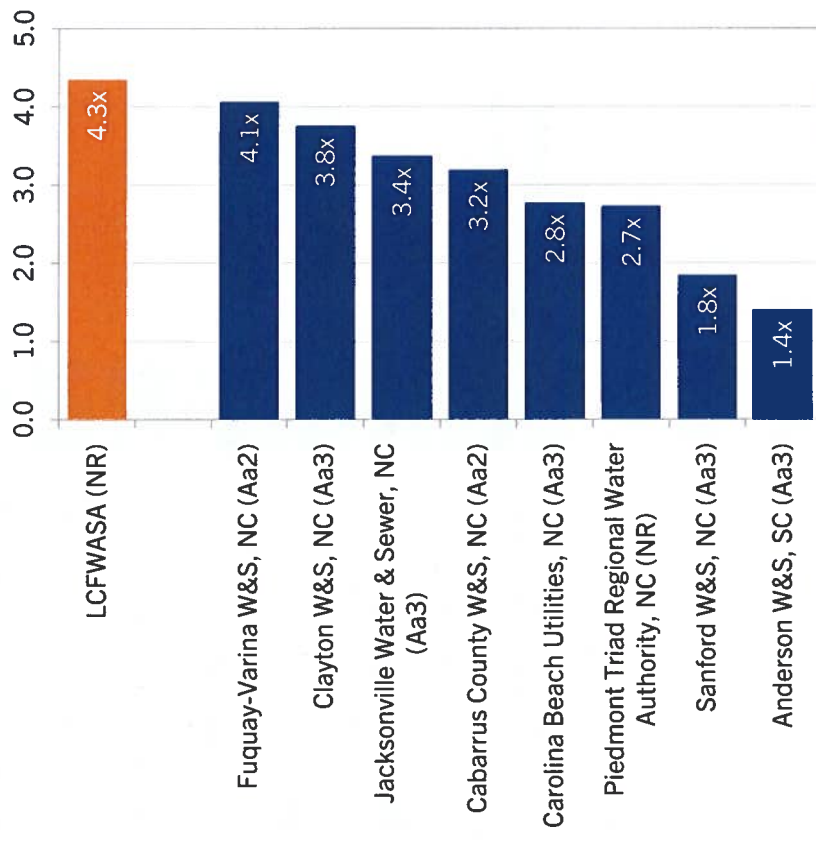


Lower Cape Fear Water & Sewer Authority

Debt Affordability

Annual Debt Service Coverage

- Calculation
 - Income Available for Debt Service / Annual Debt Service
- Why it matters
 - Represents the sufficiency of a system’s available net revenues to cover debt service payments
 - A higher ratio indicates that a system has greater flexibility to withstand volatile revenues or unexpected expenditures
- LCFWASA’s Performance
 - **4.3x** as of June 30, 2024
 - Strongest result in its peer group



Source: LCFWASA Audits, Moody's Investors Service

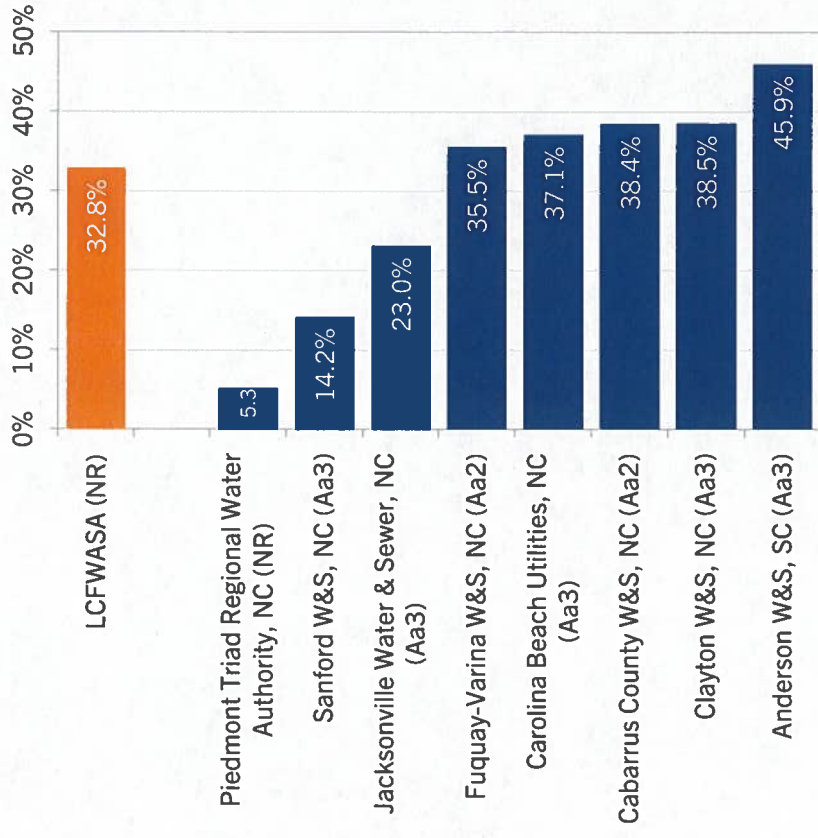


Lower Cape Fear Water & Sewer Authority

Debt Leverage

Total Long-Term Debt to Total Assets

- Calculation
 - $\text{Total Long-Term Debt Outstanding} / \text{Total Assets}$
- Why it matters
 - Represents the leverage of a system
 - A lower ratio indicates the system has greater capacity to afford additional debt borrowing
- LCFWASA's Performance
 - 32.8% as of June 30, 2024
 - Around the median for the peer group



Source: LCFWASA Audits, Moody's Investors Service

Preliminary Debt Schedules



Estimated Debt Service Schedules

\$5.8 Million Borrowing

- 15-Year Borrowing
 - More banks can provide this term
 - Lower interest rate
 - Lower total debt service
- 20-Year Borrowing
 - Limited banks can provide this term
 - Higher interest rate
 - Lower annual debt service
- The interest rates and debt schedules provided are estimated and subject to change.

15-Year Borrowing (4.50% Interest Rate)			
Year	Principal	Interest	Total
Total	5,800,000	2,300,901	8,100,901
1	279,060	261,000	540,060
2	291,618	248,442	540,060
3	304,741	235,319	540,060
4	318,454	221,606	540,060
5	332,784	207,276	540,060
6	347,760	192,300	540,060
7	363,409	176,651	540,060
8	379,762	160,298	540,060
9	396,852	143,209	540,060
10	414,710	125,350	540,060
11	433,372	106,688	540,060
12	452,874	87,187	540,060
13	473,253	66,807	540,060
14	494,549	45,511	540,060
15	516,804	23,256	540,060

20-Year Borrowing (4.75% Interest Rate)			
Year	Principal	Interest	Total
Total	5,800,000	3,311,854	9,111,854
1	180,093	275,500	455,593
2	188,647	266,946	455,593
3	197,608	257,985	455,593
4	206,994	248,598	455,593
5	216,826	238,766	455,593
6	227,126	228,467	455,593
7	237,914	217,679	455,593
8	249,215	206,378	455,593
9	261,053	194,540	455,593
10	273,453	182,140	455,593
11	286,442	169,151	455,593
12	300,048	155,545	455,593
13	314,300	141,293	455,593
14	329,229	126,363	455,593
15	344,868	110,725	455,593
16	361,249	94,344	455,593
17	378,408	77,184	455,593
18	396,383	59,210	455,593
19	415,211	40,382	455,593
20	434,933	20,659	455,593

Estimated Debt Service Coverage Impact

Based on FY 2024 Results

- Due to the lower annual debt service, the 20-year term results in a stronger debt service coverage ratio than the 15-year term.

	15-Year Term	20-Year Term
Operating Revenues	10,187,160	10,187,160
Operating Expenses*	5,173,996	5,173,996
Operating Income	5,013,164	5,013,164
Non-Operating Revenues (Expenses)	1,831,593	1,831,593
Income Available for Debt Service	6,844,757	6,844,757
Aggregate Debt Service	2,117,197	2,032,730
Debt Service Coverage Ratio	3.23x	3.37x

*Excludes depreciation and amortization expenses.

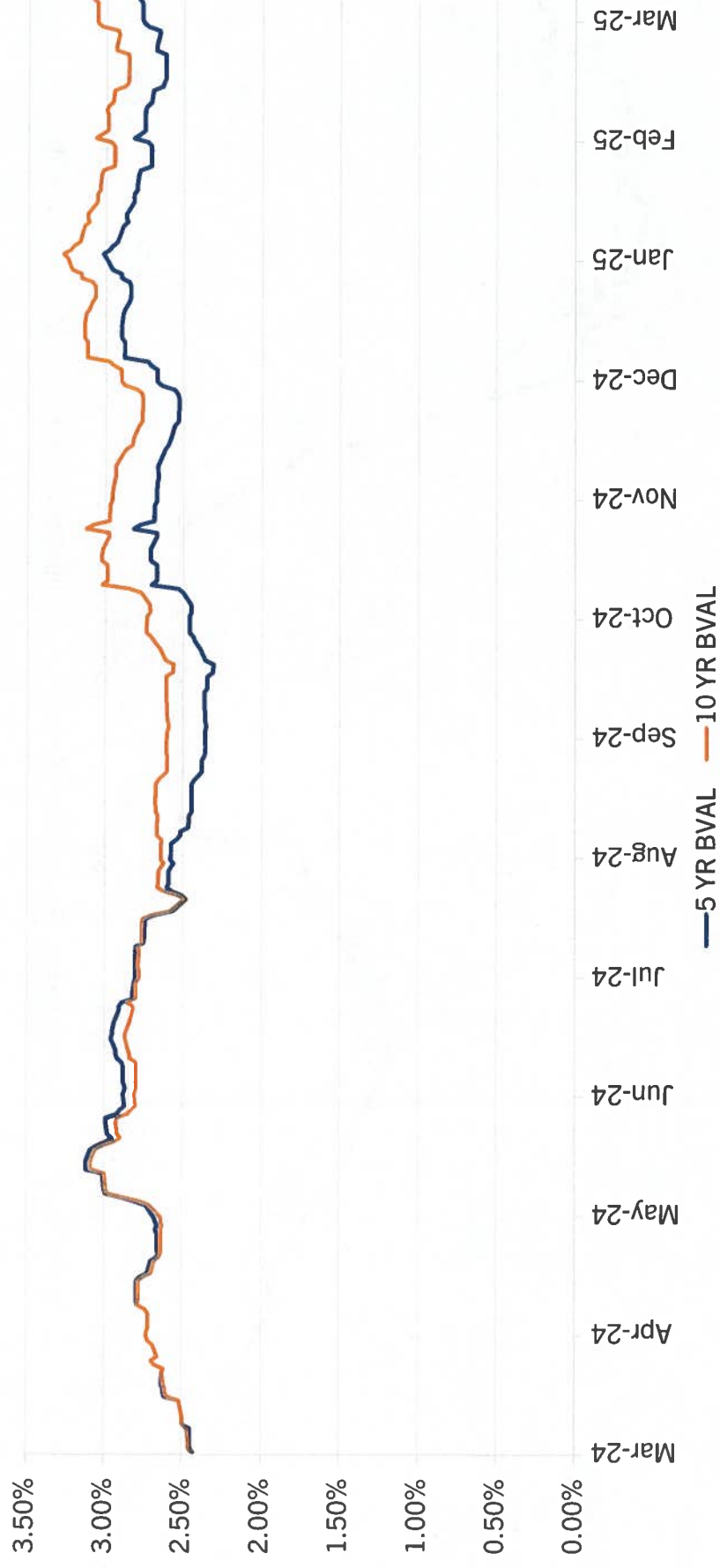
Sample Financing Timeline

Bank Placed Revenue Bond

Timing	Event
Week 1	Organize working group
Weeks 2-3	Circulate and review draft documents
Weeks 4-5	Obtain approvals from member entities
Week 5	Submit LGC application Send bank loan RFP to banks
Week 8	Receive bank bids
Week 9	LGC approval
Week 10	Circulate closing documents
Week 11	Close on financing

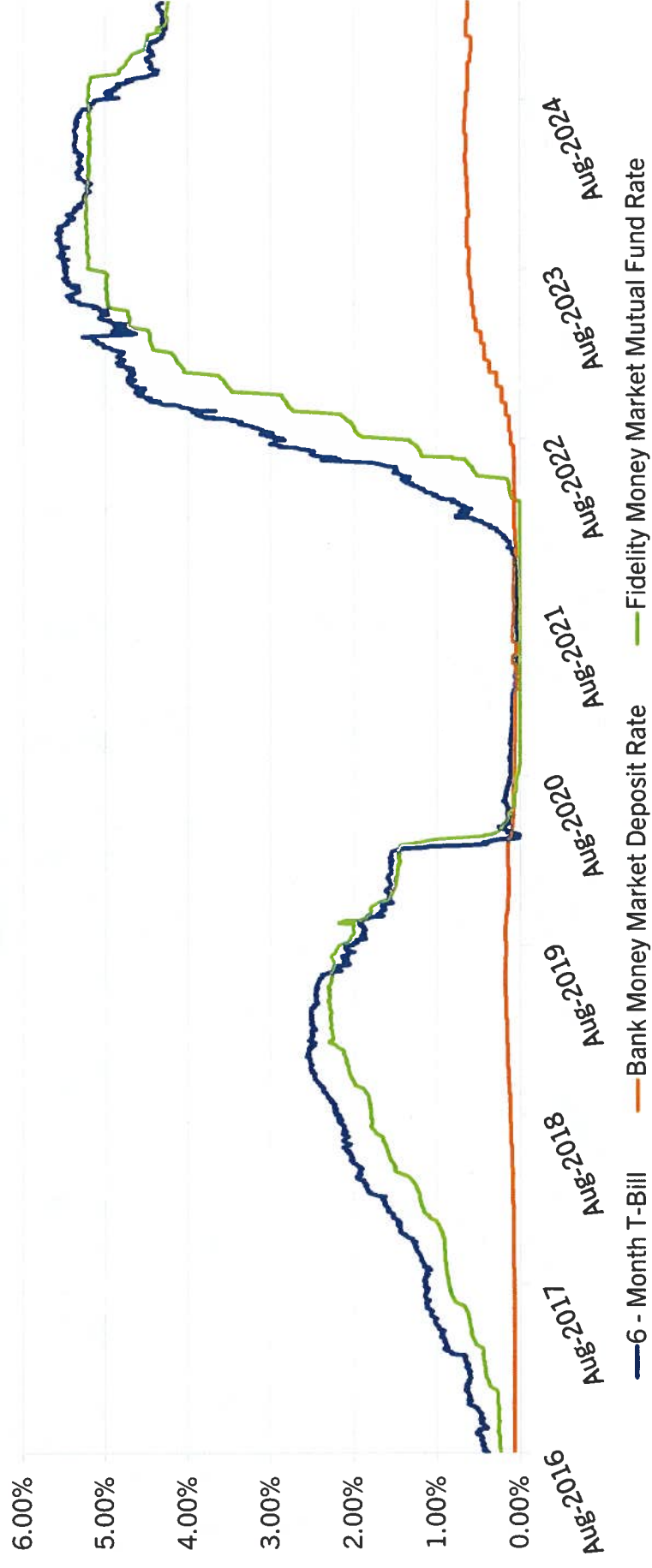
Market Update

5-Year & 10-Year Tax-Exempt Rates: One Year History



Source: Bloomberg as of March 19, 2025

Comparison of Deposit Yields



Source: MarketWatch, FDIC, Bloomberg

First Tryon Advisors

SIMPLIFYING PUBLIC FINANCE

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MSRB Registrant

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Kings Bluff Pipeline Update





PHASE 2A — 10,850' (FROM BRUNSWICK TANKS TO MISERY ROAD WITH INTERCONNECT TO EXISTING LINE AT MISERY RD (\$16,900,000)

PHASE 2B— 24,000' (FROM MISERY RD TO PENDER VAULT WITH CAPE FEAR RIVER CROSSING AND CONNECTION TO PENDER COUNTY (\$22,650,000)

CONTINGENCY -- \$1,243,200 NONE UTILIZED TO DATE



JANUARY



 **McKIM & CREED**
ENGINEERS...SURVEYORS...PLANNERS

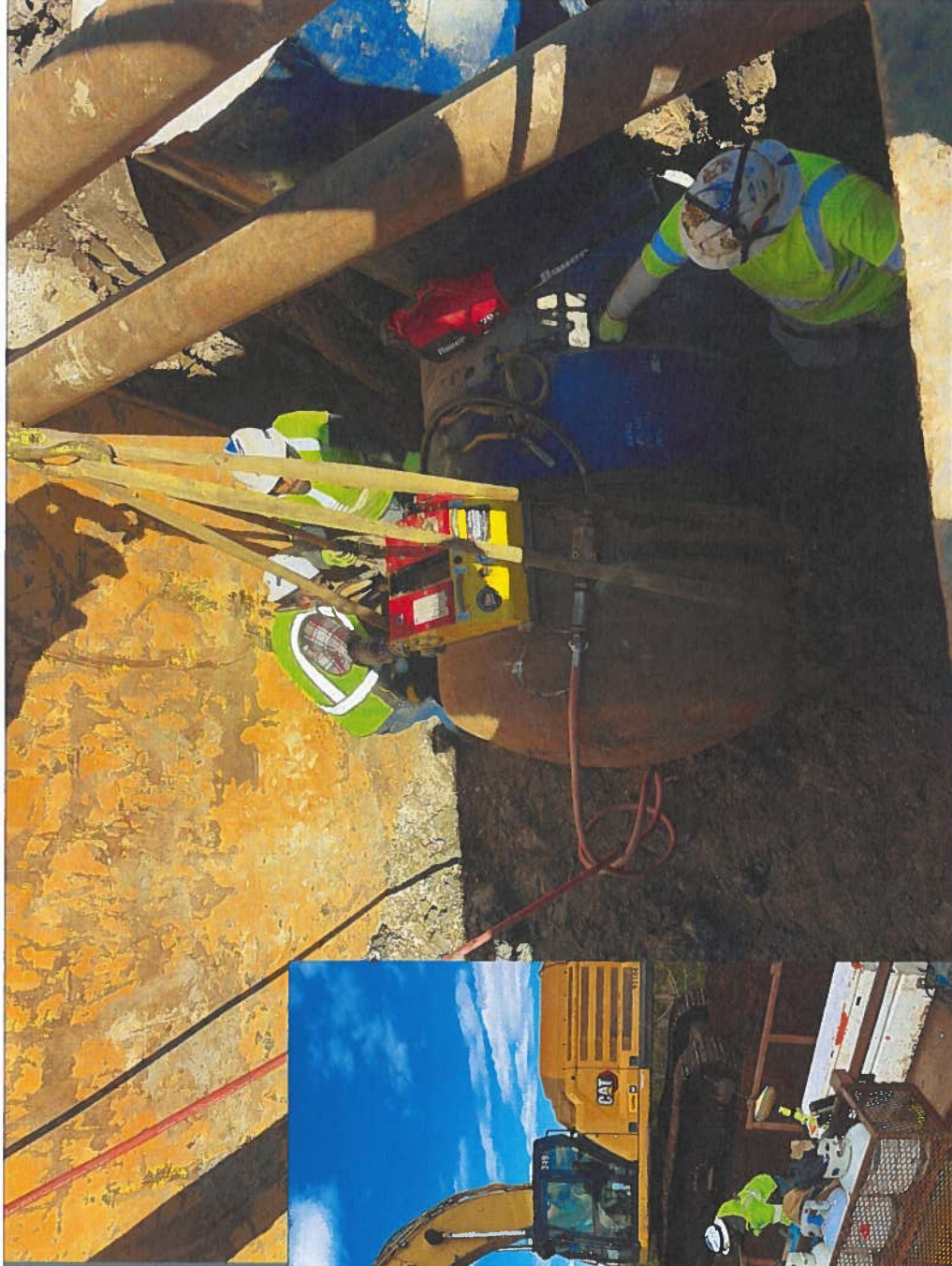


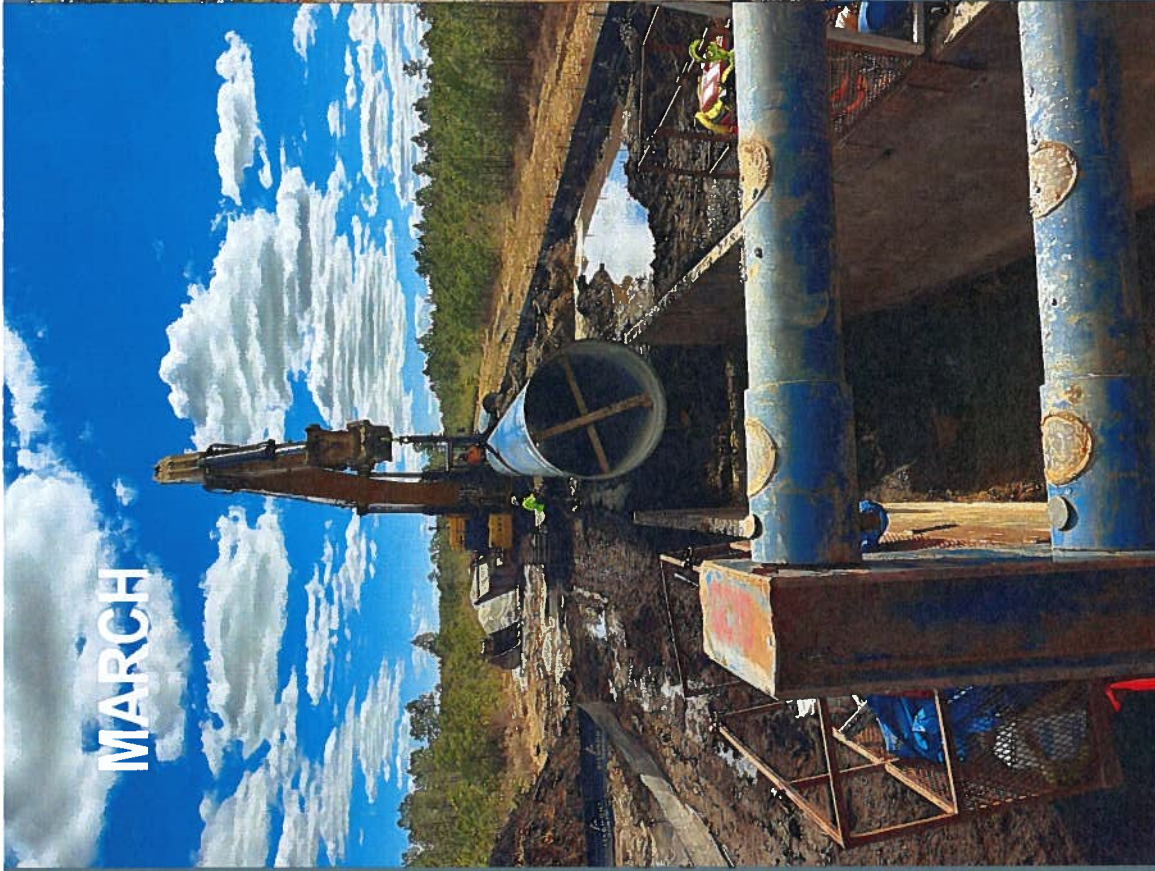
Garney
CONSTRUCTION



FEBRUARY

FEBRUARY

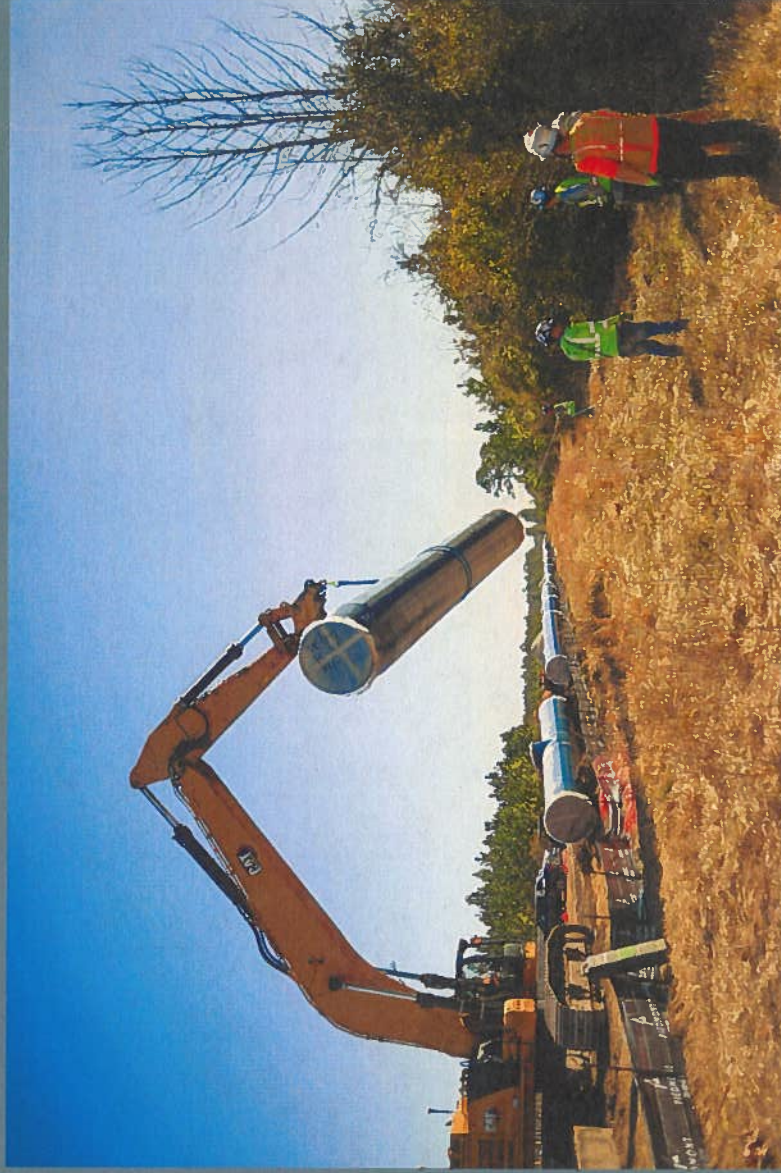




MARCH



MARCH



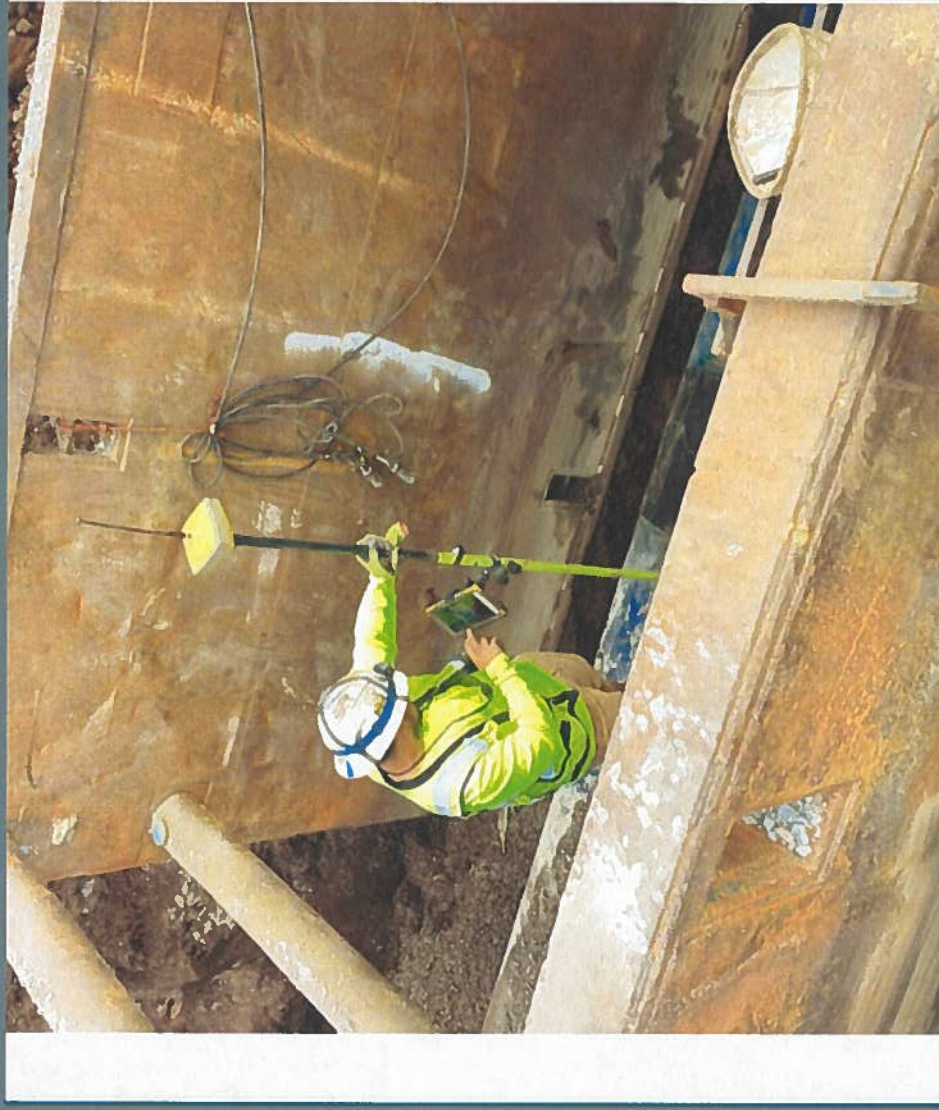
MCKIM & CREED
ENGINEERS SURVEYORS PLANNERS

Garney
CONSTRUCTION

QC ITEMS



PIPE AS-BUILT



MCKIM & CREED
ENGINEERS SURVEYORS PLANNERS

Garney
CONSTRUCTION

TO DATE -- APRIL

Phase A – Prep (100%)

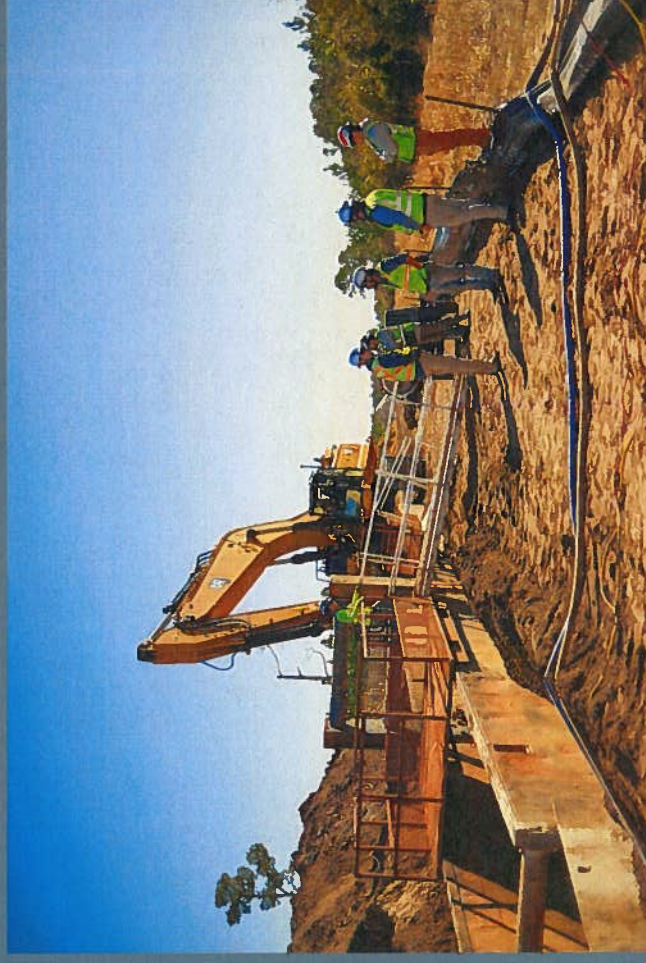
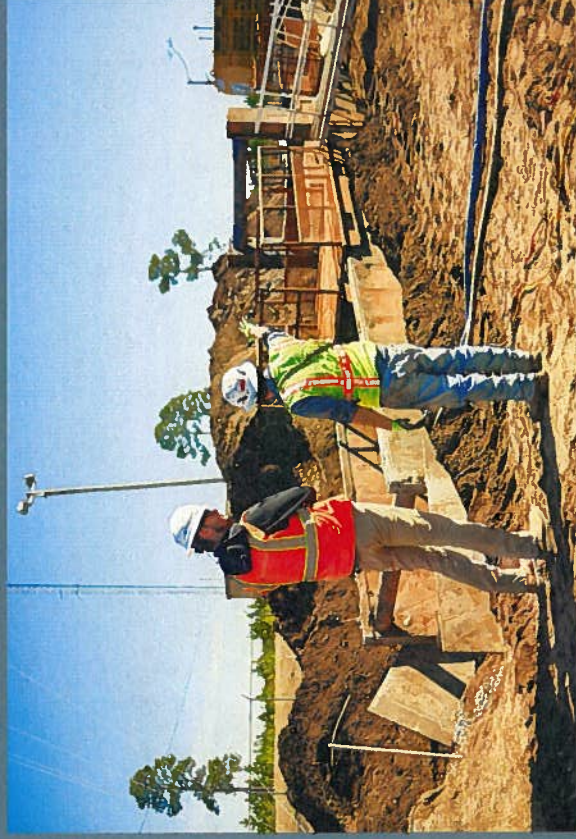
Pipe delivery (100%)

Installation (100%)

Welding (70%)

Graded/Ready for seed (78%)

Seeded (55%)



Phase 2 B – Clearing (15%)



FUTURE



- April – Finish pipe install on Phase A and clean –up
 - Clear, Prep and pipe deliveries on Phase B
- May – Finish Prep/pipe delivery first half on phase B
 - Continue prep on second half
 - Start pipe install on 2B