

The Beaufort County Finance Committee met on Tuesday, June 22, 2021, at 3:00 PM, in Commissioner's boardroom located at 136 W. 2nd Street in Washington, NC with the following present:

Committee Members:

Chairman Frankie Waters
Commissioner John Rebholz

Absent:

Commissioner Jerry Langley

Staff Present:

Brain Alligood, County Manager
Anita Radcliffe, Chief Financial Officer
Katie Mosher, Clerk to the Board

Chairman Waters called the meeting to order and asked if anyone had a conflict of interest.

No one spoke.

Motion: Commissioner Rebholz motioned to approve the agenda. Chairman Waters seconded. The vote was unanimous.

Motion: Commissioner Rebholz motioned to approve the minutes. Commissioner Waters seconded. The vote was unanimous.

Ms. Anita Radcliffe handed out documents relating to the "Distressed Water System" status (see attached). She said at this time they were optimistic that the water system in Beaufort County would be reviewed by the state, and they are awaiting a response to their letter.

ARPA FUNDING

Ms. Radcliffe said at this time we have received \$4.56 million of the ARPA funds. She said the money will show as a liability until the Board decides how the funds are going to be spent.

Chairman Waters said within the Board there is a disagreement on how to spend the funds. He suggested coming up with a scoring system for projects.

Mr. Alligood said he had sent the School of Government an email asking if the ARPA funds could be spent on solid waste and they have been very clear that it can only be used on water, sewer, and broadband. He said there is hope that funds from ARPA could be connected with the federal infrastructure bill.

Commissioner Rebholz said during the next Board of Commissioners meeting he would ask for a vote to allow Mr. Alligood to move forward with broadband.

Chairman Waters asked if Mr. Alligood had received any paperwork on the agreement with RiverStreet.

Mr. Alligood said the plan they had talked about before brought the service through Washington but would not be serving Washington initially.

Commissioner Rebholz said he believes it's not going to be as easy as we thought.

Mr. Alligood said the initial thought is putting in the backbone and using the County's vertical assets to run wi-fi.

Chairman Waters asked if Davenport had any experience with partnerships.

Ms. Radcliffe said she would reach out to them and ask.

Chairman Waters asked if the system would be owned by the County.

Mr. Alligood said no, state law does not allow for that. He said RiverStreet would rather own it because they need to start generating revenue from it.

Chairman Waters asked about scheduling a work session and holding a discussion on what percentage the County would want to receive.

Mr. Alligood said once the Board approves moving forward we can bring back information about what percentages are being offered. He said he was waiting to see what was in the state budget because there is a plan for the state to match up to a certain amount, but the language was concerning because it appears to squeeze out the smaller non-profit companies. He said we were in a good position because we had followed the process the state requires to pick our own vendor.

Commissioner Rebholz asked if RiverStreet could apply to the state for the funding.

Mr. Alligood said the local government has to apply for the funding.

Monthly Financial Report

Ms. Radcliffe asked the Committee what information they would like to see in her monthly report that she gives to the Board of Commissioners.

Commissioner Rebholz said the reports she has been giving are sufficient.

Mr. Alligood said we will need to add the educational components. He said July we will be drawing down fund balance and then in January we get an influx of cash from ad valorem taxes.

Chairman Waters said he doesn't like surprises so if it's routine we don't need to discuss it but if it's bad or great then let us know.

Commissioner Rebholz said if there was historical information he would like that too.

Ms. Radcliffe said she could provide that. She said she would continue to give a two-page report sales and ad valorem taxes.

Commissioner Rebholz said that would work and if he thinks of anything else he would contact her.

Travel Report

Motion: Commissioner Rebholz motioned to accept the travel report as presented. Chairman Waters seconded. The vote was unanimous.

Chairman Waters told the Committee that the next meeting is scheduled for Tuesday, September 21, 2021.

Motion: Commissioner Rebholz motioned to adjourn. Chairman Waters seconded. The vote was unanimous.

Meeting adjourned at 4:03 PM

Respectfully submitted by:

Kathleen Mosher, CMC, NCCCC
Clerk to the Board

ROY COOPER
Governor
DIONNE DELLI-GATTI
Secretary
KIM H. COLSON
Director



NORTH CAROLINA
Environmental Quality

April 16, 2021

Chairman Frankie Waters
Beaufort County
132 W. 2nd Street
Washington, NC 27889

RE: Viable Utility – Potential Distressed Unit Designation
State Water Infrastructure Authority and Local Government Commission

Dear Chairman Waters:

We received the information Beaufort County submitted regarding the assessment conducted in accordance with NCGS 159G-45, and appreciate your time in providing the additional details. We are evaluating whether the information impacts the potential designation of Beaufort County as distressed. The State Water Infrastructure Authority (Authority) agreed during its meeting on April 14, 2021 to hold consideration of the "distressed" designation defined in the statutes until our evaluation is completed.

We will contact you to discuss the outcome of that evaluation before moving forward. Should you have any questions, please contact Susan Kubacki, with the Division of Water Infrastructure at 919-707-9181, or Sharon Edmundson, with the Department of State Treasurer at 919-814-4289.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Colson".

Kim H. Colson, PE
Chair State Water Infrastructure Authority
Director, Division of Water Infrastructure
Department of Environmental Quality

A handwritten signature in black ink, appearing to read "Sharon Edmundson".

Sharon Edmundson
Secretary, Local Government Commission
Deputy Treasurer
Department of State Treasurer

e/c Local Government Commission
State Water Infrastructure Authority Board
State Legislative Delegation



North Carolina Department of Environmental Quality | Division of Water Infrastructure
512 N. Salisbury Street | 1633 Mail Service Center | Raleigh, North Carolina 27699-1633
919.707.9160

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COUNTY OFFICIALS

Brian M. Alligood, County Manager
Katie Mosher, Clerk to the Board
Anita Radcliffe, Finance Director
David Francisco, County Attorney

**BEAUFORT COUNTY
NORTH CAROLINA**

March 26, 2021

Ms. Susan Kubacki
Division of Water Infrastructure
1633 Mail Service Center
Raleigh, NC 27699-1633

SUBJECT: Viable Utility – Potential Distressed Unit Designation (SL 2020-79 Requirements)

Dear Ms. Kubacki:

This letter is in response to the letter dated February 23, 2021 received from the NC Department of Environmental Quality, stating that Beaufort County Water meets the criteria of a distressed unit with a score of nine (9). After reviewing the scoring data, Beaufort County asserts that the score should be adjusted to a seven (7) due to the incorrect calculation of the A/R ratio and the updated calculation of the Debt Service Coverage Ratio using the most recent data from Beaufort County's 2020 Audit Report. The revised calculations are shown on the attached document entitled "Beaufort County Assessment Criteria Scorecard Review". A revised score of seven (7) would cause Beaufort County Water to not be considered at risk of being designated distressed under Session Law 2020-79.

Beaufort County Water management acknowledges that though a score of seven (7) would not technically qualify our system as "distressed", we still face many challenges that could potentially compromise water service availability and cost. That is why Beaufort County Water leadership has taken vigorous steps to strengthen our water system both operationally and financially. Listed below are some of the programs and processes that have been implemented over the past five years.

- Consolidated seven water districts into 1 operating system under an inter-local operating agreement to improve operational efficiencies and financial strength
- \$31M LOBs refunding with goal of saving approximately \$2.5M over 20 years
- Invested idle cash that had previous been held in a checking account
- Implemented administrative charges from the Water Enterprise Fund to the General Fund
- Began using NC Debt Set-off & 3rd party collection agency for collection of past due debts
- Revised Rules & Regulations to improve collection of past due accounts
- Conducted a Water Rate Study and implemented the recommendations
- Developed a 10-year Capital Improvement Plan
- GPS located all meters and hydrants
- Installed emergency generators at treatment plant and wells
- Completed meter change-out project from direct read to smart meters (AMI)
- Developed electronic hydraulic model of the entire water system

We believe that strong leadership coupled with good short and long-term planning initiatives will allow the Beaufort County water system to not only be viable in the future, but flourish.

Thank you for your consideration for the adjustment of the two scoring points and corresponding revised score of seven (7). Please contact either of us if you require additional information for your review.

Sincerely,
BEAUFORT COUNTY

Christina L. Smith
Christina L. Smith, P.E.
Public Works Director

A. Radcliffe
Anita C. Radcliffe
Chief Financial Officer

BEAUFORT COUNTY ADMINISTRATION BUILDING

121 West 3rd Street * Washington, North Carolina 27889 * Phone (252) 946-0079 * Fax (252)-946-7722

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**BEAUFORT COUNTY
NORTH CAROLINA**

Beaufort County Assessment Criteria Scorecard Review

Criteria	Points Scored	Old Value Used	New Value Used	New Points Scored	
Debt Service Coverage Ratio	1	1.06	1.18	0	
The Debt Service Coverage Ratio is 1.18 based on the most recent FY Ended 2020 Audit Report which does not warrant a scoring point.					
	FY 2020 Audit Amount (\$)	Page #	FY 2019 Audit Amount (\$)	Page #	
Operating Revenues	7,541,702	22	7,346,214	22	
Operating Expenditures Total	6,071,224	22	6,163,101	22	
Less: Depreciation	(2,196,516)	22	(2,161,944)	22	
Adjusted Expenditures	3,874,708		4,001,157		
Net Revenue Available for Debt Service	3,666,994		3,345,057		
Principal	1,715,000	22	1,595,000	23	
Interest	1,403,813	23	1,550,859	22	
Debt Service	3,118,813		3,145,859		
Debt Service Coverage	1.18x		1.06x		
Affordability	1	4	No Change	No Change	
BCW concurs with this score.					
DW Pop/Mile	1	29	No Change	No Change	
BCW concurs with this score.					
Rate \$/5,000 gal	1	\$52.43	No Change	No Change	
See below comment.					
Because management recognized the importance of having sufficient funds to not only cover current operating expenses, but to also plan for future capital projects, including replacement of aging infrastructure, Beaufort County contracted with McGill in 2018 to conduct a rate study. McGill used the current operating costs, current debt, and the Capital Improvement Plan to make recommendations. The Board reviewed the recommendations of this rate study and approved the implementation. The rates for all seven districts will gradually be equalized over 5 years and will stabilize at a level to provide sufficient fund balance accumulation in order to ensure the financial stability of the enterprise fund.					
Revenue Outlook	4	-0.72% Pop.	No Change	No Change	
See Comment above regarding the justification for higher rates					
Receivables Ratio	1	2.7	1.702	0	
The Net Water A/R value reported in the 2019 audit includes the Capital project fund A/R of \$487,956. When recalculated, the Receivables Ratio does not warrant scoring a point. The correct values are listed below.					
	2017	2018	2019	2020	Average
Net Water A/R	872,137.00	871,022.00	966,977.00	899,314.00	902,362.50
Total Water Sales	6,256,782.00	6,540,773.00	6,913,262.00	7,138,583.00	6,712,350.00
Total	0.14	0.13	0.14	0.13	0.13
Multiplied by 365 Days	50.8776	48.6063	51.0536	45.9825	49.0681
Divided by 30 Days	1.696	1.62	1.702	1.533	1.636

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Commissioner's Professional Development

March 16 -June 21, 2021

John Rebholz	NCACC Conference Hotel, August 2021 in Wilmington	\$ 213.57
Randy Walker	NCACC Conference Hotel, August 2021 in Wilmington	\$ 213.57
Hood Richardson	NCACC Conference Hotel, August 2021 in Wilmington	\$ 213.57
	NACO Conference Reg., July 2021 in Washington DC	\$ 515.00
Jerry Langley	NCACC Conference Hotel, August 2021 in Wilmington	\$ 213.57
	NACO Conference Reg., July 2021 in Washington DC	\$ 515.00
Ed Booth	NCACC Conference Hotel, August 2021 in Wilmington	\$ 213.57
	NACO Conference Reg., July 2021 in Washington DC	\$ 515.00
Brian Alligood	Manager's Conference Reg., ^{June} July 2021 in Wilmington	\$325.00