

NEW BERN BOARD OF ALDERMEN
NEW BERN, NORTH CAROLINA

WORK SESSION

JANUARY 19, 2010

Present:

Lee Wilson Bettis, Jr., Mayor
Sabrina Bengel, Alderman
Dennis K. Bucher, Alderman
Johnnie Ray Kinsey, Alderman
Dana Outlaw, Alderman
Victor J. Taylor, Alderman
Bernard W. White, Alderman
Edward A. Wyatt, Interim City Manager
Danny Meadows, Acting City Manager
Scott Davis, City Attorney

Other Attendees:

Veronica Mattocks, City Clerk
Jordan Hughes, Acting City Engineer
Eddie Ellis
Veronica (Ronnie) Ellis
Beth Atkins
John Thomas
Rev. Darryl Radford
Anthony Bonnici
Nikie Mayo

Court Reporter: Bobbie Newman

INDEX OF HANDOUTS/EXHIBITS

Exhibit [A] Ellis Sewer Terms, point of discussion agreeable to developer and staff; June 13, 2007 letter from David A. Muse, City Engineer, to Taylor Downey, Weyerhaeuser Real Estate Development Company, re sewer service; June 27, 2008 letter from David A. Muse, City Engineer, to John Thomas, Thomas Engineering. Page 4

Exhibit [B] Jordan Hughes, "Overview of the City of New Bern Sanitary Sewer System in Township No. 7. Page 5

COURT REPORTER'S NOTE: The Work Session commenced at 7:25 p.m., in the City Hall Building, following a tour of the Kale Road property.

MR. LEE WILSON BETTIS, JR.: Let's bring this Work Session to order. Mr. Wyatt, do you have a few comments you want to make?

MR. EDWARD A. WYATT: Yes, sir.

MR. BETTIS: The floor is yours.

MR. WYATT: If you don't mind, I'll stand and just make a couple of remarks. Danny's taking care of getting us some air, so we'll get the air going before there's too much hot air. Anyway, I did want to note that we just had a very useful tour of the Kale Road facility and very much to the council's credit of walking around the whole of the site and a couple of the buildings. I have asked the staff to prepare a report under the assumption that maybe you haven't had a report to the new governing body to include the needs that you all are aware of, but we'll -- we'll be more precise in terms of what those needs are, the various functions of City government, and then outline various alternatives that are available to us. We do very much appreciate your willingness to let us discuss the facility's needs. Sometimes the facilities' needs in which to operate are the last thing that gets discussed, so to speak. So, I thank you very much for being willing to take a look and we will follow up with an appropriate report and hopefully you will, on an individual basis if you'd like to, talk with our staff members to get a better understanding of -- of our needs, or certainly in certain cases, without creating a crisis of precedent. But we do thank you for the willingness tonight to allow us to go over these facilities and get a reference point on some property, especially that was purchased in just the recent times. But the main subject agenda item tonight is dealing with the -- the Eddie Ellis Sewer Agreement. I'm going to ask Jordan to talk with you about the agreement, and also he's prepared to talk about the sewer system in the township which, of course, is an integral part of -- of the issues because it deals with ability to serve in an appropriate manner. And this has been an item that Jordan has picked up in recent times, and, by the way, we appreciate his wearing a couple of hats right now and he's doing a very good job I'm pleased to report to you. So with that, I'm going to call upon Jordan, and I'll have a handout that I'll be distributing, too. (Exhibit [B]) So, if you'll take over?

MR. JORDAN HUGHES: Thank you, Mr. Wyatt. While this thing (computer) is warming up, basically what I've put together for you tonight, not knowing how much information you know on the system in Township 7, I thought I'd take a few minutes to just give you a basic general overview of the City sewer system in Township 7; how we ended up over there; our current situation; and some of the projects we have going on, maybe to help you better understand the issue at hand which is the Eddie Ellis deal.

COURT REPORTER'S NOTE: The PowerPoint slides Mr. Hughes is using have been printed as Handout/Exhibit [B].

MR. WYATT: Can everyone see that (slide) with the lights off?

MR. HUGHES: Can everybody see fine?

ALL: Yes, sir.

MR. HUGHES: All right. Probably the most important thing, this will get confusing if -- if I don't explain it. The City owns and operates two entirely separate systems in the Township 7 area. They are commonly referred to as the "gravity" system and the "STEP" system. Each system has its own permitted collection system. Each system's effluent has its own permitted waste water treatment plant. They are two entirely separate systems independent of each other; they just happen to be in the same geographical region. I'll briefly talk about the "STEP" system in a little bit more detail about it so you can get some understanding of what it is. "STEP" actually stands for Septic Tank Effluent Pump. Basically what those systems are, your conventional septic tank, is with the addition of a pump tank. A pump tank, and we'll get to that, which instead of your effluent going out into a drain field, it now gets collected by the pump tank and pumps the distribution lines into our lagoon collection facility. Typically, these are systems you see installed in rural areas. Say you have a half a dozen or two dozen houses at the end of your system and you want to pick these people up; they've got failing septic tanks or it's a rural community that's never had any sewer. This is a good type of system to bring into an existing residential type area. And that's basically what it was intended for in James City back in the mid 1980s when it was constructed. It was like it was constructed in the mid 1980s by Craven County. The City assumed responsibility of the system in 2003 -- but that may actually be 2004; I'm not real sure on the date. Anyway, we -- we own the system now and maintain it. Currently we serve approximately 3,200 users in Township 7 on the system. That's 3,200 pumps, 3,200 control panels. It's a lot of equipment involved to keep that system maintained every day. Yes, sir?

MR. DANA OUTLAW: When you say at capacity, is it at 80 percent like the rest of the city?

MR. HUGHES: Yes, sir; it is at capacity.

MR. OUTLAW: 90 percent? I mean, are you under the rest of the city on that?

MR. HUGHES: No, we haven't got to the -- the actual capacity at the plant. What I'm basing numbers off of paper allocation --

MR. OUTLAW: Uh-huh.

MR. HUGHES: -- what we -- what we --

MR. OUTLAW: Yeah.

MR. HUGHES: -- see every day, and then what we've also allocated to --

MR. OUTLAW: Right.

MR. HUGHES: -- developments that have yet to be built. We are over capacity.

MR. OUTLAW: Okay.

MR. HUGHES: At some point in the near future, we've actually got to look at ways to either modify that system and reroute some of the flow to the other system, or take some of the users completely off and add them on other systems.

MR. OUTLAW: Okay.

MR. BETTIS: What is the capacity out there?

MR. HUGHES: At the treatment plant, it's just -- it's just shy of 500,000 gallons a day, a half million gallons a day.

MR. BETTIS: And what are they using?

MR. HUGHES: Right now, right at 450.

MR. BETTIS: And do we now know how many percent of that has been allocated?

MR. HUGHES: I don't have the spreadsheet with me now; I wish I did. That's one thing I didn't bring. I didn't plan on talking about this system very much at all. But it's for all intent and purposes capped. We really can't get any more on the system at this point. The other system in the township we operate we commonly refer to as the gravity system for lack of a better term. It's your conventional gravity and force main system. And this system serves all the property in Township 7 which are also incorporated within the City limits, I think, with the exception of Gables Run. Gables Run is probably the only City property in Township 7 that's served by the STEP system. Everything else is served by this system. It includes all your major developments over there at Taberna, Carolina Colours, Brice's Mill, I mean Brice's Crossing, Evan's Mill, Selhorn Heights, Long Leaf Pines and there may be even another one on the creek side I think over by Selhorn Heights. Right now, we have -- we have approximately 1,270 users on this system in Township 7. It's like I said, it's just your basic conventional gravity and force main system. This is the same type of system we had throughout the majority of the Town. Sewer lines laid to grade through manholes eventually to lift stations and pump through force main through common force mains back to the treatment plant or to other parts of the distribution system. All sewage collected by the gravity system is transported through our main wastewater treatment plant located on Glenburnie Drive. The main treatment plant, on the other hand, has got plenty of capacity. It's permitted to treat 6 1/2 million gallons a day. Currently we're averaging just over 3 1/2 million gallons a day.

MR. BETTIS: It's permitted at 6.5 million and is that how much it actually can -- is that it's actual capacity now without doing any upgrades on it, or --

MR. HUGHES: Without doing anything to it, we're permitted like it can treat 6.5 million gallons a day, like I said; yes, sir. We are currently only using like 3 1/2

million gallons a day. We have an additional paper allocation for permitted -- permitted developments that have yet to come on line of just -- just shy of a million gallons a day. Add those two numbers together and subtract them from the 6.5, your remaining treatment plant capacity is 2. -- or excuse me, 2.01 million gallons per day. That's enough capacity to serve approximately 5,600 homes.

MR. OUTLAW: Is that at 360 gallons --

MR. HUGHES: 360 gallons a day; yes, sir.

MR. OUTLAW: Okay.

MR. DENNIS K. BUCHER: Sir, forgive me. I'm not sure I heard you or did you explain what "paper allocation" means?

MR. HUGHES: Paper allocation is simply what you're permitted development for, say 50,000 gallons a day. Before that development is built and homes are actually built in that development, you have to account for it. So you say it's -- it's allocated for on paper only.

MR. OUTLAW: Is that a paper allocation? (Holds up a page in Exhibit [A].)

MR. HUGHES: To some extent; yes.

MR. OUTLAW: Okay. I just wondered.

MR. BETTIS: And does -- that paper allocation, does that take into account all of these?

MR. HUGHES: No, sir. What -- what we -- what we typically call paper allocation are permitted developments. Once the development been permitted and you get a permit issued through the State, the State makes you, you know, allocate that -- that flow. Until that point, the State -- you don't have any commitment from the State to account for that until you actually have a permit issued for the development.

MR. BETTIS: Are these kept track of anywhere?

MR. HUGHES: The permits?

MR. BETTIS: No.

MR. HUGHES: Those -- there are very few of those that I know of. Typically we -- it goes through a different process than this development's gone through. But -- but all of the permitted, yes, sir, we can keep track of those.

MR. BETTIS: Just one more question.

MR. HUGHES: Sure.

MR. BETTIS: When you get a building permit, every time a building permit is issued, do we pull that allocation somewhere or how does that work?

MR. HUGHES: What we'll do, we permit it as a -- as a development. Say you have 100 lots of development you want to develop, you'll get that permitted through the Department of Natural Resources -- Environmental and Natural Resources, and that -- that flow is then allocated, you know, against what we have treatment capacity for. Once every six months we will go around and actually do a count of the homes in that development that have been built and the homes that are yet to be built. And we'll -- if the home has been built, your flow is accounted for in your

average -- in your average treatment number, which is that 3 -- that 3.53 million gallons a day. If the home has not been built, then it's still -- it's still allocated for it on paper at 360 gallons a day.

MR. SCOTT DAVIS: That's a trickier way to say that once a user goes on line, the flow is converted from the 360 a day permit to actual flow. So what happens over time is you actually gain capacity, because the average home does not use 360 per day.

MR. OUTLAW: But there's one phantom user that we -- we have to deal with, and that's that ground water infiltration --

MR. DAVIS: Exactly.

MR. OUTLAW: -- phenomenon.

MR. DAVIS: Exactly.

MR. OUTLAW: Which is a lot worse on STEP than the gravity?

MR. DAVIS: Absolutely.

MR. OUTLAW: So if we can get the groundwater out of the way, we'd probably save 75,000 gallons over there on the STEP.

MR. DAVIS: Oh, gosh, I would think.

MR. HUGHES: The STEP has a -- a really bad infiltration problem with --

MR. OUTLAW: Right.

MR. HUGHES: -- the condition of the existing septic tanks that were tied into the system back in the '80s.

MR. OUTLAW: That's important to know, because while you're doing these numbers, if we could come to abate that problem, you know, it would free up a lot of allocation.

MR. BUCHER: Just -- just, again, for my information, if -- we're treating how many gallons a day on average on the STEP system?

MR. HUGHES: About 450,000 gallons a day on the STEP system.

MR. BUCHER: Okay. And, on average, how much are we treating -- how much of that is infiltration, if that's the right word -- is rain water? In other words, if we were -- if we were able to eliminate that, what would we be able to reduce that to?

MR. HUGHES: I don't think much at all. I think 450 is your average day minus rainfall.

MR. BUCHER: On a dry day?

MR. HUGHES: On dry days. When it rains over there, that facility -- we had a rain event in November; we had a great bit of rain, I think, in a two-day period. That treatment facility was running close 2,000,000 gallons a day. The facility designed to do a half million gallons a day was having to do 2,000,000 gallons a day. It was to the verge of taking everything we had. We had two operators running 48 hours a day, pushing buttons, turning valves, making sure the plant didn't overflow.

MR. OUTLAW: Well, if you took the average of usage capacity for either system and divide it by the number of

units, it will be a lot more than 360; wouldn't it? So if you took the difference between what it actually is and 360, that would kind of say what the --

MR. HUGHES: Actually --

MR. OUTLAW: -- infiltration is; wouldn't it?

MR. HUGHES: A better way to do it, and this is the way it's widely accepted, is through an ionized study. And we've actually had some ionized studies performed on different sections of the Town. It gets a little more involved; you basically go out during rain events, after rain events, to try to quantify the amount of rain water you're getting in through infiltration.

MR. OUTLAW: But if 360 is a reasonable number for a reasonable home, and -- and you're using 450 as an average for the average seasonally,

MR. HUGHES: I think what you'd find --

MR. OUTLAW: -- doesn't that tell you your infiltration?

MR. HUGHES: Yeah. I think that what you'd find would be actually the opposite. And so, I think if you take -- you take the average daily use and divide it by users, you will come up with something less than 360.

MR. OUTLAW: Okay.

MR. HUGHES: Quite frankly, it's more typically about 180 to 200 gallons per day. And then what you look at, is look at your rain events. Look at the days where it rained two or three inches and then you see what it increases through those days.

MR. OUTLAW: Yes.

MR. HUGHES: That's -- there's where your -- your theory comes into play. And we've actually got some studies done from different areas in town. We haven't had a study done in Township 7, but we've had other ones done through pretty much I think all those sections of town in the previous years.

A little history of how we got into Township 7 with the gravity system. It was extended into Township 7 in 1992 in order to serve the Taberna development. To serve the development, they installed a eight-inch force main across the Trent River which is under the twin span bridges. After the completion of Taberna, we had several other developments in the area that were constructed. Each of them utilized the same eight-inch force main to discharge the sewage into. Each time a new development was added, the pressure in the force main increased, increasingly larger lift stations were required. And just, you know, the more pressure you put on the pipe, the more problems you'll have and that's the kind of situation we got ourselves into -- just to identify some of the problems we've had with the force main system over there.

Like I said before, the more -- the more developments that were added to that single eight-inch force main, some of the following problems started to arise. Operating pressure of the system increased in excess of 100

psi in some areas, which is more than what you typically want to see. Lift stations were having to pump harder for longer periods of time. Increased pump cycling began to lead to cyclic fatigue of the force main piping. This is something that is not well known about and is just starting to get some research studies about. Basically, in some plastic pipes that are designed to handle the load, they can't really handle it under a cyclic condition. You take a piece of PVC pipe that's got a design for 350 psi and probably got a burst pressure, if you put it on a bench and just put pressure to it at a 6 or 700 psi, you know, operating under those conditions is fine. But if you take it and load it to 100 psi and then unload it to nothing, 100 psi unloads on a molecular structure, so what you're doing is you're, you know, you're just stretching it and pushing it back and stretching it and putting it back, and they kind of coined the term cyclic fatigue, and you'll get these pipes that will start fracturing well under their, you know, what they're designed to do -- operate at, and that's the reason why. And we've experienced a lot of that in areas -- Brice's Crossing, Evan's Mill, through Taberna. And after a lot of research, that's kind of what they came up with. Anyways, because of these issues, we had pipes that began to break, and Sanitary Sewer Overflows were occurring. Due to the increasing number of these overflows, in 2006 DENR placed a moratorium on the City's sewer system within Township 7. And not only on the gravity line, we also had some problems on the STEP system at the same time; so a combination of issues all in that one area. And when DENR placed a moratorium, they didn't specify the system, they just placed it on the whole area. So during that period of time, we were basically cut off in expanding or other development of our sewer system. In an effort to resolve the existing problems, the City basically proposed a three phase improvement plan as being aimed at reducing the number of SSOs and basically improving our system over there. With this phased approach, Phase I was intended for immediate implementation. Phase II and III were basically outlined to be development-driven, meaning that they would come on as needed or as -- as development arose in the area and the need for them came. DENR accepted this proposal and allowed the City to operate its sewer system under a Special Order of Consent from February 2007 to February of 2008, after which we proved to them we were on the right track, they lifted the moratorium and we were back operating our system like we normally would, with the understanding that we will stay on this -- this phased approach. Phase I of this phased approach were some immediate improvements of the STEP system through increased mains, improvements in materials we were using. We made some improvements to the Evan's Mill lift station and force main basically rerouting that to reduce the pressure, the operating pressure of that system. We replaced a lot of the plastic pipe through Taberna with DIP. Plastic pipe was what we were experiencing the cyclic

fatigue in.

MR. BETTIS: What's DIP?

MR. HUGHES: Ductile Iron Pipe, I'm sorry. You don't get the cyclic fatigue out of that; it doesn't stretch -- stretch as much. And probably, I will personally say, it's probably been -- the biggest benefit to helping us reduce the problem is the increased staff the Engineering Department has had. With the increased staff, we've had better public awareness, better inspection of the stuff going into the ground, better review of design plans. We've been able to incorporate a lot of things that -- that really needed to be done. At this point, all the Phase I improvements are complete and has been for about a year. With these improvements, the number of Sanitary Sewer Overflows have been reduced from 61 in 2000 when the moratorium was placed on us, to 21 this past year, and we continue to handle that to reduce that as much as we can.

MR. BUCHER: Jordan, were a lot of those problems along Old Airport Road?

MR. HUGHES: What's that?

MR. BUCHER: Between Evan's Mill --

MR. HUGHES: Yes, sir.

MR. BUCHER: -- and Taberna?

MR. HUGHES: Between Evan's Mill and Taberna, you've got Brice's Crossing in there and that's -- and that was the majority -- it includes Taberna in some places, I think -- the majority of our pressure breaks I'll say on the gravity line.

MR. DAVIS: It's probably two-thirds, one-third. Two-thirds breaks on the STEP system, and one-third of the breaks on the -- on the gravity system at the most.

MR. DANNY MEADOWS: And the main -- the main part of that break was over there on Old Airport Road.

MR. DAVIS: Yeah. I want to say we had eight or ten breaks --

MR. MEADOWS: And that's all been replaced now?

MR. BUCHER: The ductile line; yeah.

MR. HUGHES: And we haven't had a break in that area since -- since we implemented the Phase I improvements. That -- we corrected the problems in that area.

Phase II of the project, where we're at today, includes upsizing of some existing force mains basically along 70 from the EQ Basin all the way up to Carolina Colours and all the way down to Thurman Road. The construction of our Equalization Basin and the Equalization Basin pump station with VFD pumps -- let me summarize that a little bit. What the Equalization Basin will do is allow us all the stations upstream of that to pump in one big settling facility. That will help absorb the daily peaks. And using VFD pumps, we are pumping out of that at a constant flow rate all day long, pumping 24 hours a day, essentially maximizing your existing infrastructure downstream of that, pumping under the bridge. So we're getting every -- we're getting every drop we can out of that

8-inch line.

MR. OUTLAW: You're basically getting about a 11 or 12-inch line getting your solids out; is that a fair statement? I mean, you're actually, if you're having the first phase of the treatment on the James City side, you're actually -- you've actually sized your line up a little bit; haven't you?

MR. HUGHES: It helps; right. We're pumping mostly effluent out at that point.

MR. OUTLAW: So we basically kind of have an 11-inch line; is that -- I'm not -- you're the engineer, you can't say that, but --

MR. HUGHES: Yeah, I couldn't quantify it, but it helps, it really does.

MR. OUTLAW: Right.

MR. HUGHES: And, like I say, this maximizes what we can do with that existing 8-inch line.

MR. BUCHER: So, if I understand this correctly, at the present time between midnight and four in the morning, not much is coming through that line, and when you get this done, you'll be able to keep that line flowing all day, 24 hours a day, and --

MR. HUGHES: Instead of everything trying to come at one time, if we spread out over a 24-hour period, you can pump a lot more through that -- through that line.

MR. BUCHER: Okay.

MR. HUGHES: And then, the last phase of the project, which has also been coined the Future Improvements Project, includes some additional improvements and larger pumps at the EQ Basin, increasing the force main size from the EQ Basin to the Trent River, a couple of additional river crossings, and reconfiguring some of our force main piping on this side of the Trent River.

And I'll talk a little more about the Equalization Basin because that directly effects where we're headed tonight. Like I said, it was designed as part of the Phase II improvements project and is currently under construction. It should be completed by the end of July this year. The following are some of the effects of adding the EQ Basin to the -- to the collection system in Township 7. It will reduce the system operating pressure upstream for upstream developments in Taberna, Carolina Colours, Brice's Crossing. It could also reduce the operating pressure for the Ellis property. It serves as a buffer to absorb their daily peak. So instead of everybody trying to pump at the same time with your morning and evening peaks, it absorbs those peaks and basically gives you a constant flow rate out of there all day long. And that's -- and that's what the VFD pumps are done, or are utilized for. And the last sentence

-- the last sentence there basically kind of sums it all up, and that's the whole -- the whole reason for the Equalization Project is to maximize the flow that we pump through that -- that single 8-inch pipe, we have to come up

the Trent River. But that is your distributing factor and how much you can -- you can transport from Township 7 back into the town to our treatment facility is that single 8-inch pipe.

MR. BETTIS: Yes. Is that thing done already, or --

MR. HUGHES: Under construction right now. We started in August.

MR. BETTIS: Okay.

MR. HUGHES: It should be complete in July.

MR. BUCHER: Is this something that we designed, or is it something we have seen elsewhere?

MR. HUGHES: No, sir, it's Rivers and Associates who designed this project. It's something -- something -- in principle they have done it somewhere before; I'm not sure where. I don't think anywhere in the east. I don't know of one -- I don't personally know of one of these; I'm not saying there's not one around here. And I'll talk a little more about that.

MR. BETTIS: What is -- how much does the Equalization Basin hold?

MR. HUGHES: How much will it hold? Good question; I do not know. I'm sorry. The Equalization Basin itself has been designed for a maximum average daily outflow of 710,400 gallons per day. That's with the pumps running 24 hours a day; that's what it will pump out. Then what you have to do is look at what you're going to be sending to it. We basically have three different areas that we -- three different things we'll be sending through it. The first is flow from existing homes that are out there right now. Once we put this Equalization Basin on line, we'll have -- we'll have all the flow from Taberna, Carolina Colours, Brice's Crossing, Longleaf Pines, Evan's Mill, Selhorn Heights. All these developments that are currently discharged through this system will be routed through the Equalization Basin. That equates to about 260,000 gallons per day. Next will be our paper allocation. These are lots in these same developments that just haven't had homes built on them. You still have to account for those at 360 gallons per day for homes. And there's no way, saying that is flow, it's not yet true there. That's roughly 220,000 gallons per day. And lastly, what you have is the flow remains that can be sent to the EQ Basin that could be permitted for through DENR. And where we stand today, that's about 230,000 gallons. And that's -- that's the important number to kind of keep in your mind as we move forward. The other two numbers are there; there's nothing we can do about those. Those will be going to the EQ Basin and have to be accounted for.

MS. BENGEL: I hate to interrupt you, but the 219 number in theory should go down when it's converted to actual use.

MR. BUCHER: Because they won't use the 360.

MS. BENGEL: They won't use --

MR. DAVIS: You're right.

MR. BUCHER: The 219,000 for lots, that would --

that would assume that every house and every lot in Carolina Colours, Taberna and Brice's Crossing all had houses sitting on them?

MR. HUGHES: Just permitted lots.

MR. BUCHER: Ones that are currently permitted?

MR. HUGHES: Currently permitted. Like say, Carolina Colours, for example.

MR. BUCHER: Yeah.

MR. HUGHES: The city has committed to serving 1,600 some odd lots in Carolina Colours. We've only permitted 200. So we're only -- we're not accounting for 1,600 lots in Carolina Colours; we're accounting for the ones that have actually been permitted; right?

MR. BUCHER: And so the other -- the other 1,200 or 1,400 have to go in the bottom now?

MR. HUGHES: At whatever point they were assigned to come on.

MR. OUTLAW: I know that the State has a -- they will not let you cross the STEP in the gravity, but did you figure in there that, if for any reason -- well, there's one of them you -- you can go to, the other one you can't go to, but have you ever figured out that if the STEP system had a problem with Reedy Branch or anything, that -- that you would be able to put the STEP system into that Equalization and put it on a temporary basis?

MR. HUGHES: Well, actually, you don't --

MR. OUTLAW: For emergency purposes?

MR. HUGHES: You could; you couldn't the other way around. You can't put the gravity into the STEP because of the solids issue.

MR. OUTLAW: Right.

MR. HUGHES: The other way around, certainly, you could -- you could divert the STEP flow to the EQ Basin

MR. BUCHER: But have you figured that in case an emergency ever happened?

MR. HUGHES: No, sir; that's not part of any -- of any of the designed calculations accounted for. But, in the -- in the long range planning of things, if you wanted to take some of the STEP off, some of the STEP system -- some of the STEP users off of the STEP system and divert the flow to the EQ Basin to relieve some of the stress on the STEP system --

MR. BUCHER: Uh-huh.

MR. HUGHES: -- this is one way to do it. And that number would go against your 231.

MR. BUCHER: I have a question; sorry.

MR. HUGHES: That's okay.

MR. BUCHER: I understand that it will be a long, long time until Carolina Colours is done, but have we done a number that if the developments within those -- those developments at the top (of the chart shown), if every lot in those -- those seven or whatever that number is -- seven developments were to be built five years from now, do we know how many -- what -- how much flow?

MR. HUGHES: Yes, sir.

MR. BUCHER: What the flow is?

MR. HUGHES: And I've got it in here somewhere.

MR. BUCHER: Okay.

MR. HUGHES: It's all been taken into account for in the future phase, and that's what your future phase accounts for.

MR. MEADOWS: That's being approved.

MR. HUGHES: Phase III basically calls it the future condition, the built-out condition. It accounts for all of those developments completely built out --

MR. BUCHER: Okay.

MR. HUGHES: -- and is able to accommodate all of those.

MR. BUCHER: Okay. We do have that number?

MR. BETTIS: 504,000. If there's 14 -- if there's 1,400 remaining that we haven't accounted for --

MR. BUCHER: Yeah, but you've got remaining in Taberna, you got remaining in Selhorn --

MR. BETTIS: Just for Carolina Colours, if there's 1,400 remaining that are unpermitted, and I'm taking into account for that, and we're using the 360, that's 504,000 gallons just for Carolina Colours. And we don't know how many other ones are out there that haven't been permitted. So that should actually be -- the blinking up there (on screen) if we're planning, should be negative 200 and something thousand; correct?

MR. MEADOWS: All that -- all that number represents is when you need to be ready to go to Phase III; that's all that number means.

MR. HUGHES: And that -- and that's -- that's one of the points we'll get to in a second. That the Phase III is not just some option or some idea that we're thinking about maybe doing; the Phase III is something that has to happen at some point.

MR. OUTLAW: That's the tandem road back to New Bern or something like that?

MR. MEADOWS: Yes.

MR. HUGHES: And now --

MR. BUCHER: Because what you're showing there is with our current 8-inch line?

MR. MEADOWS: Yes.

MR. HUGHES: Correct. Everything -- this is what it would look like in July of this year when this thing comes on line.

MR. OUTLAW: But, Danny, what was that figure to put a tandem 8-inch line; it was --

MR. MEADOWS: Just a tandem.

MR. HUGHES: It's just under \$7,000,000, and that's the phase, the future phase, the built-out phase, the Phase II improvements on the second line.

MR. MEADOWS: A second line just like this one?

MR. HUGHES: It's another line across the river, some additional improvements to the EQ Basin, reroute some

stuff in town; it's a pretty involved project.

MR. DAVIS: Is it called a loop because it actually doesn't cross the Trent. It loops around the Neuse to Glenburnie.

MR. BETTIS: Denny, do we know how many houses that are out in Taberna that haven't been built?

MR. BUCHER: About 100.

MR. BETTIS: A hundred?

MR. BUCHER: And some of those will never be built. They're just lots that are bad. I say never -- not anytime in the near future.

MR. BETTIS: Do we know the total lots?

MR. BUCHER: I think there are about 700 residents - - housing units in Taberna that are occupied, and I think there were 800 lots originally. So there are about 100 unbuilt.

MR. MEADOWS: All the lots in Taberna should be permitted.

MR. BETTIS: Everything's permitted.

MR. HUGHES: That's -- that's covered up to the 219.

MR. OUTLAW: One thing that would be important, I think. There was a lot of misunderstanding when we were going to put a moratorium. Everybody thought that everything was shut down and you just couldn't extend what - - you could laterally -- you could -- what was in place you could go ahead and build; it's just you couldn't extend your line.

MS. SABRINA BENGAL: Any additional.

MR. OUTLAW: As a matter of fact, in other words, in case we got in trouble again, if we were to get another moratorium, if it was similar to the one we had, explain that because there was a lot of misunderstanding.

MR. HUGHES: Yeah, I think it can vary. I think it's, you know, a moratorium is not a standard deal, the same across the board in every situation every time. If I'm not mistaken, I think in our previous situation we were allowed to, if you had -- we were allowed to hook up individual sewer customers in places where the lines are existing.

MR. OUTLAW: Correct.

MR. HUGHES: We just could not make any more line extension or extend the system or anything. So if you had a development you'd already built in the streets, you had lots that were sold, we could certainly take those customers on; that wasn't an issue. The issue was they wouldn't let us start any new developments now.

MR. DAVIS: The scary thing there was, it was -- it did not distinguish between the low pressure STEP system or the gravity system, when the STEP system is clearly our weakest link. And that's the concern that that system can shut down the gravity system, and the gravity system is the cadillac system. And, luckily, at the moratorium they built it to south of the Trent River, but they could have enclosed that moratorium city-wide and tied up our entire gravity

system because of problems with the STEP system.

MR. WHITE: So, you'd like to strengthen the STEP system to make things a little better?

MR. DAVIS: Yeah, and that's where a lot of the remedial action was taken to hire staff, and impose penalties for breaks, agree to no additional line extensions on the STEP system because it just creates more chances to break. Those little lines are a couple of inches in diameter with a little 3/4-inch, 1-inch line to your house out there. So, you're talking about very fragile, brittle, little lines that literally, you know, planting some flowers in your flower bed can break those lines, so it's a vulnerable system to breaks to begin with.

MR. OUTLAW: Well, the guy who doesn't pay his light bill and the pumps aren't on and somebody goes in --

MR. DAVIS: Exactly.

MR. OUTLAW: -- and uses the bathroom and everything and all of a sudden, you've got an overflow.

MR. DAVIS: Exactly.

MR. OUTLAW: We get fined for it because somebody turned the lights off.

MR. DAVIS: Exactly.

MR. HUGHES: There's a lot of moving parts. Like I say, every system has its own little pump, its own control panel with all kinds of electrical components and there's a lot of ways for something to go wrong with STEP system; there really are. And, you know, that's a problem that would come back daily. We exert a lot of effort and a lot of resources to keeping that system checked every day. And we'll move forward.

The 231 number is basically, at this point in July, what you are going to have available. If a new development comes up, says that we'd like to -- we'd like to build out in this area, that's the number you're looking at; that's the number you've got to work with.

And that brings us to where we are at tonight, which is Mr. Ellis' property. To give you a little history on that, and I'll call it Croatan Station, we call it the Ellis property, it's also been called Craven 35, among other things, although I think I -- I just refer to it as Croatan Station through this presentation. It's approximately five miles east of Carolina Colours on Highway 70. In 2007, the City committed to providing sewer service to this development at a capacity of 600 residential units or 216,000 gallons per day with the understanding that the developer would be responsible for the following. Basically the construction of the Croatan Station, the lift station, the construction of 8-inch force main from Croatan Station to a point on Thurman Road, and reimbursing the City for the incremental cost of installing a 16-inch force main from Thurman Road to Taberna that was needed to accommodate their -- their development. This is actually in place now and that's why we actually have a hard cost for that. These conditions still exist today, or for the most part are still

agreeable to development and City staff.

Some of the advantages of the City serving this development. Number one, we fulfill our commitment we made with Mr. Ellis in 2007. With the new infrastructure in place between Colours and the Croatan Station development, the City will be able to expand sewer service to this area. This has largely been developed for the region, this whole region, because there is no sewer service out there right now. We have a lot of people that have approached us in the last two or three years with 5-acre tracts, 20-acre tracts, 30-acre tracts, who would love to develop in this area but just -- there's no -- there hasn't been sewer available at this point.

A couple of disadvantages of the City servicing Croatan Station development. A large portion of the available EQ Basin capacity would be committed to the development. If you committed all at one time, you've got that 231 number we're looking at; his developments require 216. So you've essentially committed everything you've got left over to day one, if you committed all for day one.

MR. OUTLAW: Let me ask you one question. About your -- your 5.25 million using current fees, basically of that, if you're only getting half of the increase in the tap fee, whenever that was, a couple of years ago, are you figuring the whole tap fee or just the portion that's going to go to the sinking fund?

MR. HUGHES: That's just -- that 5.2 is based off this entire tap fee.

MR. OUTLAW: So that would not be true because most of that money is going to go into -- into the Enterprise Fund for that sewerage; is that not correct, Scott?

MR. DAVIS: It certainly would. But --

MR. OUTLAW: So that's not a good figure; what percentage --

MR. DAVIS: -- but it would be there in the fund to use, for capital fund.

MR. OUTLAW: No, you know where it goes. It goes straight into the Enterprise Fund; is that not correct?

MR. MEADOWS: Well, the tap fees -- the tap fees at 600 -- 600 tap fees at four -- will be -- you're looking at about 87 for 4,000 gallons -- let's say, roughly 4,000 of the tap fees, those tap fees would be 8,000.

MR. DAVIS: These tap fees are 8750 per tap.

MR. MEADOWS: 8750 per tap.

MR. OUTLAW: I'm just saying, though, according to the fee schedule --

MR. DAVIS: Right.

MR. OUTLAW: -- what we agreed in '06, I believe, was that half of the increase in the tap fee would go into a money market sinking fund --

MR. DAVIS: Right.

MR. OUTLAW: -- and the rest of it would go right on into the Enterprise Fund.

MR. DAVIS: Enterprise meaning sewer?

MR. OUTLAW: The sewer fund; yes.

MR. DAVIS: Yes.

MR. OUTLAW: And so, basically, that money is not being -- would not be 5.25 million dollars; is that right?

MR. HUGHES: It's available for -- it wouldn't go into a general fund of any type. It would be there -- in the Enterprise Fund, it can be used for anything.

MR. OUTLAW: Oh, it could be, but it's not. This Board would have to change over to the way we're doing that; Or would they?

MR. BETTIS: No, no. Dana, I don't understand what you're talking about and I want to understand it.

MR. OUTLAW: Okay, I think this is correct. If you had a \$2,000 fee, and the fee got increased to \$4,000, then I think the Board in '06 decided that the \$2,000 would continue to go into the Enterprise Fund. And half of the \$2,000 increase would go into the sinking fund for future infrastructure.

MR. DAVIS: Capital Reserve thing?

MR. OUTLAW: So, basically, \$3,000 of it is going in, and being used right now, to the best I know, for operational, you know, purposes, and the other \$1,000 is being put away in that dirty sock of their sinking fund. And so whatever those numbers are --

MR. MEADOWS: Roughly \$4,800 per tap would go into that.

MR. DAVIS: I guess -- I guess, just so I understand, the -- the budget is set at zero each year. So to take this example, this current year, the budget, the operating revenue is paying for its budget to break even at zero. If Mr. Ellis developed this and all homes were built and sold in the first year, part of that \$5,000,000 will go into the capital fund, the other million dollars will go into that account --

MR. OUTLAW: Right.

MR. DAVIS: -- which would then have a surplus of \$3,000,000 --

MR. OUTLAW: Okay.

MR. DAVIS: -- and the Board would then decide what to do with that \$3,000,000, and you could do other things with it.

MR. OUTLAW: Well, they normally don't do anything with it except just operate off it.

MR. WYATT: But it should be used for capital.

MR. OUTLAW: Well, that was for argument for years but, anyway, in other words, if you -- if you were to change anything, and you do, your sewer rates are going to go up because it's funding your sewer bill, right? But, anyway, that's a different day. It really has nothing to do with Mr. Ellis.

MR. WYATT: But your point is well -- excuse me, Dana, your point is well taken.

MR. OUTLAW: Yeah.

MR. WYATT: Because --

MR. OUTLAW: No, I just didn't want you to think there's \$5,000,000 there if there's not because I'm not so sure it is, but --

MR. BUCHER: Well there's \$5,000,000 there, but it's not all available.

MR. OUTLAW: Well, in theory, I think what happens though, and in all due respect to the way it's set up now, the City's been operating off of the installment plan. And so, in theory, if you are taking that three-quarters of that money and throwing it back into the operation fund, then you should have money in there to make the payment on the installment purchase which is kind of the way it's been working, I think.

MR. WYATT: See the danger, but the danger of doing that in our lean times such as we are now --

MR. OUTLAW: Uh-huh.

MR. WYATT: -- you may not even have that many tap fees. And so, it's not necessarily desirable to project much of that as revenue. So that's -- that's a good argument for taking a significant portion of that, which many cities do, and putting it in a capital reserve account for non reoccurring expenditures.

MR. HUGHES: That's a good point. That's something we can definitely come back to at some point in the future and kind of rehash those numbers and come up with a little more, I'd say, realistic figure based on -- based on those conditions.

MR. BETTIS: What's the -- what's the expected built time on those 600?

MR. OUTLAW: Is it 600? There's his marketing plan and his -- the market itself and --

MR. BUCHER: Well, I'll give you an example. Taberna was 800 lots and it took -- and it took 12 years to get to where we are and it still -- it still hasn't built up.

MR. BETTIS: And how many -- how many units are -- 1,600 total in Carolina Colours, how many are built, 40 something?

MR. BUCHER: There's more than 1,600. It's 2,000 lots there, I think.

MR. OUTLAW: That's my understanding, 2,000.

MR. BUCHER: Yeah, 2,000.

MR. BETTIS: Well, that changes that number. I thought there was only 1,600.

MR. OUTLAW: There's 2,000. That's what they originally projected, 2,000.

MR. BETTIS: And how many are built on now?

MR. BUCHER: Well, there's also some commercial development going on there, so.

MR. OUTLAW: I don't know.

MR. BETTIS: So that \$5,000,000, if we're getting it, isn't going to be around to help Phase III anyway. What's the time frame for Phase III?

MR. OUTLAW: There's conjecture there.

MR. BETTIS: Do we know what the time frame for Phase III is?

MR. HUGHES: It's all based on -- basically, it's development driven. The quicker -- the quicker we grow, the more people we commit to serving -- and I say commit as in permit -- the quicker we need to make those improvements. If things stay like they have been for the last couple of years, and we don't make any more commitments in Township 7 providing more sewer needed developments, it may be another 5 to 10 to 15 years.

MR. OUTLAW: Looking over those figures, man, we spent \$1,000,000 on that ductile line. When we replaced that ductile line --

MR. MEADOWS: I don't know if it was that much; was it? It was significant.

MR. OUTLAW: Yeah, that's what I mean. You know, 7 million bucks to run another line sounds like a lot of money, but, you know, for the number of subscribers, you know?

MR. MEADOWS: In theory, on the Phase III, you've got more users, that's the theory.

MR. BETTIS: Carolina Colours is going to need an additional 638.

MR. BUCHER: Who?

MR. BETTIS: Carolina Colours.

MR. HUGHES: And to kind of wrap things up, I made just a few notes. And, like I say, I apologize for not having all the details and all the exact numbers. Like yourself, I'm new to a lot of this. I've tried to just kind of wrestle around it the best I could the last few weeks and bring it all together just to present what I know to you to let you carry that and move forward with it.

MR. BETTIS: And we're all new to this too, and thank you. But I don't understand what this has to do with Mr. Ellis wanting sewer allocation.

MR. HUGHES: It will come off of this number.

MR. BETTIS: What number? These numbers aren't any numbers that are concrete; they're all fluctuating, based on things that might or might not happen in the next 20 years. So I don't see --

MR. HUGHES: Well, those numbers -- those numbers are pretty concrete.

MR. BETTIS: That 231 at the bottom isn't concrete as far as I can see.

MR. HUGHES: As far as what the City will be able to permit through the State of North Carolina, that number is pretty firm.

MR. BETTIS: But it's firm based on numbers that don't take into account a lot of lots that are already existing. That number is about, should be, when I just recalculated it, should be a negative 400,000.

MR. HUGHES: Well, you're adding up numbers for Carolina Colours for tracts -- that 1,600 or 2,000 lots of Carolina Colours, a large amount of those are still forest

land. It may be 10 years before they're ever cleared or ever thought about being developed into residential units. We don't -- we're not taking into account those in the Equalization Basin allocation until something's permitted and actually handled.

MR. BETTIS: And I know, and that's my -- my whole question will be then. You know, that guy didn't build -- that guy didn't build Carolina Colours just thinking that, Gosh, I'm going -- I'm going to invest all this money in Carolina Colours and put in an infrastructure. He has to have some good faith basis for having put those additional 2,000 units out there thinking that he's going to get sewer allocation and what are our responsibilities, and what is his responsibility. What's he going to come and say the City's responsibility is when we say you know what, that number isn't real because we didn't take that into consideration.

MR. HUGHES: Oh, we're responsible for serving those remaining lots and we're planning to.

MR. BETTIS: We are responsible.

MR. HUGHES: Yes, sir. And that's what --

MR. BETTIS: Well, that's why -- that's why the 640,000 gallons, that's why that bottom number should really be a negative 400,000.

MR. BUCHER: Yeah, but, Lee, before we get to that point we're going to have to put another line across.

MR. HUGHES: And that's with the next phase of the project. When you incorporate the next phase of the project, that bottom number changes.

MR. DAVIS: I think that the moral of the story is that when you start making commitments of larger capacity volumes, what might have been a 5 or 7-year time horizon for Phase III may not be a 1 to 3-year time horizon, depending on how the economy turns out.

MR. OUTLAW: Well, one question. Over there at Lawson Creek, if you were to put in a tandem line tomorrow, is that -- is that system there -- I understood it was -- kind of had its limits of profitability at Lawson Creek. In other words, even if you put double the size line, are you going to have to make other pumping changes and force main issues at Lawson Creek?

MR. HUGHES: When you say Lawson Creek, I'm not sure --

MR. OUTLAW: I mean, I thought when it --

MR. HUGHES: To go over the bridge; is that what you mean?

MR. MEADOWS: He means over there across the bridge.

MR. OUTLAW: When it -- when it gets back to New Bern you step -- you've got a pumping system there; don't you?

MR. HUGHES: Yes. And a portion of the flow will continue to go that route; the rest of it will be diverted to -- the majority of the flow coming out of town from that point will be diverted through what they call the loop,

basically, you know, around through Bridgeton and back into the -- the main treatment plant.

MR. BETTIS: So, I'm just -- with all these numbers that may or may not occur, I'm just wondering what it has to do with him.

MR. OUTLAW: I mean, those numbers say that if Mr. Ellis gets 600 home sites at 360 gallons, that's pretty much up there to about 230; isn't it?

MR. BETTIS: 216.

MR. OUTLAW: That's what it got to do with. And I mean, it's the same thing like with Havelock. We have to, you know, we have to know what we've got before we can give it out.

MR. HUGHES: And, Mr. Bettis, basically what I'm saying is, at this point what we have available to the EQ Basin, we could legally permit through the State of North Carolina, Mr. Ellis' development. If that bottom number right now was --

MR. BETTIS: Okay.

MR. HUGHES: -- 50, we couldn't; or 200, we couldn't do it. But we -- we have ample capacity to serve his development.

MR. BETTIS: So, we've got enough to get to him?

MR. OUTLAW: Well, you don't have any to give anybody else.

MR. DAVIS: On that point, though, this is kind of the key point. What issues remain to discuss among our -- among ourselves and the lawyers is -- is rather than commit that 216 thousand gallons and permit at day one to fully absorb our capacity, which there's no need for right now, we would agree to some phasing in of that capacity, starting with the assurance that would ultimately serve the 216, but we wouldn't permit it all that day one, which would then leave a few thousand gallons for everybody else. There's no need to do that. So we would phase the commitment in to make sure that we could meet Mr. Ellis' needs without absorbing all of it day one.

MR. OUTLAW: Well, are we still planning on doing the -- the regional lift station at Waterscape Way; I heard that might change.

MR. HUGHES: That's actually already in the system.

MR. OUTLAW: In other words, say we would -- if we did this, we would do just what the letter said, the City will accept the flow at the regional lift station located off Waterscape Way?

MR. HUGHES: Actually, through hydraulic modeling, we determined it was better to -- instead of dumping into another lift station -- tie it into the common -- the common force main at that station and pump it into it as well.

MR. OUTLAW: So, in other words, we're going to do what we said we were going to do in the letter, because I had heard we might not do that.

MR. HUGHES: The letter says we will receive it -- basically that Mr. Ellis would pump it from his development

into another lift station. And, like I say, through the hydraulic model, we determined it would actually work better instead of pumping it into that other lift station, to pump it directly into the force main that that station's pumping into as well. A little variance from the letter, but basically the same principal. The pump's at the same -- the same location within a half mile.

MR. MEADOWS: A half mile.

MR. DAVIS: Yeah, and I don't mean to play engineer, because I certainly am not one. John, I'll defer to you, but my general understanding was that if you went forward with the Waterscape Way, that there were downstream pump sizing issues that would be problematic and this was the better alternative; does that make sense to you?

MR. THOMAS: I think we're comfortable with what we're doing with the lift station. I'm not sure I understand the system downstream from the lift station, in answering your question.

MR. DAVIS: Okay; okay. The point is, the connection point has changed and I think what I'm hearing is that's not the end of the world.

MR. EDDIE ELLIS: I just learned about this today. It's the first time I've heard about it, and I don't think it's going to be a problem right now. I didn't know about it until today.

MR. DAVIS: Okay.

MR. ELLIS: Well, I didn't know about it until today is what I'm saying.

MR. DAVIS: Okay.

MR. ELLIS: But it's a lot better than what I thought it was going to be.

MR. DAVIS: Okay, good; I'm glad to hear that. Okay.

MR. BUCHER: Another question, Scott.

MR. DAVIS: Yes, sir.

MR. BUCHER: There were seven developments up there.

MR. DAVIS: Yes, sir.

MR. BUCHER: It is my understanding, obviously, they're all within the City of New Bern.

MR. DAVIS: Yes, sir.

MR. BUCHER: Did we not require those developers to annex -- that we annex them --

MR. DAVIS: Yes, sir.

MR. BUCHER: -- when we provided those?

MR. DAVIS: We did.

MR. BUCHER: Okay. This letter doesn't say anything about that.

MR. DAVIS: It doesn't for two reasons. One, the City Manager at that point, Bill Hartman, felt that it was way too far out for it to make common sense for us to serve, because it would be an island out there by itself by a wide, wide margin. The second legal point is the statutes provide that we cannot annex if -- if the property is closer to another jurisdiction. This property is closer to Havelock

than to New Bern, so the only annexation we could have would be a voluntary, not a forced one.

MR. BUCHER: Okay.

MR. DAVIS: Now voluntary, I suppose is -- well, Havelock would have to consent under all scenarios.

MR. BUCHER: Right.

MR. DAVIS: So step one, does Havelock consent; step two, does Mr. Ellis want to; step three, do you want to?

MR. BUCHER: Okay. Would it be something that we could require Mr. Ellis to allow us to annex him at our decision down the road at some point?

MR. DAVIS: If Havelock agrees, because he's closer to Havelock than to New Bern.

MR. BUCHER: Okay.

MR. BETTIS: And yeah, let's hear from Mr. Ellis.

MR. ELLIS: I've just got one thing to say. We're actually only two miles from New Bern and we're closer to New Bern than we are to Havelock. If we're two miles from Camp Kiro Road, my understanding is --

MR. BUCHER: You're talking about the Carolina Colours?

MR. ELLIS: Isn't Carolina Colours in New Bern?

MR. BUCHER: Yeah.

MR. ELLIS: Well, we're two miles from Camp Kiro Road; we're five miles from the main entrance of Carolina Colours, we're only two miles from Camp Kiro Road, which makes us closer to New Bern than we are Havelock.

MR. OUTLAW: The problem that we're kind of, as a City with the Havelock deal, some of that was a lot of things like the demarcation line at Catfish Lake Road that we would have some sort of conforming zoning requirements and stuff so that no one municipality was kind of playing games with the other one as far as soliciting people who come into the cities. But -- so, we're kind of in breach with that spirit of that understanding if we, in any way, annex anybody on that side of --

MR. DAVIS: It would be a ripple with Havelock. And the other issue --

MR. OUTLAW: It would not be -- yeah.

MR. DAVIS: -- is fire -- is fire and police service. I mean, I think from talking to Bobby, our fire rating would take a beating because of the distance from the nearest station, so it would require more infrastructure.

MR. BUCHER: And I think we should, I'm just asking the question.

MR. DAVIS: Yes.

MR. BUCHER: Could we at some point as part of an agreement?

MR. DAVIS: Yeah, if Mr. Ellis is right, and I don't -- I'm not saying you're not. Havelock thinks that you're closer to them than us, but --

MR. OUTLAW: And the other problem is his water. We would want an 8-inch main line from water for fire protection, ISO-3 ratings, and you guys, you don't even get

county water out there; do you?

MR. ELLIS: There's county on the property, but they've not agreed to service us.

MR. OUTLAW: Right, and the water's about a 4-inch line or something?

MR. ELLIS: Yes.

MR. OUTLAW: Yeah.

MR. ELLIS: I believe it's a 12-inch line.

MR. OUTLAW: They got a 12-inch line out there?

MR. ELLIS: Uh-huh.

MR. BETTIS: Do we want to -- do we want to hear from you guys now?

MR. ELLIS: Whenever you're ready.

MR. BETTIS: Do you guys have a presentation?

MR. HUGHES: I've got one more just quick point. This is some of the stuff Scott just basically summed up about the phase approach in permitting their development versus giving them everything day one and some of the benefits to the City of the phase approach. Basically, it reduces your paper allocation of that base and allows you to possibly incorporate some other developments along there. This is an important point I'd like to cover real quick. While -- while his development will only require an 8-inch force main to be installed between Croatan Station and Carolina Colours, I think it's my recommendation, as well as the recommendation of other City staff, that we increase that to a 12-inch force main at the City cost. Basically, if you allow Mr. Ellis to put in just the 8-inch force main, that's -- essentially all it's going to be able to handle is his development. If we increase that at City cost from 8-inch to 12-inch, we open up the opportunity to provide sewage to a lot of those undeveloped areas between Carolina Colours and Croatan Station. Now, kind of among the side effects of doing that, you'll -- you'll also have to increase the size of his lift station to meet the State's minimum velocity in the force main. So, instead of him installing a 365 -- I'm sorry, instead of installing a 375 gallon per minute lift station, he'll have to install a 700 gallon per minute lift station. Once again, I think the City should share in that incremental cost. And, basically, just crunching some rough numbers for the purpose of recent projects that we've had constructed in the last year, you're looking somewhere between, let's say, \$350 to \$450,000 would be City's cost to participate in that.

MR. BUCHER: Additional?

MR. HUGHES: Additional; yes, sir. Probably the cleanest way to do it would be let the developer install everything, bid it both ways, bid it through his contractor as installing 8-inch, and do a 12-inch and we would pay them the difference of whatever those two bid prices would be. The City -- you know, after it's installed and we have other developers along that corridor will come to us, the City could then approach them to try to recoup the cost, and let them share in -- in the cost of that upsizing.

MR. DAVIS: It basically lets you keep all of your options open.

MR. OUTLAW: Well, we're not -- if you keep it open is that if you went to do like a 16-inch line and we have a joint venture with Havelock --

MR. DAVIS: Uh-huh.

MR. OUTLAW: -- and instead of having to spend all these millions of dollars of transmission of sewer back to the Glenburnie part, if we joint venture it and make that point source permit on the Neuse River, then all of our sewer would virtually, in James City, would go towards the Havelock area if we ever did that. So, we would have an undersized line at that point. So I know from hydrology you don't want to oversize a line, but I mean, again, that's what you -- have you thought about that?

MR. HUGHES: 12 is considerably larger than the 8 as far as the amount of capacity, and the lift station is extremely larger than the 8 as well. If you go to a 16, it gets exponentially bigger; in the pump section it could get exponentially bigger.

MR. OUTLAW: Uh-huh.

MR. HUGHES: If you -- if you had a dedicated need for it out there and you knew that the need was there, it would be something worth investigating.

MR. OUTLAW: What about running like, I know that somebody in that remote area of town runs like a 6 and a 12, go ahead and put them in place, only used the 6-inch -- the 8-inch pumping system now, knowing that is in place now, knowing they were going to need it, and at that future time, upsizing that lift station.

MR. HUGHES: That's another approach and it works well. And it's the kind of -- it's six one way and half a dozen of the other.

MR. OUTLAW: Uh-huh.

MR. HUGHES: So, basically, it kind of boils down to which one's going to be the cheaper. In the long run, you'd get about the same, depending on how you step your sizes, you'd get about the same capacity out of it. Maintenance wise, it may be a little easier to do it that way. That way you can pump through the smaller line.

MR. OUTLAW: Right.

MR. HUGHES: It needs a smaller lift station initially. You don't have to build the big lift station day one.

MR. OUTLAW: Right.

MR. HUGHES: Up front, it may be a little cheaper, but it's something for, you know, some future discussion, some future research for sure. And I think that's -- well, I think that's about -- well, one more. This is just something I want to point out again and emphasize. That Phase III improvement project I've been talking about is something that we will have to construct at some point in the future, whether it's 5 years, 10 years, or 15 years down the road --

MR. BUCHER: It depends on what happens.

MR. HUGHES: -- it depends on what happens. You know, and that's -- that's irregardless of what happens on Mr. Ellis's development. If the City decides to serve Mr. Ellis, it just, you know, accelerates how quick we need to get that done. If they -- if they decide not to serve Mr. Ellis's property, then we will still have to do it at some point in the future. That project is coming up. I want to make sure that was clear that that wasn't a project that was a result of introducing Mr. Ellis into the system. With that being said, that project is going to be pretty complex with the amount of work, getting the boring under the river, under the bridges. The design of the permanent phase of that project will be pretty lengthy.

MR. BETTIS: How long?

MR. HUGHES: I do not know. I can give an estimate from a couple of the larger engineering firms that are capable of handling this type of work.

MR. BETTIS: At least a couple of years; right?

MR. HUGHES: Probably not. I would -- I would say within 12 months you could have the design and permit. The permit is going to be the tricky thing, especially with some of the boring you will have to do. One is, no matter how you route the boring, you've got to go under or between bridge -- basically bridge vents that hold up the bridge. And that's something that I don't know that -- I haven't been involved in permitting that type of project; I'm not sure how involved that would even be. I have all feelings that's going to be quite an extensive permitting process through the DOT and the Department of Natural Resources as well. With that being said, if we do decide to incorporate the Ellis property, it would be my recommendation to go ahead and move forward with the design and permitting phase of that project as soon as possible because you don't want to -- you'd be better to have the project design and permit ready to go, you know, two years from now and not need it than two years from now things turn around, development moves and you need the project to happen and you've got to wait another year or year and a half to get your design permits. So that's just a little -- little something else to think about. And the actual -- the design in permitting of that project, that number is included in that \$7,000,000; roughly that \$7,000,000 estimate for the project, that's a turn key number. It includes construction, engineering permit and everything.

MR. BETTIS: Okay, thank you. Do you have a presentation, Mr. Ellis?

MR. ELLIS: When you're ready.

MR. BETTIS: All right, Mr. Ellis, the floor is yours.

MR. ELLIS: Mr. Mayor and Board Members, I appreciate so much the opportunity to be here with you tonight. Our company is Ellis Development Company; we're a huge multi-national corporation. And to prove that to you,

I want to let you know both the employees of the company are here tonight. That's my wife, Ronnie, over there. My name is Eddie Ellis, that's Ronnie. Ronnie's a developer, a broker, and has been a general contractor a long time and we're partners, equal partners, in business. As a matter of fact, in the normal course of events, Ronnie's the one that deals with the contractors and actually gets things built, and I deal with advertising and marketing. So, in the projects that we do, we sort of alternate being chairman of different committees, and I happen to be the one that's speaking here to you tonight. In the Spring of 2007, we received a packet from Weyerhaeuser Corporation about a piece of land that they wanted to sell that they call Craven 35. Ronnie and I have been in Carolina Pines since 2003 finishing that project up. We've created several hundred home sites in there and it was at the peak of the market. And remember back in 2007 how hot things were. We were down to a low point in our inventory; we thought it would be a good opportunity to buy this 325 acre tract across the highway from Carolina Pines. One of the things that Mr. Taylor Downey told us when he presented the packet to us was that the City of New Bern had agreed to provide sewer service to the property. So, in the normal course of our due diligence, we came and met with City staff and Mr. Downey. I had my engineer, John Thomas, and a couple of other folks here, and we asked the question is it true that you all are going to provide sewer, you know, to this property, and the answer that we got was "yes," that 600 sewer taps had been, however -- whatever word you want to use. I almost hate to use the word allocated, but 600 were available to develop the property. And I said, well, could we get something in writing to that effect, and the letter that you have is the result of that, a letter from Mr. Muse to Mr. Downey saying that the City was committed to the 600 sewer taps. (See Exhibit [A]) Well, we decided -- we did -- we did the calculation on how much it was going to cost to put a sewer in. And my theory is that ultimately real estate development is just a giant math problem in the same -- in the same way that sometimes City government is just a giant math problem. It either makes sense on paper as a -- as a calculation or it doesn't. We calculated how much it was going to cost to build the sewer line in; it made sense. We relied upon this letter and went ahead and purchased the property from Weyerhaeuser. We also went to BB&T and borrowed money and told them that we had sewer and told a lot of other people that we did as well. And it got Mr. Thomas going right away to design our line. His engineering firm designed the sewer system from Croatan Station to Taberna, blue print sheets, a big stack of them. And in the process along the line, it was suggested that we needed to change to a 12-inch system. So we went back to the drawing board, and so now, we've got two sets; we're ready to go on an 8-inch or a 12-inch, whichever one you want to go forward with. And, in March of 2008, we were ready to go out for

bids. Mr. Thomas had the bid package prepared, we were going to go out for bids to build our sewer line when we were informed that an interlocal agreement was being discussed between Havelock and New Bern and that we needed to wait; we needed to hold up because there were some things that were unclear of what was going to go on. Well, through all of 2008 we waited and we didn't -- we weren't able to proceed; we weren't able to start our project. So in 2009, we engaged our law firm, Howard, Stallings, From and Hutson, to help us with the negotiations a little bit, and we still haven't been able to start. So, in the interim, we've been paying a huge amount of interest carry on the money that we borrowed from the bank. We've had three sets of buyers come and go from the property not willing to wait for us to figure out when we were going to be able to deliver inventory to them, and we're just here for you tonight -- here before you tonight to ask you to let us move forward and not let us be stuck between, you know, two elephants that are fighting over territory or whatever is going on here, whatever the case may be. And I almost feel foolhardy wanting to start a real estate development in this climate, but we -- but we need to move forward and we're going to move forward just as soon as the Board says that -- that we're allowed to do so. So we're ready to go, and I'm just asking for your help on that. I'll be glad to answer anybody's questions that they have.

MR. OUTLAW: Was everything, and, again, I had asked Jordan, the lift station, are you okay -- the letter says Waterscape and then you mentioned Taberna?

MR. ELLIS: Dana, there's a small cast of characters involved here --

MR. OUTLAW: Yes.

MR. ELLIS: -- and several different lines of communication going on. And whether I missed something in translation and it's my fault or whether I just didn't get it, today is the first time that I realized that all that equipment that's working out there on the highway is actually a solution to that issue.

MR. OUTLAW: Okay.

MR. ELLIS: And although I did not anticipate having to pay \$73,000 to connect, it probably is equal to or less than the course I would have had to run to get to Taberna. So we're willing to go --

MR. OUTLAW: Is this your pro-rata of that, or --

MR. ELLIS: Yes.

MR. OUTLAW: Okay.

MR. ELLIS: Yeah.

MR. OUTLAW: All right.

MR. ELLIS: Yeah. I strongly objected to that up until now --

MR. OUTLAW: Right.

MR. ELLIS: -- up until, you know, I realized that we're not going to have to -- you know, I thought we were going to have to build a mile line, I mean, you know, and so

we're being met more than half way, so, you know, I'm comfortable with that. If John has -- have you got anything to add, or Beth -- whatever, that's just about everything I know, or -- or Ronnie. But other than that, any questions?

MR. THOMAS: The City Manager has signed a permit application to go to the State.

MR. BUCHER: I'm sorry, I couldn't hear what you're saying.

MR. THOMAS: The City Manager had signed the permit application to go to the State some time ago. It got hung up with the moratorium issue. And when the moratorium was lifted, we submitted it a second time over there, but the way the moratorium was lifted, it was only lifted in the Carolina Colours area and not any other areas, even though this was tied in a gravity line.

MR. BETTIS: Let me ask you something.

MR. ELLIS: All right.

MR. BETTIS: How much have you paid in interest and legal fees to date on this?

MR. ELLIS: About \$350,000.

MR. BETTIS: Is there anything you guys want to add?

MS. BETH ATKINS: He said it pretty well. As he said, I'm an attorney, but I'm here tonight just for historical background in case somebody asks a question about all the needs that have gone on. He's -- he's not --

MR. BETTIS: Why don't you give us a little historical background on the meetings that have gone on.

MS. ATKINS: I'd hate to be adversarial at this point.

MR. BETTIS: No, no, why don't you just, I mean, without being adversarial, give us the background on the meetings; just the history that you're going to tell us. I just want to know --

MS. ATKINS: Well, since my involvement, I wasn't at the original meeting, but when -- when Mr. Ellis came to me, it was out of concern that nothing was progressing and he was having to wait for the Havelock/New Bern situation and he needed to move forward. And, since that time, I've been involved in meetings where the City had been trying to work out a way to satisfy Mr. Ellis's needs with the added complication of Havelock wanting other things. And, at one point, Havelock wanting us to be their customer, which added even more complications.

MR. BETTIS: And can you explain that?

MR. ELLIS: Well, once -- once Havelock saw us as a customer, they wanted us to go into their system of the way that they did things.

MR. BETTIS: And what was the cost for that?

MR. ELLIS: Well, they wanted us to take water from them and they wanted to, you know, pay some other fees and all that sort of stuff and it would have increased the project by millions of dollars for us to, you know, to have proceeded in that way.

MR. OUTLAW: But what I heard tonight from all this

research, are we in a position to even do the Havelock deal if we wanted to do the deal? I mean, didn't I see that the figures were pretty tight in just doing it for Mr. Ellis and --

MR. HUGHES: It would have to be a phased approach just the same way we're talking about approaching it is; not committing to everything day one. And when I say commit, I mean permitting. You couldn't go out there and permit 500,000 gallons a day, day one. You could do it as a phased approach, saying you would -- you would give so much of your allocation to Mr. Ellis, so much to Havelock. On a phased approach, by year, however, you want to do it, until you had a chance to get to Phase III in putting this project in place, at which time you could handle it that way.

MR. OUTLAW: Well, I mean, you know, there's a limit, I mean, redundant phases or something you can have before it's not a realistic -- it's not a realistic plan.

MR. HUGHES: Yes, sir.

MR. BUCHER: Not using today, which development is not moving very fast, nor using 5 years ago, or 3 or 4 years ago when things were very hot here, but using an average or a norm --

MR. ELLIS: Right.

MR. BUCHER: -- whatever that is, what would be your guess for the extent from the time you start this development until you get the, maybe not 600 homes, but 500, you know, where it's 80 or 90 percent complete? Is this a 10-year project, a 5-year project; what would be your best guess using an average? Average times, I guess, for lack of a better word.

MR. ELLIS: Well, I'd like -- I'd like to give a little preamble and tell you that Ronnie and I have gone through the National Association of Home Builders training to the highest level that they have. We have a designation that less than 1,000 people in the country have for doing market research and that sort of thing. And we're pretty good at it, but we -- once we get ours done, we normally hire somebody else to do a feasibility study for us to make sure that we're not making a mistake. So, I'm telling you with good reliability that I don't have a clue; okay?

MR. BUCHER: I like that.

MR. ELLIS: There's just no way to know in the current environment. You know, are we all going to be back to work next year, you know?

MR. BUCHER: Right.

MR. ELLIS: Are they going to close Cherry Point? I mean, I, you know, I don't know. Under -- under not -- okay, from the period from 2003 to 2007 was an unnaturally hot period, all right?

MR. BUCHER: Right.

MR. ELLIS: And going back to something that's more of the norm in 2001 or 2002, this project should take 7 to 10 years to complete.

MR. BUCHER: Okay.

MR. ELLIS: And, we anticipate building 400 -- around 450 residential units and reserving the rest of the sewer capacity for commercial building. And one of the customers that came and went was a company that wanted to build a 50- acre commercial development that included hotels, restaurants, a "big box" store, shops and things of that sort without parcels, so that's what we would anticipate. We've got very detailed plans on all -- in all we expect to do, but right now, I don't believe there's anybody in Craven County that knows what the absorption rate even is, much less what it's going to be.

MR. BUCHER: Right.

MR. ELLIS: But, I mean, you know, with some, you know, grace from God and a little tail wind, you know, 7 years, 10 years is the very best answer I can give you.

MR. BUCHER: That's good. Thank you.

MR. ELLIS: Yes, sir?

MR. TAYLOR: Jordan, you said you wanted to -- if we decide to go approve this, we would have to do it in phases?

MR. HUGHES: That would be my recommendation. You could let Mr. Ellis permit his entire development at one time, 216,000 gallons a day. If you do that, you've pretty much tied your hands with anything else you can do until we get our future improvements, our next phase of improvements completed.

MR. TAYLOR: True.

MR. HUGHES: You've essentially used up all your Equalization Basin capacity. Using the phase approach gives you more options to look at different things out in that area.

MR. TAYLOR: Number two, Mr. Ellis, as Jordan was saying that 216,000, we've got 230 something thousand?

MR. ELLIS: Yes, sir.

MR. TAYLOR: What he was saying, would you be in agreement, do we understand you're okay with that to phase it in because we want to know that before we make a decision. Because if you say, No, I want it all, and then -
-

MR. ELLIS: Alderman Taylor, I want to take the path of the least resistance to get this project done. The only thing I need to know at the end of the day is that New Bern, the City of New Bern, is 100 percent committed to provide us with up to 216,000 gallons over the course of the project. That's what I have represented to my bank, that's what I've represented to customers and things of that sort. And the idea that we would accept 50,000 now and then have to come back, you know, two years from now and be told I'm sorry there's no more capacity is something that we really, really couldn't live with. I mean, we've gone too far down the road. So, if we -- if we want to take an incremental approach, as long as it's a two-phased part that we get some now, but we're guaranteed that we'll be taken care of in the future to the satisfaction of, you know, that my attorney and engineer agree, you know, give me personal advice; yeah,

I'll do whatever I can, you know, to be flexible and help us all get through this thing together that we got to get through. Yes, sir?

MR. WHITE: My question is that you said 8-inch pipe, 12-inch pipe --

MR. ELLIS: Yes, sir.

MR. WHITE: -- and Mr. Outlaw mentioned a 16-inch pipe --

MR. ELLIS: Right.

MR. WHITE: -- because that would give -- that would give other individuals an opportunity to tap in also to be fed from the same pot.

MR. ELLIS: That's right.

MR. WHITE: And I think that adding that on now, versus waiting later on, it would be a better thing to do.

MR. ELLIS: Well, we have no objection to installing a 12-inch line, if that's what the City wants to do. I'm sorry, I didn't --

MR. BUCHER: Go ahead. I'm sorry.

MR. ELLIS: We're willing to go either way. I think what has been proposed by staff tonight is that if we install a 12-inch line, we'll pay for 8-inch worth and the City will pay the difference. And it makes good -- it makes good sense to do that all in one project and we're certainly willing to do it.

MR. WHITE: Yes.

MR. ELLIS: Yes, sir.

MR. BETTIS: Yeah, I just have a -- I just have a question. It seems to me that, you know, we're talking about your 7 to 10 year, I mean, where nobody knows the numbers.

MR. ELLIS: That's right.

MR. BETTIS: But would it be reasonable to you that when your number -- when your numbers start rising, when you start selling, when your -- when your development starts selling --

MR. ELLIS: Everybody else is.

MR. BETTIS: -- everybody else is. And then do you know what's going to happen?

MR. ELLIS: There's going to be a scramble for resources.

MR. BETTIS: Yeah, there's going to be a scramble for resources. And my problem is that there may not be those resources that we have -- if we're, you know, it gets back to those numbers that -- it gets back to those numbers that we were just looking at. I mean, I don't care if you phase things off until the day is long, and this isn't your problem. This isn't your problem; that's why we're meeting and we're doing the work. My problem is that the phase, phase, phase, you know, Carolina Colours is phased, you're phased, you know, Havelock phased. At some point, well, like Dana said, it's just going to -- everybody's going to be scrambling for resources at the exact same time and we need

-- we need to start thinking about that. And maybe that's something you're thinking about.

MR. OUTLAW: Before this Board got in office -- Scott, I know you remember. Jordan, I don't think you were here, but Mr. Meeks came up and went over all the allocations that we had, and I don't remember and I figured Danny, he might, but how many more Ellis deals are we obligated for that -- that we need to know about that the Board doesn't know about that -- are there any more out --

MR. BUCHER: You mean how many more letters like this are out there that --

MR. DAVIS: Well, I'm not aware of any. It's been several years since this one came up. I'm not aware of any, but I don't know what I didn't write.

MR. WYATT: Let me ask Jordan that question. We may not have that answer now, but it maybe requires some research or checking. Can -- can you kind of respond to that?

MR. HUGHES: I can definitely go back and dig through all our files. If we have any outstanding, I don't think they're to the size and capacity of this. We may have something more along the lines of somebody had a single lot and David Muse made a commitment letter to serve that one lot that may be out there, you know, and when I say "lot," I'm talking maybe an acre or two-acre piece of land here. I'm -- I'm almost certain we don't have anything to that nature, but I will go back and do the research and dig through the files to make sure that we don't have another one outstanding. But I'm not aware of another one.

MR. DAVIS: I can tell you -- I can tell you one thing to get you maybe a little comfort, that since Mr. Ellis's experience, we adopted a policy that there will be no letters like that as an agreement, so I -- I feel pretty comfortable since 2007, there aren't any letters, but I can't guarantee that.

MR. BETTIS: The thing is, the thing that makes me uncomfortable is we already know -- I mean, just one, is Carolina Colours with the 1,800 lots out there at 360, that we know that they are going to be scrambling for resources. That's 648,000 gallons that we're looking at. Am I wrong on that math?

MR. WYATT: Surely the calculation is right.

MR. HUGHES: No, that's right.

MR. BETTIS: That means, you know, that's just -- we can save that for another day because that's not Mr. Ellis's problem.

MR. TAYLOR: I'd like to add just one more thing if I'm -- go ahead, I'm sorry, you have a question? Mr. Davis?

MR. DAVIS: Yes, sir.

MR. TAYLOR: I don't know if we need to ask this in the open or in closed. I want to talk about how committed this letter is.

MR. DAVIS: Well, I've shared with you there's one other letter out of my file to -- to show you the -- the

level of detail that we've been through together in making this happen. I can tell you from historical experience going back 20 years, that when Weyerhaeuser annexed all of these thousands of acres in the early '90s, and Weyerhaeuser put that initial line in, the understanding was always that the City would serve all these pieces. And Craven 35 was part of Weyerhaeuser's chunk. So, generally, I think that's the expectation.

MR. OUTLAW: Are there any more Weyerhaeuser things that's on the -- on the agenda?

MR. DAVIS: Not that I -- like I said, since '07, we've had a policy in place, as the best I understand it, that -- that we would have written agreements, not letters.

MR. MEADOWS: There -- there is another portion of Weyerhaeuser that -- that is not in Colours that is already annexed. I think it's what --

MR. DAVIS: Over at the annex.

MR. MEADOWS: -- 4 or 600 acres, or something like that, that they were looking at for a school at one time.

MR. OUTLAW: Uh-huh.

MR. MEADOWS: I mean, that's there and it's annexed. We are obligated to serve it.

MR. DAVIS: Yeah.

MR. OUTLAW: For what? I mean, do we -- what -- you said a school. I don't know how many gallons that is, but I mean that doesn't necessarily mean we put a 2,000 unit concrete project out there.

MR. MEADOWS: You know, depending on what shows to be developed by it. But, again, and, you know, I understand the numbers are -- are hard to grasp and all, but the reality is, is with the Phase -- with the Phase III, you can get it to the plant. You have capacity at the plant. Hopefully, by the time you get to Phase III, you've got more users that are -- that are paying some of that cost, you know, to defray that -- that expense. And -- and as -- as it grows, you -- you get that to offset it. And, I mean, that's the -- that's the -- the reasoning. And then, when all the math works exactly right, you know, that's up to anyone's figuring, you know. But --

MR. BETTIS: All right. But is there any doubt that this thing -- do we -- I mean, what -- what's the meaning of this thing? Do we owe this man some allocation?

MR. DAVIS: Well, I certainly hate to see the manager agree when they met to serve him.

MR. BETTIS: All right, do you have anything further?

MR. ELLIS: I would like to say I would like to thank Mr. Meadows for his hard work, and especially Mr. Davis, who has stayed engaged with us for the past many months and a million e-mails. And so, I appreciate that, just as I appreciate the opportunity to come and visit with you all tonight and to have a hearing, you know, before you. I just want to say thank you and I hope -- hope you'll turn us loose and let's get to work. Ronnie, John, Beth,

anything to add?

MR. DAVIS: I don't know that we need any formal action tonight, other than some direction to lead the City Manager some direction to -- to take the term sheet that we've worked on and convert that to a written agreement to bring back to you to look at the details. And if you want us to take that next step, we can certainly do that, if you like.

MR. OUTLAW: Well, is there anything like, Mr. Thomas, that you need to point out that some stranded costs, soft costs that we're not any of us aware of here that we need to be aware of that, Mr. Hughes -- that -- anything out there that's -- that we haven't talked about that's going to put this deal together -- that's going to be somebody's responsibility?

MR. HUGHES: I think that is what's outlined in the term sheet is a pretty good understanding of what needs to happen and who is responsible for it from this point forward.

MR. DAVIS: What I would do is, I would -- I would go ahead and add some language for your review for the City to assume the financial responsibility to upsize the line and the lift station. I'll go ahead and put it in there. You can think about it between now and the time you see it, and if you don't like it, when the time comes, we'll just delete it, or if you want to make that a 12 line a 16, we can certainly amend that little section.

MR. OUTLAW: Well, obviously, if we make a motion that's approved to proceed forward with this, you would be getting with Mary, the Finance Director, and get us some absolutes on our cost and things like that.

MR. HUGHES: Yes, sir.

MR. BUCHER: Let me just -- something you just said. If I understood Jordan correctly, we don't want to do a 16-inch line; we want to do a 12-inch line.

MR. HUGHES: Yes, sir.

MR. BETTIS: Is that correct?

MR. HUGHES: We could -- we could do some further hydraulic study on it. We -- we haven't studied a 16-inch line; we've studied a 12. I could bring you back some information; I could -- I could model a 12-inch line versus a 16 -- show you the -- the additional cost, the additional users that haven't been picked up and give you some pros and cons of doing each one. I can have that prepared for you.

MR. BUCHER: Didn't you say something to me about up in Carolina Colours we've got a line that isn't getting much and we've got to go flush it --

MR. HUGHES: Yes, sir.

MR. BUCHER: -- because that's too big?

MR. HUGHES: Yes, sir. Mr. Outlaw was talking earlier about installing a small line to kind of get things up and going, and then at the same time, starting a larger line when we do that addition; that's another option we can look at as well.

MR. BETTIS: Well, I got to tell you, this meeting should have taken about five minutes. This man is owed some allocation. I think you're owed some allocation. You know, he was promised allocation. I think that's -- you know, that's my opinion. You know, he's spent \$300,000 on legal fees to get to this point right now.

MR. BUCHER: And interest.

MS. BENGAL: Interest.

ALL: Interest, interest, legal fees.

MR. BETTIS: Interest and legal fees; is that right? Hold on. Just so we can put this in perspective.

COURT REPORTER'S NOTE: Work session participants interjecting simultaneously.

MR. BETTIS: You're spending -- you spent your legal fees and interest. You know a big box store left here because -- while we're waiting for this thing to get -- to get done. I want him -- we're not voting on it tonight, but I certainly think we should --

MR. BUCHER: Well, I think --

MR. BETTIS: -- direct that -- direct the powers that be that say give this man -- let this man get started on his -- on his business and let's step out of his way. That's what I -- that's my opinion.

MR. ELLIS: Thank you, Mr. Mayor.

MR. BUCHER: I agree.

MR. DAVIS: Opinions?

MR. BETTIS: That's my opinion. I mean we don't have to vote on it tonight and Mr. Davis said we don't have to vote on it, but let's step out of this businessman's way and let him get the business.

MR. TAYLOR: If they don't have any --

MR. BETTIS: Uh-huh.

MR. TAYLOR: Can that be done tonight?

MR. BETTIS: Yes, sir.

MR. WYATT: Let me, Mayor --

MR. BETTIS: Yes.

MR. WYATT: -- can I make this suggestion?

MR. BETTIS: Yes, yes; please.

MR. WYATT: There has been a -- a commitment on the staff's part, operating, I think, on whatever latitude, and that may be discussable, that they have in making such a major decision. And it -- it would appear that when you look at the term sheet (Exhibit [A]), my gosh, this thing has really gotten advanced. And it wouldn't have gotten advanced by just -- just a casual, casual kind of approach. And so, I think you could, and I just leaned over and asked the attorney, if you don't tell us otherwise, I would think that it would be appropriate to -- to go forward. And there doesn't seem to be any negativism to the contrary. Now, I asked Scott in the context of a work station that question, and he can speak for himself, but it would look like to me if there's not a problem, then -- and there's certainly some empathy that this thing has been long-standing, let the staff go forward. Or, someone say, Well, we need to go into

a deep discussion over it, more than what we've had tonight.

MR. TAYLOR: Are you finished, sir?

MR. WYATT: Yes, sir. I'm struggling with trying to put it into words.

MR. TAYLOR: My opinion is we support you, we understand. But my thing is, it's been going on with the past Board, past mayor. My advice is let the citizens hear what we're talking about and what's going on. We support you, but we want to put it (out) and let the citizens know what we're going to do, what's been going on, and what we decide to do. We'll get the information from Mr. Hughes in reference to from the 8 to the 12 because we're going to have to pay the difference. That's what we're saying; correct?

MR. HUGHES: Yes, sir.

MR. TAYLOR: So we -- I will say it's best to let the citizens know what we're going to do, what we plan on doing, and how long it's been going on.

MR. ELLIS: I'd just like to share one thing with you, Mr. Taylor. I've not been able to speak with the Board or the Mayor up until now. This is my first opportunity to say anything.

MR. TAYLOR: Okay.

MR. BUCHER: I have a question. When you say let the citizens know --

MR. TAYLOR: Yes.

MR. BUCHER: -- I don't understand what you mean.

MR. TAYLOR: In our next Board meeting upstairs. Put it on the floor, then tell them -- put it on the agenda.

MR. BUCHER: What I heard our City Manager say was, if I understood him correctly --

MR. TAYLOR: Uh-huh.

MR. BUCHER: -- we've already given this man approval, and unless this Board is going to stop it --

MR. TAYLOR: Uh-huh.

MR. BUCHER: -- it's already done. Is that what I -- is that what he's saying?

MS. BENGEL: Generally, yes.

MR. BUCHER: So, I don't -- I don't think we've got to put it in front of the citizens; it's already been done.

MR. TAYLOR: Yeah, it's been done, but --

MR. BUCHER: All we can do is stop it if we choose to, and I don't hear that side up here.

MR. TAYLOR: No, we don't want to stop it, I'm not saying I'm recommending that we stop it. I'm recommending that this is a matter that's been going on for a while. Okay, the citizens might have known about it a long time ago, but maybe they're -- it's not fresh in their mind. Because if we do something now --

MR. BUCHER: I don't see this is a citizen issue.

MR. BETTIS: Are you saying this is an administrative function rather than a --

MR. BUCHER: Yeah.

MR. BETTIS: -- rather than -- this is one of the

administrative functions of the City? Let's ask Mr. Wyatt?

MR. BUCHER: The City Manager didn't come in front of the citizens; it was a business decision that the City made, that we're either going to agree to and let it go forward, or we're not. It's as simple as that. It wasn't - it wasn't a -- Danny, correct me if I'm wrong, this was not a public deal.

MR. MEADOWS: No, it was -- it was the Manager. And, the Board was aware of it and we weren't just running out there running all alone, but I mean there was some -- some information provided to the Board, but, I mean, it's not a public issue unless I guess if you want to make it one. But I mean --

MR. BETTIS: Mr. Wyatt?

MR. MEADOWS: -- the extension of water or sewer is something that's pretty --

MR. BETTIS: Mr. Wyatt?

MR. WYATT: Again, let me say I can't imagine this got so advanced that there wasn't Board awareness of it. And it doesn't appear that there's any aversion to what the staff has been proceeding with -- with them in good faith for an extended period of time. And if there's not any to the contrary, it looks like the logical thing to do at this point is to go forward. And I'll also say this in an -- aside, certainly, I think this is a -- a lesson -- should be a lesson learned in the future to make sure that there's full knowledge and understanding of such things. But, my gosh, I don't think -- I said this just a minute ago. I don't think something like this in this detail that was negotiated -- that apparently was negotiated in good faith, could move forward. The group of people over here said, I never heard anything about any \$73,000. Well, we need to go forward.

MR. BETTIS: And I understand that. So, you know, what we could do, let's move forward and then send a report to the Board, come to report to the Board meeting. Why don't we report to the Board where we're going with this, do everything you've got to do, and then try to solve it with Vick.

MR. ELLIS: (Indicates affirmative.)

MR. BETTIS: Once you've got -- once you've got this stuff, keep going forward, come back to the Board and tell us how it's going; how's that?

MR. OUTLAW: What kind of time span is that?

MR. DAVIS: We can have a draft -- I mean, my expectation would be to have the draft of agreement back to you in several weeks for you to look at with every last detail in it.

MR. BETTIS: Let's -- let's get it done. When's our -- when's our first meeting in February?

MR. DAVIS: The 8th -- the 9th.

MR. BETTIS: You come back to -- you come back -- you come back to us and get it on the agenda, and you come back to --

MR. WYATT: May I speak? Let us -- the date that will consummate it, that's what we're going for and there will be plenty of awareness for the public because we'll have the written agreement here for your approval.

MR. BETTIS: You come back -- you come back when, you know, the first week or second week in February and you let us know if it's going the way you want it and if there's anything else you need to get done with this thing and report to us.

MR. ELLIS: All right. The 9th.

MR. BETTIS: The 9th of February.

MR. WYATT: February 9. And that ought to accomplish everybody's objectives.

MR. BETTIS: Is that -- is that --

MR. DAVIS: We can do that sir, yes, and I'm just making sure that Jordan could have the numbers for you so you -- because we're going to need your final blessing on 12-inch versus 16-inch versus 12 and 8's. And Jordan will have that information for you, which will be the last piece of the puzzle, I hope.

MR. BUCHER: That won't keep us from -- that won't hold him up, will it?

MR. DAVIS: Well --

MR. BETTIS: Mr. Wyatt, what's your opinion on that?

MR. WYATT: No, I'm sorry. I'm confused about the 16-inch coming in at this particular point in time, but I think we need to listen --

MR. DAVIS: Well, the agreement -- this agreement is -- this is not a standard situation where you issue a permit, tell a guy good luck with this big project. This -- this is unique and it requires a written agreement. And, typically, in a situation I would specify in the agreement exactly who is doing what. And -- and this is going to say precisely, Mr. Ellis, you're going to pay the cost of the 8-inch line and put it in, and we are going to pay the incremental cost of "X". Now, we can think through a way to leave that a smidge open, but the minute he breaks ground and puts a pipe in, it's over.

MS. ATKINS: Yes. He needs to know what size line is going in when he starts.

MR. WYATT: When would be that time; what is the minimum time that it would need to be done?

MR. DAVIS: Three months, several months? You guys are permitted and ready to roll, aren't you?

MR. ELLIS: Well, we've already got an 8 and a 12 design. Like I said, we've already got -- we're already ready to go out for bids, so John will be able to answer that better.

MR. WYATT: Well, wouldn't the language -- let me again say, wouldn't the language provide the City the opportunity between the 8 or the 12 or the 8 or the 16?

MR. DAVIS: Uh-huh.

MR. WYATT: If that's holding it up, it looks like to me the agreement could be approved on tonight. Now,

there's probably more to it and I'm simplifying it.

MR. BETTIS: Well, look, all I know is I want -- I want for this thing to be done. I want this thing -- however it's got to happen, you know, we don't need to be -- I'm not an engineer; let's get it done by the 9th and let's move forward with getting this man in business.

MR. WYATT: We understand.

MR. ELLIS: Thank you so much.

MR. BETTIS: That's it.

MR. ELLIS: All right.

MR. BETTIS: And thank you. Number two, I think we've got to start thinking about that Phase III --

MR. WYATT: Yes.

MR. BETTIS: -- and putting money away for that thing immediately because I'm not at all happy with what I heard about --

MR. OUTLAW: In all due respect to the situation, I think one thing you ought to incorporate, a lot of times when we're doing these type of deals and they're close in, we think the developer requests to be annexed. It's a very serious situation here that it's on the wrong side of Catfish Lake Road and you wouldn't want to be -- you would want to, you know, have some direction as to --

MR. BETTIS: I would.

MR. OUTLAW: -- whether you want us to tell you about that. My opinion would be that we do not, even though I really would like to annex, I think we all can agree we would not go past that road and that's important to our future demographic needs, with Havelock and New Bern as far as box stores and everything that we have this --

MR. BETTIS: And I agree with that.

MR. OUTLAW: -- reciprocity.

MR. BUCHER: He did make a point that he's closer to New Bern than he is to Havelock.

MR. BETTIS: And I agree with you, and that's all stuff that this Board needs to deal with. And, if we need to deal with that, we'll call a special meeting. But we don't need -- we don't need to be dealing with it with you. You go do what you do.

MR. BUCHER: But, I guess, the only thing that I'm curious -- and just to tie into that, and not to belabor this meeting, but if we were interested in at some point annexing this property, your response to that would be, you would be favorable of that or you would not be?

MR. ELLIS: We -- we proposed it in the past in trying to get going. We've asked if we offer to be voluntarily annexed at some point in the future by either city, you know, when that comes along. I made the state -- you know, statement tonight that I'm closer to New Bern than Havelock. I don't know that with a certainty because Havelock does take in all of Cherry Point and Cherry Point is on the other side of Lewis Farm Road, so I don't know where they're measuring from, so I may be wrong about that. But we've -- we've tried everything we could think of to

make it work, you know, take whatever kind of medicine we had to take to get moving. In a perfect world, I'd just as soon be in Craven County and -- and operate under their regulations, which is what we plan to do. But if that's what it takes, you know, to get it done, then, yes, we would consider that; we'd listen to it.

MR. BETTIS: Okay. All right, is there any more to be heard on this issue, or can we put this puppy to bed for tonight?

COURT REPORTER'S NOTE: There is no response.

MR. BETTIS: All right, good. Are we going to -- are we going to discuss this Kale Road thing tonight at all or are we going to put that off?

MR. WYATT: I'd like -- I'd like to wrap up what I said earlier.

MR. BETTIS: Yes, sir.

MR. WYATT: I think we had a good tour and I think we looked at multiple buildings. I think we saw other prospects, at least in the dark, and what I've suggested is that the staff prepare the paper that gives all the background. There's an awful lot of needs that dollars have been associated with for expansion and so forth, certainly with alternatives, perhaps recommendations. I think in light of the agenda we have right now, it certainly ought to be completed in the next few months, but I don't think it's the most immediate thing. But, I think we had a good meeting and I think everyone was very attentive and I thank you for doing that.

MR. BETTIS: Thank you. One other question I have.

COURT REPORTER'S NOTE: Mr. Ellis and the persons with him leave.

MR. BETTIS: There's an issue coming up -- there's a couple of issues coming up and I just want to be able to -- let's just talk about them. One is beginning the search in earnest for the -- for the permanent City Manager, and I think we're going to need to talk about that sooner rather than later. And number two, I want to talk about that bridge because I want to get that bridge issue out in the open. I think that, you know, whatever way we're going to go on this, we've got -- we've got to speak -- if we're going to accept it, fine; if we're not going to accept it, fine; but we're going to -- we need to get that out there before a single car drives over that thing. I'm proposing a special -- and I'm asking you now, I'd like to propose to have a special work -- special meeting, call it whatever we're going to call it, on Friday, if anybody -- if people are available. We need to get this stuff done, and --

MR. BUCHER: Friday, this Friday?

MR. BETTIS: Yes, sir.

MR. BUCHER: I'm not available.

MR. BETTIS: When's --

MR. BUCHER: I said I'm not available, I'm committed to an event and I think Sabrina is as well. And I know he is.

MR. BETTIS: How about Saturday morning?

MR. BUCHER: Barbecue and blue jeans.

MR. BETTIS: Oh, I'm committed to that, too. How about Saturday morning? Saturday morning? What's that?

MR. WYATT: I think I'm -- let me ask you this.

MR. BETTIS: Yes, sir.

MR. BUCHER: Mr. Wyatt -- we better start with him and he's --

MR. WYATT: I just wonder whether an evening, you know, during the week might be good for that purpose. But certainly, I'll be here.

MR. BETTIS: All right, how about next Tuesday; are we on for next Tuesday or not?

MR. BUCHER: We're on for next Tuesday, our regular meeting.

MS. VERONICA MATTOCKS: Our regular meeting is next Tuesday.

MR. BETTIS: For tonight, I want a -- I just want a time to talk about these two things in particular. Is our agenda set for next Tuesday?

MR. BUCHER: My preference would be another evening rather than tie up Saturday, but -- my next two Saturdays are committed.

MR. BETTIS: All right. I guess we could do it next Tuesday. Put those on the agenda for next Tuesday, so we probably don't need a special meeting.

MS. MATTOCKS: Certainly not.

MR. BETTIS: We're going to put the bridge -- all right. So then, we're going to put the bridge on the agenda --

MS. MATTOCKS: Okay.

MR. BETTIS: -- and I mean -- think that -- I think that if we're in earnest, if we're going to start talking about the -- the City Manager search, then we'd like Mr. Wyatt to lead us in that and to spearhead that, and it may need its own meeting at some point. But, if -- if we can put that on the agenda for next Tuesday, can -- can we be prepared to go ahead with that?

MR. WYATT: Yes, sir; yes, sir.

MR. BETTIS: Is there anything else while we're here that we need that we definitely know we want on the agenda for that following Tuesday?

MR. OUTLAW: Well, from the way you want to run the meeting, what I found doing is anything I want on the agenda probably sometime Wednesday, I'm going to make Dawn or Veronica aware of it, so it's on there.

MR. BETTIS: Perfect. And that -- and that goes for everybody while we're here. Anything you want on that agenda for the following Tuesday, please contact Dawn -- Dawn Heller here, and tell her what you want on the agenda. We'll put as many things on the agenda as you want and we'll talk about anything you want. And, I want -- I want Nikie Mayo to have a copy of the agenda and all the attachments at the same time we get it.

MS. MATTOCKS: Okay.

MR. BETTIS: And that's just a must.

MR. MEADOWS: And she gets it.

MR. BETTIS: Good.

MR. WYATT: Mayor, may I?

MR. BETTIS: Yes; yes, sir.

MR. WYATT: What I'd suggest is on those two topics which probably will take, far be it from me, for a -- the full understanding of the bridge, but would you all be receptive to say at 5:00 or 5:30, having a session around this table and then go into the meeting with about a 15-minute recess?

MR. BETTIS: Yes, sir; I would.

MR. WYATT: Okay.

MR. WHITE: I'll try to be here.

MR. OUTLAW: I just -- the only thing I would say to that is, like tonight, I would prefer that at least one of the doors be open. If any -- if any citizen wants to walk in, they ought to be as welcome at this meeting as anybody here.

MR. WYATT: Of course.

MR. OUTLAW: That's my only comment on the meeting.

MR. BUCHER: Yeah, you're not talking about a closed session?

MR. WYATT: No, no, no -- no, no, no, no, and the door's open and we'll have someone out there making sure of it. And I know Ms. Mayo will certainly give good attention to that.

MR. BETTIS: All right. And when -- and can we have for the -- for the Tuesday meeting, request the invitation of any pertinent DOT individuals who want to be heard on this, or any of the other -- any of the other interested parties. I would like to cordially invite them to come next Tuesday and -- and talk about the bridge.

MR. WYATT: I'll work with them on that.

MR. BETTIS: Yes, sir. Do we have anything else for tonight?

MR. WHITE: I have one question.

MR. BETTIS: Yes, sir.

MR. WHITE: It's not that big. We used to have the guy that ran the waste treatment plant, the water and engineer man that passed away.

MR. BETTIS: David Muse.

MR. WHITE: I would like to have the young man who has replaced him give us a report of what's going on, as David did, so I can keep up with it.

MR. BETTIS: Would you want that for next Tuesday?

MR. WHITE: Sure.

MR. BETTIS: May we put that down on next Tuesday's agenda, too?

MS. MATTOCKS: It comes out in the report. We've got a sewer report, a park and recreation report.

MR. MEADOWS: It is provided to the Board. But the Board did historically have what was known as the "sewer

report."

MR. OUTLAW: Yeah.

MR. MEADOWS: It was actually the second meeting of the month. I guess that's what this one would be.

MR. OUTLAW: Uh-huh.

MR. WHITE: I would like to keep up with that, so, if I could, I'd like to hear what is going on with that.

MR. BETTIS: So a report from -- a report on Tuesday?

MR. WYATT: I'll make sure that the engineer does that.

MR. BETTIS: Excellent. Anything else before we adjourn; anything else?

ALL: No.

MR. BETTIS: All right. This meeting is adjourned.

MS. BENGAL: Don't we need a motion?

MR. WHITE: I make a motion to adjourn.

MR. JOHNNIE RAY KINSEY: Second.

MR. BETTIS: Johnnie Ray seconded it?

MR. KINSEY: Yes.

MR. BETTIS: That's it.

***** MEETING ADJOURNED AT 9:10 P.M.*****