



Cape Fear Public Utility Authority

Stewardship. Sustainability. Service.

2013 Annual Report





November 13, 2013

To Our Customers and Stakeholders,

Cape Fear Public Utility Authority completed another successful year in FY 2013. With our guiding principles of Stewardship, Sustainability, and Service as a backdrop, our regulatory compliance record was exemplary and expenditures were 85% of budget.

Reliable water and wastewater services underpin a wide range of community activities, and our employees continue to perform remarkably well, ensuring systems seamlessly operate 24 hours a day. In addition to serving more than 62,000 residential homes, we also serve 5,850 commercial accounts such as schools, hospitals, restaurants, manufacturers and other companies that rely on our utilities to provide jobs and essential services.

Investments in infrastructure are improving resiliency, reducing risk and enhancing services. Ongoing service initiatives allow us to focus on customer expectations today and look ahead, confident in the knowledge that we are aligning resources with the needs of those who receive our services now and in the future.

An emphasis on enhancing safety helped us reduce the overall number of accidents by 35% compared to FY 2012. Our commitment to employees and their families is that we will continue this effort until everyone goes home uninjured at the end of every day.

We share our community's concern for the environment and demonstrated this through an exceptional year for regulatory compliance. Our employees successfully operated plants and maintained systems with an overall daily compliance rate of 99.84%. This is part of an unwavering commitment to preserving natural resources while consistently providing customers with high-value services. We also did a good job of managing expenditures in an environment of increasing costs. The adopted \$36.5 million operating budget was trimmed by 5% following an unexpected decline in revenues; nonetheless, we finished the year with a \$3.7 million operating surplus.

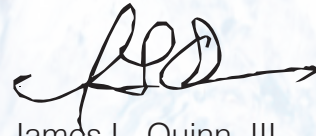
Successful organizations generate short-term results while keeping their long-term goals in sight. With stakeholder input complementing our ongoing capital planning, we are predicting and meeting community needs for growth. Last year, we entered into agreements with developers to build new infrastructure and share costs among users. We also partnered with other public agencies to reduce project costs and minimize disruption to customers. And, we became partners to agreements that allow us to provide and receive assistance during emergencies. Employee innovations and stakeholder alliances help us build on our success and underscore the value of our services to a thriving community.

We are eager to develop new and creative ways to reduce costs and improve service delivery. Our customers expect and deserve to receive the highest quality drinking water and be confident wastewater is managed and cleaned responsibly. Further, customer service remains a priority for our employees. Creating a positive customer experience based on respect and exceeding expectations is essential to our success and is our obligation as a public agency. With that, our employees remain our greatest strength and they ensure our organization continues to provide water and wastewater services that our customers agree are a great value.

Looking ahead to FY 2014, our sixth year of operation, we remain optimistic that our talented employees will continue positioning the Authority to meet the community's short-term and long-term needs. This is not to say we will not face challenges. Across the industry, utilities are facing soft demand and associated impacts to revenues. This is likely due to a fundamental shift in how customers use water resources, as well as the effects of ongoing conservation initiatives. Further, we see escalating costs in key areas such as power and chemicals, which represent significant annual expenses. While these headwinds affect our financial position, our employees continue searching for efficiencies, as well as for new ways to cut expenses and offer our services to new customers.

We are pleased with the success we earned in FY 2013 and the value we provide our customers. On behalf of the Board Members and the 294 employees of Cape Fear Public Utility Authority, we thank you for your support and look forward to helping our community prosper in FY 2014.

Best regards,



James L. Quinn, III
Chairman of the Board



James R. Flechtner, PE
Interim Executive Director



CAPE FEAR PUBLIC UTILITY AUTHORITY BOARD MEMBERS



James L. Quinn III
Chairman

Appointed by the City of
Wilmington

Originally seated in 2007
Term ends in 2016

Committees: Executive,
Long Range Planning,
Nominating



Patricia O. Kusek
Vice Chair

Jointly appointed by
City of Wilmington, New
Hanover County

Seated in 2011
Term ends in 2014

Committees: Executive,
Finance,
Human Resources,
Communications



Jim Brumit
Secretary

Appointed by New Hanover
County

Seated in 2012
Term ends in 2016

Committees: Executive,
Finance, Human Resources



Michael C. Brown III
Treasurer

Appointed by New
Hanover County

Seated in 2010
Term ends in 2016

Committees: Executive,
Finance, Communications



Neil Anderson
Councilman

Appointed by City of
Wilmington

Seated in 2012
Term ends in 2016

Committee: Human
Resources



Bill Norris
Member

Appointed by City of
Wilmington

Seated in 2013
Term ends in 2015

Committee: Finance



Charlie Rivenbark
Councilman

Appointed by City of
Wilmington

Seated in 2010
Term ends in 2015

Committee: Long Range
Planning, Nominating



C. Lawrence Sneed, Jr.
Member

Appointed by New
Hanover County

Seated in 2012
Term ends in 2014

Committee: Long Range
Planning



Woody White
Commissioner

Appointed by New
Hanover County

Seated in 2013
Term ends in 2015

Committee: Long Range
Planning, Nominating



Cindee Wolf
Member

Appointed by City of
Wilmington

Seated in 2011
Term ends in 2014

Committees: Long
Range Planning, Human
Resources



Thomas Wolfe
Commissioner

Appointed by New
Hanover County

Seated in 2013
Term ends in 2015

Committees: Finance,
Human Resources



Donna S. Pope
Executive Secretary /
Clerk to the Board



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INTRODUCTION



MISSION STATEMENT

The Cape Fear Public Utility Authority's mission is to provide high quality water and sewer service in an environmentally responsible manner that protects public health, while maintaining the lowest practicable cost.

STRATEGIC VISION

Cape Fear Public Utility Authority is committed to excellence. The Authority effectively and efficiently manages operations, infrastructure, and investments to protect, restore, and enhance the natural environment; responsibly uses water and other natural resources; promotes economic vitality; supports public safety and health; and engenders overall community improvement and involvement on significant issues. The Authority continuously improves and not only meets but also strives to exceed all regulatory requirements.

GUIDING PRINCIPLES

The Authority is committed to the principles of Stewardship, Sustainability and Service. These principles serve as a guide for ethical decisions, provide a gauge for measuring success, and define our responsibility to the community. They guide our organization in the following way:

Stewardship

- Of the region's natural resources
- Of the financial resources and assets our customers entrust to us

Sustainability

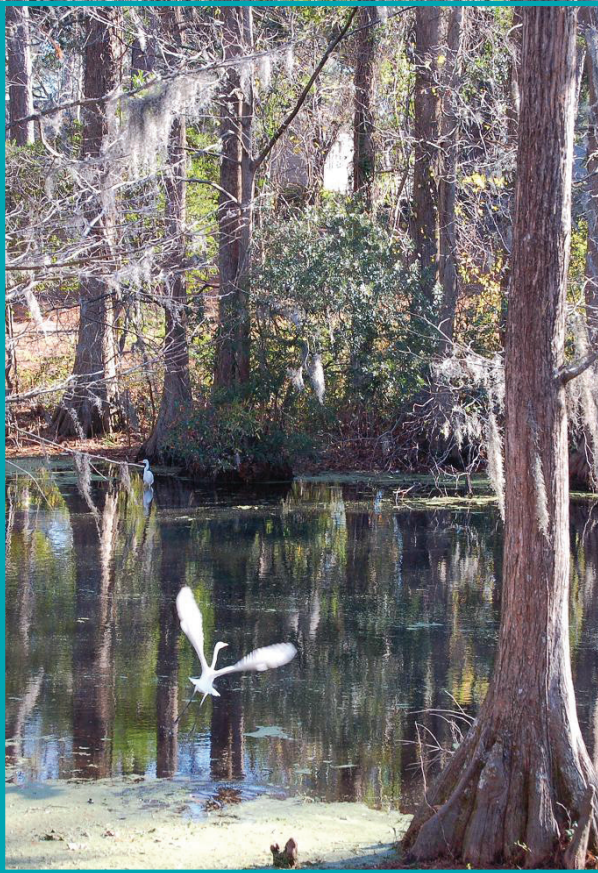
- Of the region through dependable water and wastewater utilities that support public health and economic prosperity
- Of the Authority's ability to meet the community's current and future water and wastewater needs and expectations

Service

- To our customers by providing reliable, cost-effective water and wastewater utilities
- To our community as a thoughtful and participatory corporate citizen

STEWARDSHIP

Of the region's natural resources



As the first of our guiding principles, stewardship of the Lower Cape Fear Region's natural resources is an essential duty for Cape Fear Public Utility Authority (CFPUA or the Authority). Water is life's most precious resource and creating clean drinking water and safely returning treated wastewater back to the environment are fundamental responsibilities of the Authority.

At CFPUA, our employees view the important role we play in our region's well-being as a public service and are consistently identifying areas where we can have a major, positive impact on the environment. This approach is at the heart of incorporating ISO 14001 into our daily operations to help the Authority minimize its environmental impact. ISO 14001 establishes uniform, international standards on major elements of our environmental management system. It provides a continual, transparent cycle for improvement by planning, implementing, and reviewing processes and actions. We hold regular compliance audits throughout the organization ensuring that the Authority is not only meeting all regulatory requirements but also going beyond them. This effort to consistently improve how we carry out our duties results in better environmental protection, greater efficiency of operations and greater cost control.

Using ISO 14001, our environmental management system is continuing the trend of positive results regarding the Authority's sewer system. Since its creation five years ago, the Authority has cut the number of sanitary sewer overflows (SSOs) by more than one-third and the volume spilled by more than 70 percent when compared to the previous five years. Because of this significant level of improvement, the U.S. Environmental Protection Agency agreed to a Consent Decree with the Authority, the city of Wilmington and New Hanover County that acknowledged the Authority's progress in reducing SSOs(see sidebar).

The Authority Reaches Landmark Agreement with EPA

Earlier this year, the Authority joined in a comprehensive Consent Decree agreement with the city of Wilmington, New Hanover County and the U.S. Environmental Protection Agency (EPA) in an effort to reduce and eliminate sanitary sewer overflows. The agreement resolves claims by the EPA regarding overflows prior to the formation of the Authority in July 2008.

The Decree mirrors the Authority's ongoing effort to continue minimizing sewer overflows and confirms comprehensive work already being conducted to dramatically reduce incidents. Under the Decree, the Authority is required to complete more than \$40 million of specific capital improvement projects, institute reporting requirements and pay specified penalties for future Sanitary Sewer Overflows (SSOs). To date, we have voluntarily invested over \$27 million in these projects in line with our Capacity, Management, Operations, and Maintenance (CMOM) program, which was implemented after the consolidation in July 2008.

The program, which includes a proactive reporting structure, has already helped reduce SSOs by more than 35 percent and sewer spill volume by nearly 80 percent in the recent years.

While the environmental management system focuses on the Authority's internal operations to improve our impact on our natural resources, we also help to improve the environment in the Lower Cape Fear Region by extending critical services to areas where reliance on septic systems, over time, can affect the environment. In the Masonboro Sound area, CFPUA is installing sewer mains and a pump station that will allow several neighborhoods in the area to connect to the central sewer system. The homes to be connected are currently using septic systems that can leach contaminants into tributaries of the sound. Human waste has been found to be a source of surface water pollution, causing the closing of many areas to shell fishing and swimming. Once complete, CFPUA's project will reduce the septic contamination in that part of the sound to the benefit of the homeowners and the environment.

Failing septic systems have long been a concern for the people of the communities known as Marquis Hills and Heritage Park. Over the years, septic failures have taken place due to several factors, including soil and drainage conditions. As a result, even before CFPUA was created, these areas were determined by the unified 2007 City and County Wastewater Master Plan to be the first and second highest priority areas for sewer extension to existing homes in New Hanover County due to public health concerns. These failures significantly harm the environment by leaching a wide variety of contaminants into local surface waters, posing a significant – and direct – public health risk.

To address the environmental issues, New Hanover County received a loan from the North Carolina Clean Water Revolving Fund and reached an agreement with the Authority to bring sewer services to the area. In addition to making a financial contribution to the effort, CFPUA has contributed in-house design services and has already started work on the projects. By the time these projects are completed, CFPUA will have built a new pump station, and laid more than 50,000 linear feet of sewer main and more than a half-mile of force main. There is no doubt it will be a significant amount of work but there is also no doubt that CFPUA's effort will significantly improve the environment for the Marquis Hills and Heritage Park communities.



“Aging infrastructure is a national problem. When you consider other Consent Decrees in place across the country, it is to everyone's credit that we are already well on our way to fulfilling this commitment to improve our wastewater system,” said Jim Quinn, Authority Chairman and a former Wilmington City Councilman. “There's still more work to be done but real and tangible progress is being made.”

STEWARDSHIP

Of the financial resources and assets our customers entrust to us

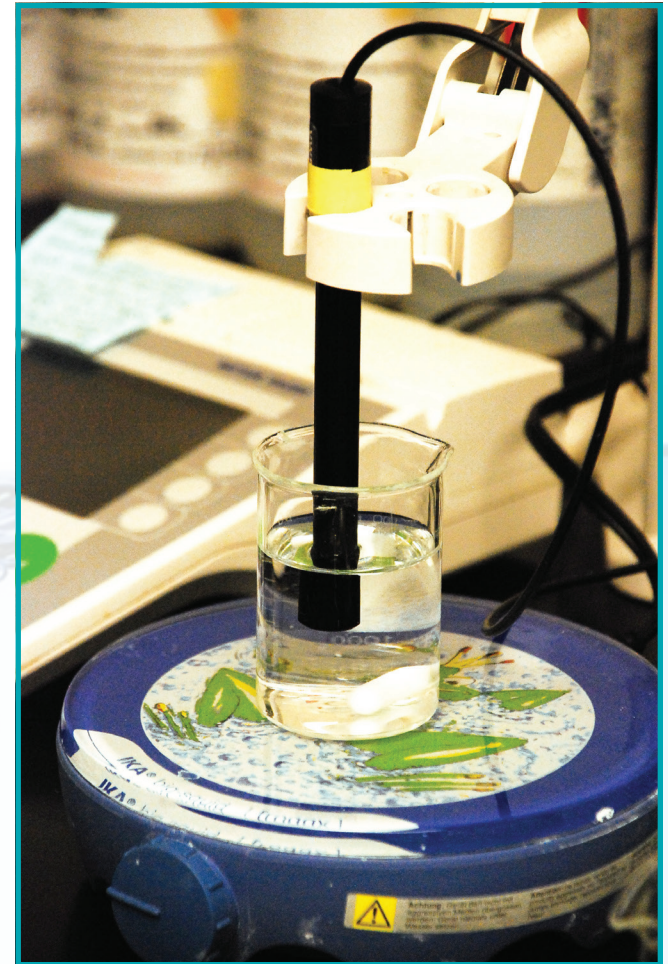
As an authority, we are a self-sustaining, revenue-neutral utility, where expenditures must be below revenues. Because nearly all of our funding comes from usage and fees, the need to develop our operations and capital improvement budget is vital to keep our fiduciary responsibility to our customers.

CFPUA's creation coincided with an economic downturn, requiring staff to constantly analyze expenditures and occasionally reshape its capital improvement budget. The past year was no different, when a reduction in revenue required difficult decisions throughout the Authority. Following lessons learned from previous years, every department within the Authority was able to take the necessary steps while maintaining their focus on improving our aging infrastructure. As a result of these efforts, we were able to maintain bond ratings with Moody's and Standard and Poor's and can state, without hesitation, that the overall financial condition of the Authority has improved.

Because of the dedication and meticulous work of CFPUA staff, the Authority was once again recognized for its excellence. For the fourth straight year, the Government Finance Officers Association of the United States and Canada awarded the Certificate of Achievement to the Authority for Excellence in Financial Reporting. The honor is presented to government units and public employee retirement systems whose comprehensive annual financial reports achieve the highest standards in government accounting and financial reporting.

One of the most complex jobs for a water and wastewater utility to undertake is setting a rate structure that meets its fiscal responsibilities and provides high-quality service while being mindful of what its customers can reasonably be expected to pay. Across the county, there are many rate models used by utilities that factor in differences in the amounts, types, and even time frames of usage.

When considering our own rate model, CFPUA evaluated all of these factors to implement a rate structure that is appropriate for the residents of the city of Wilmington and New Hanover County. The Authority was created during a time of drought in 2008 and a tiered rate was introduced to encourage conservation. Looking ahead into 2014, however, an analysis of the water usage by our customers showed that the tiered rate structure was not properly serving its conservation purpose.



After we proposed a uniform rate structure, we heard from several customers who believed in the same approach, where water costs the same no matter how much is used. Our Board agreed and determined it was time to move away from the tiered-rate structure and a uniform rate was instituted for FY 14. As reported in the Wilmington Star News earlier this year, these rates still keep CFPUA in the lower half (meaning lower charges) of all rates implemented by water and wastewater utilities across the state of North Carolina.

“Find It, Fix It” Program Addresses Our Aging Infrastructure

Residents of the city of Wilmington and New Hanover County have greatly benefitted from the wastewater systems constructed by our parents and grandparents. For decades they have been at work 24 hours a day, 365 days a year, moving wastewater through the communities we serve to our treatment facilities.

Our wastewater system is getting older and needs to be repaired and replaced at a quickening pace. To address this immediate need, the Authority continues to implement our “Find It, Fix It” program.

It sounds simple enough; find a problem, and fix it. But there’s more to it than that. The program uses the latest technologies to identify areas of concern within the system and triage the problems. These technologies are then leveraged to produce in-house designs and bid documents, allowing the highest priority situations to be addressed immediately in the most efficient and effective ways possible.

In the past year, in addition to repairing mains and manholes through the service area, two major contracts were completed. Structural pipe failures at the Wilmington International Airport were addressed, along with asbestos-laden gravity sewer and manholes in the Walnut Hills area.

The program is a vital component of our successful efforts to cut down on the number of sanitary sewer overflows that take place every year, all while keeping sewer rates at or below the averages for rates throughout the state of North Carolina.

Another key component necessary to proper stewardship of our financial resources is how we manage the assets we use every day to operate our systems. There are costs involved with every hour of our project work and every single piece of equipment we use, especially when it comes to repairing and replacing our infrastructure. Therefore, organizational efficiency is essential; the ability to shed time and work in a streamlined manner provides a tangible cost savings. It also provides greater transparency, giving us the ability to respond with great speed and accuracy for our regulatory requirements.

Cost avoidance like that demonstrated through proper asset management is also exhibited in the Authority’s move to save on fees paid to outside consultants by moving several processes in-house. Internal assistance with compilation of bid documents, contracts, and maintenance all of the pertinent information during the bidding process, not only saves money, but gives staff an increased level of oversight and control.

A great deal of project design and management requiring a high degree of internal coordination were also brought in-house to take further advantage of the knowledge, skills and abilities of professionals on staff. The Find-it Fix-it program(see sidebar), numerous water and sewer line extensions and rehabilitations, as well as valve replacements at the Sweeney Water Treatment Plant were all efficiently managed and designed internally this year.

“Our infrastructure serves as the backbone for economic development in our region. By focusing on replacing our aging water and sewer systems, CFPUA is working to ensure the vitality of our economy for current and future generations.”

~ Donna Girardot

Wilmington-Cape Fear Home Builders Association & BASE CEO

SUSTAINABILITY

Of the region through dependable water and wastewater utilities



The next of our guiding principles, sustainability, speaks to how Cape Fear Public Utility Authority must perform the essential duty to responsibly provide water and wastewater services today and for generations to come. Our parents and grandparents built the water and wastewater systems that not only protect the health and well-being of our community but also serve as the backbone for the Lower Cape Fear Region's growth and economic strength.

The nearly 300 employees of Cape Fear Public Utility Authority make sure our systems are operating around-the-clock 365 days a year to ensure that basic sanitation, disease protection, fire protection, environmental protection, and economic development are available to the people of the city of Wilmington and New Hanover County. While geographically we may enjoy the feel of a smaller city, the Authority meets the definition of a large water and wastewater utility. It treats more than 17 million gallons of water and nearly 16 million gallons of wastewater each day.

Ensuring that these millions of gallons of water and wastewater are properly treated and handled by our systems can be a daunting task. The Authority conducts sampling and testing at hundreds of points throughout our various water systems. Last year alone, we conducted more than 42,000 tests on more than 10,000 drinking water samples. These tests ensure that the Authority meets or exceeds the many different drinking water regulations established by the state of North Carolina and the U.S. Environmental Protection Agency (EPA). We also conduct compliance testing for our three waste treatment plants, collecting more than 14,000 wastewater samples and performing nearly 35,000 tests this past year. During the Authority's five years in operation, there have been no monitoring frequency violations.

Protecting and sustaining the environment are fundamental principles of the Authority. To ensure we do this properly, we collaborate with community environmental groups to share information, identify needs, and address concerns. From our inception, we have been an active participant with the Cape Fear River Assembly, the Lower Cape Fear River Program (*see sidebar*), and the New Hanover County Water Quality Round Table. This year, we connected with the newly formed Cape Fear River Partnership to achieve the goals of increasing the local fish populations and restoring self-sustaining stocks of migratory fish to the river.

True sustainability, however, does not simply focus on the “green” environment; it also demands that a great deal of attention is paid to properly maintaining our systems in order to protect our region’s economic environment. Since its creation in 2008, upgrading our water and wastewater systems has been a prime area of focus for CFPUA. We have greatly increased the miles of mains that are repaired and replaced every year, while handling major rehabilitation projects. To consistently improve our performance in this area while keeping costs in line, we have implemented programs that identify problem areas and assign funds to maintain quality levels of service that protect the environment and our overall quality of life.

This approach is paying off. In addition to the dramatic reduction in the number and volume of sanitary sewer overflows, the number of major construction projects the Authority has completed or has underway to replace our aging infrastructure clearly illustrates the increasing return on investment for our customers and the people of the region.

No project displays the success of these systems better than the Authority’s work with the city of Wilmington throughout its vital Third Street Project. We were presented with an opportunity to join forces with the city to replace our aging infrastructure as they revitalized the streetscape. From the planning stage through project completion, efficient workflow and effective communications kept the two efforts on track. At the same time downtown Wilmington was being transformed above ground, we were revitalizing the water and sewer below ground and reducing the chances that future repairs would damage the new streetscape.

The Authority’s staff is not simply concerned with the “big-ticket items”; they also provide assistance and oversight to the community so they help can help us sustain our systems.

CFPUA Partnerships Benefit the Entire Region

For the Authority to deliver on its strategic plan and support the sustainability of our systems, we must be an active participant in a wide range of partnerships throughout the Lower Cape Fear Region. These partnerships not only help launch local businesses and spur new services, providing long-term fiscal sustainability, they help address local ecological concerns.

This year, we are collaborating with the newly formed Cape Fear River Partnership to achieve the goals of increasing the local fish populations and restoring self-sustaining stocks of migratory fish to the river. From our inception, we have been an active participant with the Cape Fear River Assembly, the New Hanover County Water Quality Roundtable and the Lower Cape Fear River Program.

Located and administered by the University of North Carolina at Wilmington, the Lower Cape Fear Program develops an understanding of the fundamental scientific processes that shape and control the ecology of the Cape Fear River system. The program’s participants meet every other month with active CFPUA participation; one of our staff serves as the Secretary.

The program provides a mechanism for information exchange and public education. Numerous physical, chemical, and biological measurements are collected at thirty-four different sites on a regular basis so biologists, chemists, physicists, and geologists will be able to understand freshwater, estuarine, and near-shore marine processes in the Cape Fear River basin.

As part of the partnership, all required monitoring and reporting of streams, rivers, and the Intracoastal Waterway are conducted by UNCW, and submitted to the North Carolina Department of Environment and Natural Resources (NCDENR). This enables NCDENR to evaluate the water quality of the area on a regional basis as opposed to assessing it discharge by discharge.

Protecting and preserving the environment are fundamental principles of the Authority. Partnerships with a variety of action-oriented groups allow us to do so properly, by sharing information, identifying needs and addressing concerns on a consistent basis for the greater good of our community.

CFPUA employees continue their work to annually inspect food service establishments. This effort provides guidance to the businesses on complying with regulations that reduce the discharge of fats, oils, and grease (FOG) into the sewer system. The more than 300 food service establishments that have been issued permits were provided with a 10-minute training video on proper handling procedures.

CFPUA also expanded its partnership with New Hanover County to assist 45 new restaurants with proper grease interceptor selection and construction. By working together with the county's Environmental Health staff, CFPUA is helping to ensure that knowledgeable consultants and restaurateurs get involved early in the design process.



“The EMS is very well managed and maintained and continues to be one of the best this auditor has seen.”

*~Dale Greer
04/12/13 Audit*



SUSTAINABILITY

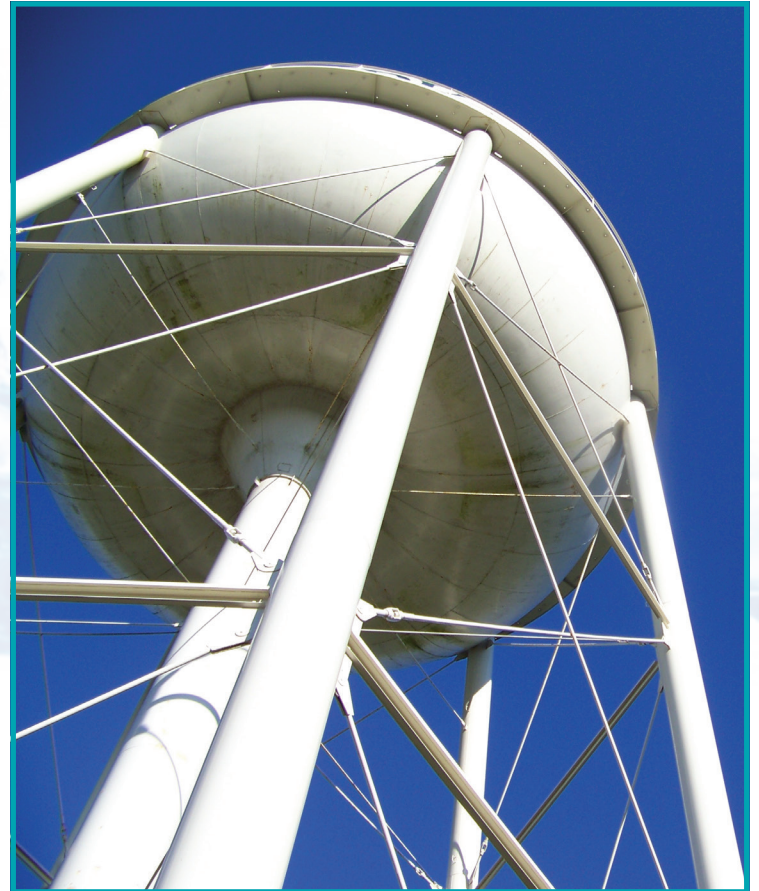
Of the Authority's ability to meet the community's current and future needs

The water and wastewater treated by CFPWA runs through more than 1,000 miles of water mains and nearly 1,000 miles of sewer mains; laid end to end, they would stretch from here to the suburbs of Phoenix, Arizona. In order to sustain our systems for the future, we face the same issues confronting other water and wastewater utilities across the nation; repairing and replacing our aging infrastructure to protect the people we serve. Replacing water and sewer mains is difficult and expensive. The price tag for this work is more than one million dollars a mile to replace a water main; for sewer mains, the cost is even greater.

The Authority recognizes the importance of keeping our rates as low as possible with these significant, yet required, needs in mind. To keep costs in line, we have developed a process to systematically evaluate the need for projects based on key factors of importance. Those projects that are considered necessary are then programmed for future implementation as part of our Capital Improvements Plan or CIP.

Evaluated every year to help the Authority meet our customers' current and future needs, the CIP both accomplishes these goals for the short-term, as well as over a ten-year period. In the 2013 fiscal year, the CIP provided the funding to construct several necessary water lines that will interconnect our Sweeney plant to our Nano groundwater plant into one overall water system. Meanwhile, future projects will help secure our long-term water supply, combine multiple systems to reduce costs, enhance efficiency and quality, and provide redundancy for emergencies. A number of necessary and significant projects lie ahead, including the upgrade of our Southside Wastewater Treatment Plant.

Meeting our customers' expectations not only encompasses our daily services, it also includes our readiness to handle and respond to a variety of emergencies. Following the EPA's recommendations for implementing seventeen National Incident Management System (NIMS) objectives for the water/wastewater sector, we made improvements in every category. From the completion of training courses, to holding comprehensive tabletop exercises, and participating in local, county, and state exercises, we were honored for setting the standard for the state (*see sidebar on page 17*).



Earning Awards for Emergency Preparedness

When it comes to being ready for a disaster, it is one thing to be a major water and wastewater utility serving 200,000 people every day. It's another thing entirely when the utility's duties are carried out in the Lower Cape Fear Region, an area that literally sticks out into the active Atlantic.

That is why we take the lead every year to keep our Emergency Management program dynamic and timely. The Authority stays on top of the latest tools and procedures that help us prepare for, sustain through, and recover from the effects of any number of disasters, both natural and man-made.

Because of our emphasis on emergency preparedness, the Authority is viewed as a thought-leader in the field across the state. In addition to giving presentations on the subject across North Carolina and around the country, two of our staff members serve as the chairman and secretary of NCWaterWARN, the state's mutual aid and assistance program that lends assistance to water and wastewater utilities in times of need.

Our colleagues in the industry continue to take notice of the Cape Fear Public Utility Authority's readiness for whatever might come its way. For the second time in three years, the North Carolina American Water Works Association and the North Carolina Water Environment Association (NC AWWA-WEA) with its Disaster Preparedness Award have recognized the Authority.

This award "is presented to utilities in acknowledgment of outstanding achievement in advancing disaster preparedness initiatives, thereby strengthening through our preparedness and increase our resolve to prepare for, respond to, recover from and mitigate the effects of natural disaster, man-made disasters, and acts of aggression against our locality, county, state and nation." The Authority was honored, in part for our ability to provide interstate mutual aid, our work with the Department of Homeland Security and our work to consistently place pertinent information in the hands of essential employees.

As the award indicates, Cape Fear Public Utility Authority customers can be confident in knowing that when a disaster strikes, the Authority is ready to lead the way and come through for them in a crisis.

At this year's countywide hurricane exercise, the National Weather Service's office depicted storm surge impacting CFPWA infrastructure. Based on this, the Authority requested the local office track storm surge/inundation models against all of our infrastructure. They agreed and the results provided us with several layers of data that can be used for inundation mapping of our infrastructure based on storm surge predictions. These are real time maps, which will allow us to determine which infrastructure will most likely see the greatest impact, allow us to pre-stage equipment for timely response, and help us with prioritization and damage assessments.

We are also closely watching our waterways for the potential effects of long-term climate change. The Authority joined with the city of Wilmington and New Hanover County and participated in an EPA Sea Level Rise (SLR) Pilot Program. The program plans for various predictions of SLR over the next 100 years. The comprehensive study of our systems provided by the program, and the impact the various stages of sea level rise could have on our facilities and systems, will assist us in the design of our future infrastructure for decades to come.



CFPUA employees are dedicated to delivering high-quality services to our nearly 200,000 customers.

Reliable customer service is the backbone of the Cape Fear Public Utility Authority. Every day we take hundreds of calls from our customers, whether they are related to service or questions about their bills.

To improve service, we recently began offering additional options for customers to pay their bills quickly and easily. We introduced a Voice Response System, allowing customers to check their account balance and pay by credit card without speaking to a customer service representative. With a new electronic billing option, our customers can conveniently pay for their services 24/7 while saving the Authority – and the environment – the impact of printing and mailing paper bills.

Even with automated options, customer service staff continues to provide personal attention. In FY 13, the Authority handled over 119,000 calls and answered them in an average of 71 seconds. We processed more than 441,000 bills with an accuracy rate of 99.3%, reading more than 400,000 meters and managing nearly 55,000 work orders while maintaining or exceeding all of our targeted service levels.

Personalized and automated services are not exclusive to the financial aspects of our operations; the men and women of CFPUA's field crews work around-the-clock to ensure that our water is the highest quality and delivered without fail. Like other water utilities across the state and the nation, the Authority instituted a flushing program that serves as an essential instrument to protect water quality and for preventative maintenance. For the first time, we began flushing our water system during the summer months, helping to keep vital levels of disinfection in the system while addressing any issues with fire hydrants to ensure public safety.



Saving the First Day of School in Forest Hills

On an early Monday morning in September, CFPUA crews responded to what appeared to be a run-of-the-mill water main break on Colonial Drive in the Forest Hills neighborhood. Unfortunately, its location quickly turned the situation into one that required particular attention; it was in front of Forest Hills Elementary School.

There was a bit of good fortune at play; classes didn't start until Tuesday morning. However, after crews determined the fix could not be made under pressure, proper procedure dictated that a precautionary boil water advisory would have to be issued for the immediate area – including the school.

Canceling classes was a possibility. At the very least, cafeteria staff would have to take extra measures for food preparation, and the water fountains would have to be off-limits for their young students. This was not a good way to start a new school year.

Given the uniqueness of the situation, our staff immediately knew two things were essential. First, quick and regular communication to the school, the school system and area residents were paramount. Second, the water would need to be sampled and tested on a tight timeline so that staff could stick to our procedures and still lift the advisory before school began.

Crews went door-to-door with notifications of the advisory, which also included all of Forest Hills Apartments. The school, as well as the New Hanover County school system, was kept informed so they could make plans on how to handle the matter. Regular updates were provided, allowing the school and the school system to determine by early Monday afternoon that their service would likely be returned to normal before the first bell rang.

The reason they felt confident enough to make such a decision is that CFPUA laboratory staff had taken samples as soon as possible and was making their way through the 18-hour testing process. Because of their diligence, the test results were communicated to the school early - Tuesday morning. The advisory was lifted just after 4 a.m. Because of the communications process set up with the school system on Monday, CFPUA was able to contact the principal of the school and the administration of the school system shortly thereafter.

As a result of our efforts, the first day of school at Forest Hills Elementary was uneventful. And thirsty students were able to grab their drinks at the water fountains.

On occasion, Authority crews and contractors are called to repair one of our water mains, resulting in low or no water pressure for nearby customers. Our staff acts quickly to fix the pipe and whenever necessary, issue precautionary boil water advisories.

Sometimes a repair is in an easily accessible location, requiring a simple fix that affects very few people. In a recent case, it could have put the first day of school in jeopardy for a group of elementary school students (*see sidebar*). With an average repair time of four to six hours and an average precautionary advisory time of 18-24 hours, our goal is to return our customers to their everyday routines as quickly as possible.

In an effort to make our contracting process more efficient for staff and our contractors, we recently made our construction bidding more customer-friendly. Since the Authority follows state bidding regulations, our staff carefully evaluated the process to determine where we could make improvements, and sent a survey to contractors to gain valuable input. We also contacted others in our industry to inquire about their best practices. Improving the construction bidding process paid off for CFPUA; it now runs more efficiently and effectively, and at a lower cost.

The Authority is committed to providing a safe and healthy working environment for all our employees and customers who may meet us during repairs. This commitment goes far beyond simply maintaining a safety program. The North Carolina Department of Labor has recognized our staff on a consistent basis for their achievement of an outstanding safety record. This commitment not only protects the safety and well-being of all the employees, it enables the Authority to provide safe, cost-effective services for our customers.



The employees of CFPUA live, work and play within the Lower Cape Fear Region, making us uniquely invested in the area's vitality. One of the strengths exhibited by the residents of the region is their ability to look out for one another and to provide personal assistance whenever it is required. In this way, the Authority is no different from the people we serve. We take great pride in assisting the people of the area in ways beyond providing water and sewer services while we perform our daily duties. Whenever possible, we collaborate with our customers and other key government, business and environment stakeholders in order to help improve the lives of others and the condition of our community.

Some of our neighbors are faced with losing access to essential services like safe and reliable drinking water because of financial struggles. To help these people, the Authority and our employees continue to join with the United Way of the Cape Fear Area and the Salvation Army. The CFPUA Assist – Neighbors Helping Neighbors program allows eligible customers to focus on building self-sufficiency by providing one-time payment assistance with their water bill. The program, which takes 100 percent of the donation and applies it to utility bills, has helped dozens of families; no administrative fees are taken out of these funds.

We also highlight CFPUA Assist as we work to improve the Authority's efforts to build stronger relationships with our customers. Earlier this year, we expanded our community outreach initiative with the goal of increasing our contact with homeowners associations, civic

organizations, and community groups. After a short presentation about Authority projects and funding, staff takes questions on everything ranging from account matters to water supply concerns. If a particular group has specific areas of interest, CFPUA tailors its presentation to touch upon those areas.

Along with the outreach initiative, we have expanded several programs to help teach the public to “Cease the Grease” and stop putting fats, oils and grease down drains because they eventually clog their plumbing and our sewer mains. In addition to running some low-cost but high-visibility commercials on WECT and WWAY, we also made our free FatTrapper® program more accessible to our customers. Starting with a redesigned flyer, we set up a station in our main offices where customers could conveniently take one of the Trappers. As a result of the campaign, more than 1,300 FatTrappers® were provided to our customers; it is estimated that with just one full use, 60,000-plus ounces of fats, oils, and grease will remain out of our pipes.

As an active participant in our community, CFPWA also works hand-in-hand with a variety of efforts that bring attention and honor to the city of Wilmington and New Hanover County. The Authority readily assists numerous production companies shooting television and movies in the area, as well as major events like the area's crown jewel, the North Carolina Azalea Festival.

While not all of the movies or festivities are blockbusters like Iron Man 3 (see sidebar), they each contribute jobs and positive economic impact. When a shoot or celebration needs water, our staff works with the organizers to make sure the distribution system on site is protected by a backflow preventer. We are available to help with meters that allow fire hydrants to be used for convenient water use or special effects.



Making Things Easier for Iron Man

As part of its work to upgrade our area's infrastructure, Authority staff coordinates many of our projects with key stakeholders – customers, public agencies, developers, and major businesses – to ensure that the Authority's efforts do not adversely affect their daily lives or bottom lines. In order to synchronize its work with the schedules of the people we serve, our staff must build and maintain significant lines of communication with dozens of entities in order for these necessary projects to come off without a hitch.

This important coordination took place during the Wilmington area's high profile – and largest grossing – private project, the filming of Iron Man 3. For the Authority, the construction of a very important project was at stake: the replacement of aging gravity sewer systems running along Burnt Mill Creek and serving most of the city of Wilmington. For Screen Gems, the local studio essential to the area's film industry, the sewer project presented potential problems it had never imagined prior to shooting.

Both organizations clearly wanted each other to be successful. Executives for Screen Gems recognized the need to readily replace the sewer system while the Authority understood that perhaps no other movie project ever meant more to the local film industry. To address each other's needs, a project plan based on constant communication and coordinated schedules was created and followed by both parties. The consistent sharing and meeting of expectations allowed Screen Gems and the Authority to carry out their respective work without interference. As a result, both important projects moved through to their successful conclusions; Iron Man 3 was the highest-grossing film of 2013, pulling in more than \$1.2 billion dollars, while the Cape Fear Public Utility Authority was able to successfully address a key piece of its aging infrastructure.

“Quick response saved me a lot of money!”

~ Satisfied Customer

EXECUTIVE COMMITTEE

The Executive Committee, which comprises officers of the Board, met monthly to review Board meeting schedules and agendas, appoint committee members, receive legal advice, and guide the internal audit program. This committee consults with other members of the Board who have expertise or interest in certain areas and solicits input from the public. Likewise, the Executive Committee reviewed legal issues that may affect the Authority. Members also oversee and monitor performance of the Executive Director.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is a standing committee that meets on an as needed basis. The function of the Human Resources Committee is to review, advise and recommend actions to matters that involve the Authority's employees, and other matters as designated by the Board.

The Human Resources Committee met five times during fiscal year 2013. Notable items that were considered this year were: review of the CEO's contract, review of the Clerk to the Board's job performance, review of the consulting attorney firm's contract performance, review and approval of the revisions to the CFPUA Employee Personnel Policies and Procedures Manual, review and approval of the FY 14 employee benefit programs and contract renewals, review and approval of the FY 14 pay plan and employee compensation adjustments; and, approval of the revision to the employee safety incentive program.

LONG RANGE PLANNING COMMITTEE

The Long Range Planning Committee met monthly during fiscal year 2013. Meeting minutes were recorded and published in the Board Meeting Agenda package for review by the full Board each month. Long Range Planning Committee reports including items requiring board action and other noteworthy information was reported to the Board during its monthly meetings.

Significant achievements during this reporting period included the development and approval of the FY 14 Capital Improvement Program, Debt Recovery Allowance Policy, and Board Growth Policy. The committee received updates on the progress of various Authority programs such as the mandatory connection program, groundwater management program and capacity management program, and received project updates regarding various capital projects, master planning efforts, and developer agreement negotiations.

FINANCE COMMITTEE

The Finance Committee meets at least once a month to review financial information and make financial recommendations to the Board. The Authority Treasurer serves as Finance Committee Chair.

The Finance Committee recommends a budget calendar, water and sewer rates, and the Operating Budget to the Board. The Committee recommended a change in the water rate structure from an inclining block rate to a uniform rate, which the Board adopted at its April meeting. The Committee reviewed and discussed the recommended FY 14 budget presented by the Executive Director and Chief Financial Officer, and recommended a budget at the June Board meeting.

The Committee received and discussed the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 prepared by Authority staff. The CAFR auditor presented a “clean” opinion on the financial report. The Committee reviews the monthly financial reports and discusses financial trends.

The Committee reviewed and recommended over 80 agenda items requiring Board action relating to construction and engineering contracts, contract amendments, leases, refund policies, meter billing policies, ordinance revisions, consultant contracts, state loan approvals, cost sharing agreements, sole source approvals, large equipment purchases, banking services contracts/official depositories, interlocal agreements, chemical contracts, budget transfers, interactive voice response system, write-off accounts, surplus item disposals, deputy finance director designation, use of contingency funds, system development charge calculations and assumptions, revenue recovery consultant, and other issues.

Throughout the year, the Committee received customer service updates and approved revisions to certain customer service procedures and ordinances relating to back billing, electronic (email) bill presentment, customer deposit policies, small claims court collection efforts, residential irrigation subtraction meters, meter downsize options, and the customer data scrub project. The Committee also received reports on internal changes to the construction bidding process and a potential bond refunding.





AWARDS

Government Finance Officers Distinguished Budget Presentation Award for FY 13 – 1st year

Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting (CAFR)
– 4th consecutive year

NC Area Wide Optimization Award (AWOP) for Drinking Water Systems – 5th consecutive year

Administrative Services - North Carolina Department of Labor Achievement in Outstanding Safety and Health
– 4th consecutive year **Gold**

Engineering - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 2nd consecutive year **Gold**

Environmental Management Lab Services - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 2nd consecutive year **Gold**

Environmental Management Community Compliance - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 4th consecutive year **Gold**

Water Treatment Division @ Sweeney Water Treatment Plant - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 1st year **Gold**

Water Treatment Division @ Nano Filtration Plant - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 4th consecutive year **Gold**

Wastewater Treatment @ James A Laughlin Wastewater Treatment Plant - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 1st year **Silver**

Wastewater Treatment @ M'Kean Maffitt Wastewater Treatment Plant- North Carolina Department of Labor Achievement in Outstanding Safety and Health – 4th consecutive year **Gold**

Utility Services – Collection Systems Operations & Maintenance - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 1st year **Silver**

Utility Services – Pump Station Maintenance - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 2nd consecutive year **Silver**

Utility Services – Water & Sewer Construction - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 2nd consecutive year **Silver**

Utility Services – Meter & Locate Services - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 2nd consecutive year **Gold**

Utility Services – Water Quality - North Carolina Department of Labor Achievement in Outstanding Safety and Health – 4th consecutive year **Gold**

NC AWWA – WEA Disaster Preparedness Award for a Large Utility (two out of three years).



CAPE FEAR PUBLIC UTILITY AUTHORITY MANAGEMENT TEAM



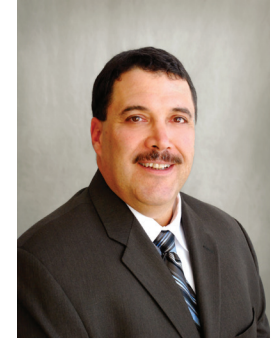
James R. Flechtner, PE
Interim Executive Director



Michael Richardson
Interim Chief Operations Officer



Cheryl J. Spivey, CPA
Chief Financial Officer



Frank Styers, PE
Director of Engineering



Beth Eckert
Environmental & Safety
Management Director



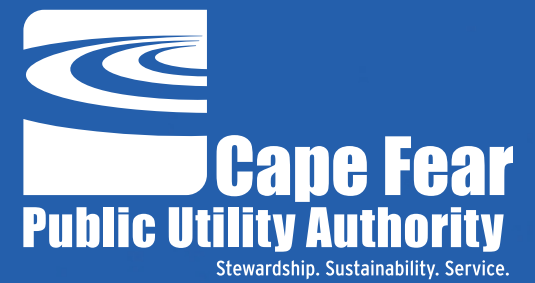
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Karen Durso
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