

BOARD OF TRUSTEES  
CLEAN WATER MANAGEMENT TRUST FUND

MINUTES OF MEETING  
WEDNESDAY, APRIL 8, 2009  
10:00 A.M.

MANNING, FULTON & SKINNER  
3605 GLENWOOD AVENUE, SUITE 500  
RALEIGH, NORTH CAROLINA

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1 P R O C E E D I N G S 10:00 A.M.

2 CHAIRMAN: It's 10:00, so I am going to  
3 call the meeting to order, and I would like to  
4 start out by asking Penny Adams if she would call  
5 the role.

6 MS. ADAMS: Mr. Baddour?

7 CHAIRMAN: Here.

8 MS. ADAMS: Mr. Beane?

9 MR. BEANE: Here.

10 MS. ADAMS: Ms. Brannon?

11 (No response.)

12 MS. ADAMS: Mr. Camp?

13 MR. CAMP: Here.

14 MS. ADAMS: Mr. Coleman?

15 (No response.)

16 CHAIRMAN: Rick, are you on line?

17 (No response.)

18 CHAIRMAN: Okay.

19 MS. ADAMS: Ms. Cragolin?

20 MS. CRAGNOLIN: Present.

21 MS. ADAMS: Mr. Crumpler?

22 (No response.)

23 MS. ADAMS: Mr. Henderson?

24 MR. HENDERSON: Here.

25 MS. ADAMS: Mr. Hester?

1 (No response.)

2 MS. ADAMS: Mr. Hollan?

3 MR. HOLLAN: Here.

4 MS. ADAMS: Mr. Howard?

5 MR. HOWARD: Here.

6 MS. ADAMS: Mr. Johnson?

7 (No response.)

8 MS. ADAMS: Mr. Markham?

9 MR. MARKHAM: Here.

10 MS. ADAMS: Mr. McGrady?

11 MR. McGRADY: Here.

12 MS. ADAMS: Mr. McLean?

13 (No response.)

14 MS. ADAMS: Mr. McMillan?

15 MR. McMILLAN: Here.

16 MS. ADAMS: Mr. Rascoe?

17 (No response.)

18 MS. ADAMS: Mr. Vaughan?

19 MR. VAUGHAN: Here.

20 MS. ADAMS: Ms. Weston?

21 MS. WESTON: Here.

22 MS. ADAMS: Mr. Wright?

23 (No response.)

24 CHAIRMAN: Okay. Let me ask if there are

25 members of the public that are not members of the

1 Board. Let's see if we have anybody else present.  
2 Would you like to identify yourself?

3 (No response.)

4 CHAIRMAN: Okay. General Statute 138A  
5 mandates that the Chair inquire as to whether any  
6 trustee knows of any conflict of interest or  
7 appearance of a conflict of interest with respect  
8 to matters on the agenda. If any trustee knows of  
9 a conflict of interest or the appearance of a  
10 conflict of interest, please so state at this  
11 time.

12 (No response.)

13 CHAIRMAN: Okay. Are there any  
14 revisions, additions to the agenda?

15 (No response.)

16 CHAIRMAN: Okay. Then without objection,  
17 we will consider the agenda adopted.

18 I'd ask everybody to put their cell  
19 phones on off or on vibrate. For those of you on  
20 the phone, it may be a little hard to do this, but  
21 if you could, there is some background noise that  
22 we can actually hear. So, when you are not  
23 talking, if you could put your phone on mute, I  
24 think it would really help everybody.

25 Let me tell you what I am going to do. I

1 am going to follow this procedure, because I  
2 really want the people on the telephone to be able  
3 to fully participate. Once we have an issue and  
4 that issue is ready for discussion, I will ask  
5 anyone on the telephone who wants to speak to  
6 identify yourself. I am going to ask you not to  
7 speak until I call on you to actually speak, but I  
8 will give you a chance to identify yourself.

9 I will keep going back and doing that at  
10 every time, and before we finally close to be sure  
11 that you have had an opportunity to vote, but the  
12 idea is not to speak until you are called on to  
13 speak, but let me know that you want to speak when  
14 I ask for that. I think that will work a lot  
15 better. It will take a little bit more time, but  
16 I do believe it will be worth it.

17 Our good counsel here, Frank Crawley, has  
18 asked me to remind everybody, and I am going to do  
19 this now so I won't forget it, that your statement  
20 of the economic interest is due April the 15th,  
21 and if you don't have it in by that date, there is  
22 a financial penalty. I think it's \$250. So it  
23 really behoves you to please go ahead and send  
24 that in, along with your tax return. And I don't  
25 think they will give you an extension of time, so

1           you better.

2                     Stan.

3                     MR. VAUGHAN: Frank, I have sent mine in,  
4                     but I got no acknowledgement of that. How do you  
5                     go about getting an acknowledgement that they  
6                     received it?

7                     MR. ROGERS: I would e-mail the Ethics  
8                     Board and ask them to reply, but their practice is  
9                     not to acknowledge it. They expect you to keep a  
10                    copy, and then if they turn around and try to fine  
11                    you or penalize you, then you can show that you  
12                    have properly submitted your notarized statement.

13                    MR. McMILLAN: Stan, I sent mine in by  
14                    registered mail and have the return receipt --

15                    MS. WESTON: This is Claudette. Who did  
16                    you send the e-mail to? I sent mine in, too.

17                    CHAIRMAN: He just said to e-mail the  
18                    Ethics Board and ask them to acknowledge that they  
19                    got it.

20                    Now, someone just joined. Who was that?

21                    MR. RASCOE: Peter Rascoe, Mr. Chairman.  
22                    I'm sorry I'm late.

23                    CHAIRMAN: Okay. Peter?

24                    MR. RASCOE: Yes, sir.

25                    CHAIRMAN: I want to tell you a little

1 procedure here. What we're going to do is I am  
2 going to give the people on the phone every  
3 opportunity at many points to let me know that  
4 they want to speak, and I will call on you to  
5 speak in turn, but not to just hop in. You know  
6 what I am saying? But I will go back many times  
7 and be sure that everybody has been called on  
8 before we close off any discussion.

9 MR. VAUGHAN: I understand.

10 CHAIRMAN: Okay.

11 MR. ROGERS: One followup on the ethics  
12 statement. Penny Adams will be following up and  
13 sending forms to you, as well. She's got some  
14 here and she can also followup with you about your  
15 submittal and make sure they received it. So we  
16 will run that rabid, as well.

17 CHAIRMAN: Okay. Did anybody else just  
18 join us?

19 UNIDENTIFIED: Yes. This is Santa. I  
20 had the wrong number.

21 MS. CRAGNOLIN: Mr. Chairman, can you  
22 just tell us who was in the office with you today?

23 CHAIRMAN: Yes. I am here. Ron Beane is  
24 here, Norman Camp is here, Kevin Markham is here,  
25 John McMillan and Stan Vaughan. Oh, and



1 Charles Johnson just came in.

2 MS. CRAGNOLIN: Thank you.

3 MR. HENDERSON: Mr. Chairman?

4 CHAIRMAN: Yes.

5 MR. HENDERSON: This is Rance Henderson.  
6 I can hear everybody on the phone quite well, but  
7 people who are in that conference room might need  
8 to speak up a little bit.

9 CHAIRMAN: Yes, sir. I understand. We  
10 will try to get them to use their loud voice. Did  
11 somebody else just join?

12 (No response.)

13 CHAIRMAN: Okay. All right. I want to  
14 thank everybody for participating in this meeting.  
15 You know, it's the second time we have had to have  
16 a call-in meeting, and we want to make it  
17 accessible to everybody, since it was, you know,  
18 not a lot of notice. I'm glad so many of you  
19 could actually be here. Telephone is not the best  
20 way to do it, but we are in different times and  
21 difficult times and sometimes it's necessary, I  
22 think, that we act.

23 At any rate, we've got a couple of  
24 matters that I think are worthy of us bringing up  
25 having a special meeting and talking about today.

1 So we are going to try to make this efficient, but  
2 we will take as much time as we need to to fully  
3 discuss all the things that are on the agenda.

4 Okay, with that, we have consideration of  
5 two resolutions. Resolution number 1, Richard I  
6 am going to ask you if you would give us the  
7 background behind that. I think everybody has a  
8 copy of that. It's actually printed right in the  
9 agenda itself.

10 So, our executive director, Mr. Rogers.

11 MR. ROGERS: Thank you, Mr. Chairman.

12 Resolution 1 is dealing with the  
13 opportunities for our 2008 grantees to apply for  
14 stimulus funding that's coming out of Washington.  
15 The stimulus funds are part of the American  
16 Recovery and Reinvestment Act of 2009. They are  
17 being sent to the State through what they call the  
18 SRF Program or our Construction Grants and Loans  
19 Division. Those funds, they have determined about  
20 how they are going to allocate those funds, and I  
21 will give you a little bit of a background on  
22 that.

23 Their determination, half of the funds  
24 can be used for loans and half of it can be used  
25 for given loans, which technically, from our

1 perspective, is a grant. For other technical  
2 reasons, they do not characterize them as grants,  
3 which I won't go into.

4 The way they decided to process  
5 applications and potential awardees with regards  
6 to these ARRA funds is to provide half of  
7 non-forgiven or a forgiven loan and then half a  
8 no-interest loan. So the context and the way they  
9 are running the program doesn't match up  
10 specifically with our granting procedures and what  
11 we do with regards to our applicants.

12 In April or in March we submitted a list  
13 of shovel-ready projects, two construction grants  
14 and loans. This enabled eligibility for our 2008  
15 awardees as well as some 2009.

16 Then subsequently they were required to  
17 make application to the State for the stimulus  
18 funds, which is going to be two categories. The  
19 first category application due was April 3rd, last  
20 Friday, and then the next is June 3rd. To date,  
21 in looking at applications that have been  
22 submitted from our 2008 awardees, there is about  
23 20 applicants, I believe, that have made  
24 applications or submitted application as of  
25 April 3rd. It's total funding request is about

1       \$20 million, and so I think we are getting good  
2       participation.

3               The reason we are considering resolution  
4       is to deal with the loan portion of the award if  
5       any of our 2000 awardees or grantees get funded  
6       through this program. Considering that the Board  
7       approved these awards and full funding, I think  
8       it's incumbent or would be good for the board to  
9       honor or repay the loan portion of the award,  
10      should they be awarded these funds.

11              So, the resolution basically provides  
12      Board approval to participate in the repayment of  
13      the loan portion of these funds, should they be  
14      awarded by construction grants and loans.

15              MR. McGRADY: Mr. Chairman, Mr. McGrady.  
16      I would like to move that resolution.

17              CHAIRMAN: Okay. I do have a motion. Is  
18      there a second?

19              MR. BEANE: Second.

20              CHAIRMAN: There was a motion by  
21      Mr. McGrady, second by Mr. Beane. Okay.

22              Richard, were you finished? Is there  
23      anything else you --

24              MR. ROGERS: Yeah. Just another detail  
25      initially on the list of folks that were wanting

1 to get their name on the list so that they could  
2 apply for funds. There is about \$2.2 billion of  
3 interest. As of April 3rd, the applications,  
4 they've got about 187 applications in for about  
5 \$245 million. The amount of funds that they have  
6 to work with is about \$74 million, and their  
7 intent is to allocate up to 65 percent on this  
8 first round, and then take into consideration the  
9 remainder of projects and applications they  
10 receive June 3rd.

11 CHAIRMAN: Just let me add just one thing  
12 to that. Richard, would you agree it's fair to  
13 say at least some of these people were perhaps  
14 reluctant to apply for the stimulus if they would  
15 have had to pay back the loan part themselves, and  
16 so a reassurance from us that we would, you know,  
17 be in there committed was important to them?

18 MR. ROGERS: I think so. A lot of these  
19 projects where we didn't fully fund, people  
20 already had loans, they already were looking at  
21 other sources, and as you know, a lot of our  
22 grantees are in economically distressed areas, so  
23 they have trouble raising those loans and do not  
24 want to raise their rates any more. So I think  
25 this resolution will give them much comfort with

1           regards to their potential award from the stimulus  
2           package.

3                       CHAIRMAN:  And I guess to kind of state  
4           it in a very short way, if anybody gets the  
5           stimulus money, the net effect for us would be  
6           that project would cost us half as much as we had  
7           originally awarded for.

8                       MR. ROGERS:  That's correct.  And in the  
9           resolution, I think we tried to make sure that we  
10          do not pay more than half of the awarded amount  
11          for the loan, and we also are trying to make sure  
12          that the project is the same project for which  
13          y'all awarded so that we are not funding something  
14          different.

15                      CHAIRMAN:  All right.  Let me do this  
16          now.  Is there anybody on the telephone that wants  
17          to speak to this?  Just tell me who you are and  
18          then I will come back to recognize you in a few  
19          minutes.

20                                       (No response.)

21                      CHAIRMAN:  I am going to give you more  
22          chances.  This is not the only time.  Okay.  I  
23          don't hear anybody on that.

24                      Now, is there anybody else who would like  
25          to be heard on this resolution?  Stan.

1                   MR. VAUGHAN: Not heard, but ask a  
2 question. I heard Richard say that one, we won't  
3 spend any more dollars or whatever.

4                   UNIDENTIFIED: Can't hear him.

5                   MR. VAUGHAN: I said I understand that we  
6 will not spend any more dollars than we originally  
7 committed to on any project. I just ask Richard  
8 how we are going to be satisfied that the federal  
9 government hasn't made changes that will get it  
10 outside of what we agreed to do, on as far as the  
11 type project and the meeting out requirements.

12                   MR. ROGERS: Well, we will have the  
13 ability to communicate with construction grants  
14 and loans, and we are continuing to communicate  
15 with our grantees. Once they get awards, we will  
16 be able to look at the project that they submitted  
17 more closely, and then also work out the details  
18 on the repayment of the loan. The idea of the  
19 loan -- the loan does not come due until the  
20 project is complete, and payment doesn't begin  
21 until the end of the project. So we have some  
22 time to work out the details and how we manage  
23 these portions of the award, should our grantees  
24 receive any stimulus funds.

25                   CHAIRMAN: Any further comments,

1 questions?

2 (No response.)

3 CHAIRMAN: Is there anyone on the  
4 telephone that wants to be heard.

5 (No response.)

6 CHAIRMAN: Okay. Hearing none, we have a  
7 motion and a second. So many as favor the motion,  
8 signify by saying aye.

9 (Board members respond.)

10 CHAIRMAN: Opposed, no.

11 (No response.)

12 CHAIRMAN: Okay. The ayes have it. We  
13 will go to the second resolution. Richard, if you  
14 would explain that resolution and the rationale  
15 behind it.

16 MR. ROGERS: Thank you, Mr. Chairman.  
17 This second resolution I think comes as a result  
18 of feedback that we are getting from our 2000  
19 grantees that have been on hold basically since  
20 February 25th.

21 MR. CAMP: 2008.

22 MR. ROGERS: I'm sorry, 2008 grantees  
23 that have been on hold since February 25th that  
24 are concerned about the money that they expended,  
25 that they are concerned about their projects, and



1 as you would expect, these grantees are talking  
2 with other folks. They are talking with  
3 legislators.

4 And the discussion has spilled over into  
5 the legislature, and some of my presentations,  
6 especially to the Budget Committee of Natural and  
7 Economic Resources, the question comes up about  
8 prioritizing and making sure that we fund our 2008  
9 projects prior to the funding of the 2009.

10 As a result, I have had some feedback  
11 that there may be some interest from a legislative  
12 perspective Ensuring that we do that through a  
13 provision in the budget. And I think it would be  
14 prudent for the Board to consider putting in  
15 writing and resolving that the 2008 projects will  
16 be considered prior to funding or will be funded  
17 prior to the consideration and funding of the 2009  
18 projects.

19 I know there is some discussion on this  
20 topic, so I will stop right there and try to add  
21 any other information that needs to be added as we  
22 discuss it.

23 CHAIRMAN: Okay. I am sure we are going  
24 to have some good discussion on this. Now let me  
25 say again, those on the telephone who would like

1 to be heard on this, would you identify yourself  
2 for me?

3 MR. HOLLAND: Bill Holland.

4 CHAIRMAN: Okay, Bill. Anybody else  
5 right now? You will get more chances, but right  
6 now.

7 MR. McGRADY: Chuck McGrady.

8 CHAIRMAN: Okay. All right. Let me open  
9 it up for discussion.

10 Does anybody here in the room want to be  
11 heard, then I will call on --

12 MR. McMILLAN: Mr. Chairman.

13 CHAIRMAN: Mr. McMillan.

14 MR. McMILLAN: Out of an abundance of  
15 caution, I want to disclose that I am representing  
16 the Nature Conservancy.

17 UNIDENTIFIED: Can't hear him.

18 UNIDENTIFIED: We can't hear you.

19 MR. McMILLAN: I want to disclose that  
20 I'm representing the Nature Conservancy in  
21 legislative matter this session. I consulted with  
22 Mr. Crawley as to whether or not I have a conflict  
23 on voting on a general resolution like this that  
24 they -- I haven't done any study as to projects  
25 the Nature Conservancy may have --

1 UNIDENTIFIED: Can't hear you.

2 CHAIRMAN: Let me ask this, if all of you  
3 on the telephone will put your telephone on mute  
4 until you actually get ready to speak, it will  
5 really help.

6 MS. BRANNON: Okay. Is this  
7 Yevonne Brannon just checking in.

8 CHAIRMAN: Okay. We have you recognized  
9 as being here now, Yevonne.

10 MR. McMILLAN: What I was saying was that  
11 I have a -- I'm representing the Nature  
12 Conservancy in this session of the General  
13 Assembly, and I'm sure the Nature Conservancy has  
14 projects on the 2008 list and on the 2009 list. I  
15 have consulted with Mr. Crawley. He doesn't see a  
16 conflict in me voting on the general principle of  
17 this resolution, and if anybody has any different  
18 thought about it, I will welcome your input. At  
19 this point, I don't see it as a conflict, but if  
20 anybody does, please let me know and I won't vote.

21 CHAIRMAN: Okay. So noted. Bill Hollan.

22 MR. HOLLAN: Mr. Chairman, I sent out  
23 information, I hope some folks have gotten it, but  
24 I guess my first point is, I don't understand why  
25 this is urgent and why we have to deal with it at

1 a meeting that's called with four days notice or  
2 five days notice without the Board having an  
3 opportunity to be there.

4 I think it's a big decision. I think it  
5 impacts the whole rest of our year. It impacts  
6 priorities and funding and our Board's ability to  
7 do the job that I think we have been appointed to  
8 do, and I don't know why this has to be considered  
9 on an emergency basis.

10 I understand the point. I would not want  
11 the legislature to be -- to take it upon  
12 themselves to attempt to direct how our funds are  
13 to be expended, and I think that would be a  
14 mistake, but I don't know that we need to take  
15 this preemptive action.

16 After your and my discussion and with  
17 your permission, I guess, I did talk to Linda Garu  
18 (phonetic spelling), one of the budget writers and  
19 chairman about this. Linda said that she had not  
20 heard any such concerns to date from her point of  
21 view, and obviously she doesn't know, you know,  
22 what could happen in committee.

23 Something could come up, but we would  
24 certainly get notice of that, and the budget is  
25 not likely to be adopted for a long time. And I'm

1 not certain that we fully considered all the  
2 ramifications of simply saying we are going to  
3 fund every project that we approved in 2008 before  
4 we consider any projects coming in 2009;  
5 regardless of how urgent, regardless of how  
6 meritorious; and I tell you, I think this  
7 resolution limits our discretion, limits our  
8 flexibility and paints us into a corner that we  
9 don't need to get into at this point.

10 So my first -- I would urge that we table  
11 this resolution until we have an opportunity to  
12 consider it further, to debate it further in a  
13 session where all of us can be present and where  
14 more of us are likely to be involved.

15 Failing that, I did have a substitute  
16 resolution that I was hopeful that you might  
17 consider, and I understand you believe your  
18 resolution is better than mine, and I understand  
19 that, but as I told you, I think mine is better  
20 than yours.

21 CHAIRMAN: Let me ask you this. I mean,  
22 I don't -- we will do whatever, but rather than a  
23 motion to table, which is not debatable, did you  
24 want to make a motion to postpone consideration of  
25 this to the June meeting? Is that what you --

1                   MR. HOLLAN: Yes, sir. I don't want to  
2 use a procedural fix to --

3                   CHAIRMAN: All right.

4                   MR HOLLAN: -- deal with this, but I urge  
5 that we postpone it, and I move that we would  
6 postpone consideration of this until the June  
7 meeting.

8                   CHAIRMAN: All right. Then I will take  
9 that as a motion. Is there a second to that  
10 motion?

11                  MR. VAUGHAN: Mr. Chairman, I will second  
12 it so we can have discussion on it.

13                  CHAIRMAN: Okay. Mr. Vaughan has second  
14 it so we can have discussion.

15                  Bill, did you want to speak any further  
16 to your motion to postpone consideration until  
17 June.

18                  MR. HOLLAN: No. I mean I think I have  
19 said what I had to say.

20                  CHAIRMAN: Okay. Yevonne, I think you  
21 just came on. The procedure I am trying to follow  
22 here, if anybody on the phone wishes to speak to  
23 this motion, I would like for you to identify  
24 yourself, and then I will come back and call on  
25 you in due order.

1                   So, other than Bill, is there anyone else  
2                   that would like to speak on this particular  
3                   motion.

4                   MR. HENDERSON:   Rance Henderson.

5                   CHAIRMAN:   Okay, Rance.  I'm not calling  
6                   on you.  I just got your name down as wanting to  
7                   speak, okay.

8                   MR. HENDERSON:   All right.

9                   CHAIRMAN:   I'm not always going to give  
10                  people on the phone first choice to speak.  That's  
11                  a joke.

12                  Is there anybody that would like to speak  
13                  on this motion to postpone?  Okay, Stan.

14                  MR. VAUGHAN:   The reason I second the  
15                  motion, I would like to hear the discussion from  
16                  your point, Phil, and from certainly from John,  
17                  since he's very active in the legislature, why you  
18                  feel like it's imperative that we do this at this  
19                  time.

20                  MR. HENDERSON:   I am having a little  
21                  trouble hearing, Stan.

22                  CHAIRMAN:   Okay.  What Stan said, he  
23                  wanted to hear from Richard and from me as to why  
24                  we brought it before us at this time and not wait  
25                  until June to consider it.  And he wanted to hear

1 from John McMillan, so let me first ask Richard if  
2 he wants to comment on that, then I will say what  
3 I have to say, and then we will hear what  
4 Mr. McMillan has to say.

5 MR. ROGERS: Well, my perspective, and I  
6 think Bill's right from the Senate perspective  
7 about what's going on, that they have no intention  
8 in trying to dictate the Board's ability to make  
9 decisions. However, in the House we are getting  
10 some feedback that that might be an option, and  
11 when we're over there working this, it helps  
12 immensely for us to have in hand a Board decision  
13 with regards to how they are going to -- how y'all  
14 are going to wrestle with these issues, especially  
15 on the 2008 awards and something that is  
16 definitive.

17 What I have been saying is, my sense is  
18 that the Board is looking first at the 2008  
19 projects, but again, Board action is important in  
20 communicating the will of the trustees and trying  
21 to help us not have to have the legislature  
22 prescribe how we move forward in funding projects  
23 with the money as we get future funding.

24 The other issue, and I appreciate  
25 Bill Hollan's work on this and his thought, and



1 with regards to prioritizing 2008 projects, I  
2 think Bill's exactly right. We need to wait until  
3 June to prioritize 2008 projects. We need to have  
4 full debate among the Board. What this resolution  
5 is attempting to do is just set out that the Board  
6 will first consider the 2008 projects for funding  
7 before it funds 2009 projects.

8 CHAIRMAN: Here was kind of my thinking.  
9 One, it's true, the budget will not be adopted by  
10 our June meeting, but I think it's probably pretty  
11 sure that the House will pass its version before  
12 June, I would think, and I just did not want us to  
13 have to deal with that.

14 And also, as I have talked to you, to the  
15 trustees over the last few weeks and talked to  
16 legislators, which I have a great deal, two things  
17 seemed to become what I thought was obvious. It  
18 may not be obvious.

19 One is that the legislators that I talked  
20 to seemed to be counting on us to honor our  
21 commitment to those 2008 grantees as a matter of  
22 keeping good faith with them, and my sense of it  
23 was that it would do great damage to our Board not  
24 to do that.

25 The second thing I got, and I may have

1 misread you on this, was that there seemed to be a  
2 consensus on the Board that this is what you  
3 wanted to do.

4 So, putting those two things together, my  
5 thought was, well, if this is what the Board was  
6 going to do anyhow, we might as well go ahead and  
7 send the signal early, rather than it looking like  
8 we were doing it under the gun. So that was  
9 really kind of my thinking about it, and I'm  
10 certainly open to what this Board, you know, wants  
11 to do in that regard.

12 John, I'd really like to hear from you  
13 about what, you know, your sense of it is over  
14 there.

15 MR. McMILLAN: Well, last week all of the  
16 trust fund chairs met with representatives from  
17 the Senate and representatives from the House.  
18 The executives for those trust funds were there.  
19 We had good meetings to talk about where we were  
20 with our current fund balances in light of the  
21 governor's action to take the money from the Clean  
22 Water. The other trust funds have different  
23 funding sources, and that they have had decreases  
24 in the amount of funds received from the transfer  
25 tax proceeds. So everybody has to one degree or

1 another been harmed by the financial situation.

2 In those discussions, there wasn't any  
3 feedback about threats to get involved in our  
4 process, but there certainly was interest in what  
5 was going on with those 2008 projects that we had.  
6 I think what Phil is afraid of is that we might  
7 get a special provision in the House budget that  
8 would direct us to do something, and we want to  
9 avoid the possibility of the legislature getting  
10 involved in this process.

11 I mean, I could argue both ways as to  
12 which position to take that would result in the  
13 higher likelihood of us getting full funding in  
14 the upcoming budget that they are now considering.  
15 The Senate is going to vote on its budget today  
16 and it will have \$95 million in it for Clean  
17 Water. And so that's some indication of where  
18 they stand. I'm not sure the House is going to be  
19 as generous, but they are going to be dealing with  
20 different numbers. When they consider the budget,  
21 they will have the April 15th revenue numbers, and  
22 that might be a different picture. So I'm going  
23 to listen to the debate as it goes along.

24 CHAIRMAN: Okay. Norman.

25 MR. CAMP: I just want to say,

1 Mr. Chairman, that what you have laid out seems to  
2 me to be a fair a approach.

3 UNIDENTIFIED: Can't hear you.

4 MR. CAMP: I am saying that what the  
5 Chairman has laid out, seems to me, to be a fair  
6 approach so that we don't damage ourselves or  
7 these grantees that are expecting the funds that  
8 we have approved for 2008. So I'm just in favor  
9 of this resolution.

10 CHAIRMAN: Richard, you had one -- here's  
11 what we will do in order to get this on the -- oh,  
12 that's right. Before us now is the consideration  
13 about postponing the resolution, but you had shown  
14 me what you were gonna -- just so you will  
15 understand, proposed is changing wording I think a  
16 little bit.

17 MR. ROGERS: There is a little technical  
18 in the last phrase of the resolution that we've  
19 got prior to consideration of 2009 applications.  
20 I think we need to clarify that and say prior to  
21 the funding of the 2009 applications. I think we  
22 still want to leave the option open for us to  
23 consider 2009 as we proceed throughout the year.  
24 So that's just a technical change.

25 MR. McGRADY: Mr. Chairman.

1                   CHAIRMAN: Chuck, you wanted to speak,  
2 right, yes. That's right, Chuck.

3                   MR. McGRADY: Yeah. I'm supportive of  
4 the resolution being offered, the original  
5 resolution, and I actually don't see a great  
6 inconsistency, I guess because I'm so far west I'm  
7 not real concerned about the general assembly, but  
8 I'm getting a lot of questions on a day-by-day as  
9 to have you given any thought as to what you are  
10 going to do with respect to those products already  
11 funded in 2008, no matter where they are in the  
12 process, versus the 2009 projects coming through.  
13 And I guess I view the proposed resolution as  
14 simply a sense of the Board resolution.

15                   Obviously we are gonna go back and we've  
16 got 2009 out there, and there may be some group of  
17 them that are critical to being done, and we can  
18 come back in June or some time later and amend  
19 them, but you know Bill Holland's resolution, you  
20 know, is not inconsistent with my thoughts. I  
21 love the term of art, bang for your buck, at the  
22 end. But I agree with -- you know, I think Bill  
23 has just sort of set out, as we move through this  
24 thing I would sort of agree with his set of  
25 priorities. It's more of a clarifying thing, but

1 I do support the resolution as being offered with  
2 the minor change that Richard has just suggested.  
3 Thank you.

4 CHAIRMAN: Okay, Rance.

5 MR. HENDERSON: Well, Stan -- the  
6 question I had was turned out to be the one that  
7 Stan asked, so it has been asked and answered.

8 CHAIRMAN: Okay. Now the motion before  
9 us is a motion to postpone consideration of  
10 resolution number 2 until the June meeting. Would  
11 anyone else like to be heard on this? I am going  
12 to call on Stan, and then I will see if there is  
13 anybody on the telephone. Stan.

14 MR. VAUGHAN: I think I seconded Bill's  
15 motion solely to have this discussion, because I  
16 thought it was important for all members of the  
17 Board to hear the varying comments on why we think  
18 this is necessary.

19 I do think one thing I like about Bill's  
20 alternative, and it comes back to I think what  
21 Chuck just said is I think what Bill is trying to  
22 do is define priority, and we don't have -- all we  
23 say is the word priority, and that could mean a  
24 lot of things. So is there any possibility of  
25 using Bill's back-up language as a potential

1 guideline, not absolute, but potential guidelines  
2 for what we mean by priority?

3 MR. ROGERS: My sense is, I think yes,  
4 and I think it gives us a good framework from  
5 working for our June meeting, the agenda, and  
6 having these outlined so that we could consider  
7 projects with these priorities; and I think there  
8 are some other options that need to be presented  
9 to the trustees, as well, and we look forward to  
10 Board discussion and debate with regard to these  
11 issues in June.

12 CHAIRMAN: Okay. Now what's before us  
13 and, you know, I have not been too tight on this,  
14 but we are really talking about the motion to  
15 postpone to June. Stan, did you want to be heard  
16 on that?

17 MR. VAUGHAN: Frank, if it's appropriate,  
18 now that we've had the discussion, I would like to  
19 withdraw my second.

20 CHAIRMAN: We won't do that. Okay.  
21 Anybody on the telephone want to be heard on the  
22 motion to postpone?

23 MR. RASCOE: Mr. Chairman.

24 CHAIRMAN: Yes.

25 MR. RASCOE: Peter Rascoe.







1 MR. CAMP: Second.

2 CHAIRMAN: All right. Now, for  
3 discussion, and I want to just ask, but I'm not  
4 calling on you to speak. Those on the telephone  
5 who would like to speak, would you please identify  
6 yourself for me.

7 MR. HOLLAN: Bill Hollan.

8 CHAIRMAN: Okay, Bill. I will come back.  
9 I am going to give you plenty of opportunity  
10 before we vote. Okay. Anybody in the room who  
11 would like to speak?

12 (No response.)

13 CHAIRMAN: Okay, Bill, the floor is  
14 yours.

15 MR. HOLLAN: I have a very strong problem  
16 with the words priority to funding. I don't know  
17 what priority means exactly, but what it means to  
18 me is that we would not be funding anything else  
19 until these are funded, and in the governor's  
20 budget we only get \$75 million. If we only get  
21 \$75 million and we take out our operating  
22 expenses, there would be no -- we would not even  
23 have enough money to fund all of the 2008  
24 projects, even if we get \$10 million back under  
25 resolution 1.

1                   So we would have projects carrying on for  
2 more than a year that we committed to fund as a  
3 priority, and we could consider no projects out of  
4 2009, and I don't know why we want to bind  
5 ourselves in that way at this time.

6                   Richard has said a couple of times that  
7 we give priority consideration. He used that  
8 term, and I'm fine with priority consideration to  
9 funding, but if we are saying that we are going to  
10 give priority to funding 2008 projects, then I  
11 think that's a terrible mistake, to bind ourselves  
12 in that way.

13                   I know we could come back in June and  
14 alter this, but I think if we take this statement  
15 and give, I guess, confirmation to all of our  
16 grantees that we intend to fund them first, which  
17 would be good from their point of view; and I  
18 understand that the angst that some of them are  
19 in, but I'm not certain that it's in the best  
20 interest of the State or Water Quality for us not  
21 to be able to consider projects that may be in the  
22 pipeline right now that weren't here.

23                   Had we known we would not have a full  
24 \$100 million, there are projects that we would not  
25 have funded last year. We are acting as if -- I

1 think we are ducking the responsibility for making  
2 some hard decisions. We don't have money to spend  
3 that we thought we were going to, and as my  
4 substitute provided, I think we do have a  
5 commitment to anybody who had a contract. I think  
6 our Board should be bound by any signature that  
7 our chairman put on a contract, whether or not  
8 it's been encumbered. I think in good faith, a  
9 grantee who signed a contract and sent it in, and  
10 it was still in the mail or still on your desk,  
11 Mr. Chairman, should have an expectation of  
12 funding.

13 I think people who spent money in  
14 reliance on getting the grant should be given  
15 priority and taken care of, but I think there are  
16 some projects for which no money has been  
17 expended, no contract was signed, that we ought to  
18 retain the flexibility to fund better projects or  
19 more urgent projects this year. Otherwise, I  
20 think we are out of business for a year and-a-half  
21 and can't consider -- or we don't know. We do not  
22 know how much money we are going to get, and  
23 without knowing that, why we would commit to this  
24 resolution at this time is beyond me.

25 CHAIRMAN: Bill, before you make your

1 motion -- I think you may want to make a motion --  
2 I'm sitting here beside John McMillan, and I think  
3 he wants to make an amendment, and let's see if  
4 that helps with how you feel, okay.

5 MR. McMILLAN: Mr. Chairman,  
6 John McMillan. I would move that you add the word  
7 consideration after the word priority in  
8 resolution number 2 as recommended by Mr. Hollan,  
9 and I hope he will second my motion.

10 CHAIRMAN: In other words, what you are  
11 doing, it would read resolves to give priority  
12 consideration to funding the 2008, which was a  
13 little bit weaker, actually. Gives you a little  
14 bit more wiggle room I think is what you are  
15 saying, right John?

16 MR. McMILLAN: Right.

17 CHAIRMAN: Norman, did you make that  
18 motion? Who made the motion.

19 MR. HOLLAN: Chuck did, and that's  
20 acceptable to me.

21 CHAIRMAN: Okay. Would you accept that?  
22 All right. Bill, what do you think about that?  
23 Does that give us enough room to address the  
24 issues that you talked about?

25 MR. HOLLAN: Yes, sir, I think that

1 improves it from my point of view. I still would  
2 prefer not to do it, but I will second John's  
3 motion, because I think it improves it.

4 CHAIRMAN: All right.

5 MR. HOLLAN: And thank you John, thank  
6 you Mr. Chairman. I appreciate your  
7 consideration.

8 CHAIRMAN: Okay. Did you want to make a  
9 substitute motion?

10 MR. HOLLAN: No. I don't think we need  
11 to take everybody's time. I hope people will look  
12 at the prioritization that I suggested, and maybe  
13 we could talk about that in June.

14 CHAIRMAN: Richard, do you want to  
15 comment on the prioritization part?

16 MR. ROGERS: Yes. I think that that  
17 presents a great outline for us to begin, and we  
18 can develop the agenda item for June, and then  
19 staff will put our heads together and see if there  
20 are other issues that need to be contemplated by  
21 the Board in prioritizing the 2008 projects.

22 CHAIRMAN: And I will say that -- and I  
23 argued with him about this, but I've come around  
24 to his position. Well, I probably shouldn't say  
25 this. I don't think -- there is legal opinion out

1           there that those contracts that I signed and were  
2           both signed, whether they have been encumbered or  
3           not, that that does constitute some legal validity  
4           to the document, let's put it that way. So, all  
5           right.

6                         MR. HOLLAN: It seems to me,  
7           Mr. Chairman, that our Board should be bound  
8           whether the State is bound or not. If you signed  
9           the contract with the authority of our Board, our  
10          Board should be bound, and I have no argument with  
11          that whatsoever.

12                        CHAIRMAN: All right. Is there any  
13          further discussion on the resolution?

14                                 (No response.)

15                        CHAIRMAN: Okay. Hearing none, so many  
16          as favor the adoption of resolution number 2 as  
17          amended, signify by saying aye.

18                                 (Board members respond.)

19                        CHAIRMAN: Opposed, no.

20                                 (No response.)

21                        CHAIRMAN: The ayes have it.

22                                 Okay. We will now move to agenda item  
23          number C. Richard.

24                        MR. ROGERS: Thank you, Mr. Chairman.

25                                 This is a normal process that we go through.

1 Y'all have an attached list to the agenda of the  
2 funds that we are unencumbering, the total amounts  
3 to \$2,021,443.54, and we would request that the  
4 Board allow unencumberance of these funds, and  
5 that's it.

6 MR. McMILLAN: Mr. Chairman, I move the  
7 resolution.

8 MR. CAMP: Second.

9 CHAIRMAN: Moved and seconded. Is there  
10 any discussion?

11 (No response.)

12 CHAIRMAN: Hearing none, so many as favor  
13 the adoption of the resolution, signify by saying  
14 aye.

15 (Board members respond.)

16 CHAIRMAN: Opposed, no.

17 (No response.)

18 CHAIRMAN: The ayes have it. Richard.

19 MR. ROGERS: Item D is a change in scope  
20 that requires Board approval. It's protect  
21 2006B-703 with Colerain, a stormwater project.  
22 Their problem is that they are not able to meet  
23 the match they had presented in their application,  
24 and it was put into the scope. They are asking  
25 for reduction in that match from 10 percent to



1           3 percent. The staff recommends that we accept  
2           the decrease in match so the project can move  
3           forward.

4                   CHAIRMAN: Okay.

5                   MR. CAMP: Do we need a motion?

6                   CHAIRMAN: Yes, we need a motion.

7                   MR. CAMP: I move the staff  
8           recommendation.

9                   CHAIRMAN: Okay.

10                  MR. JOHNSON: Second.

11                  CHAIRMAN: Motion by Dr. Camp, second by  
12           Mr. Johnson. Is there any discussion, any  
13           questions?

14                               (No response.)

15                  CHAIRMAN: Okay. Hearing none, so many  
16           as favor the adoption of the motion, which is to  
17           adopt the staff recommendation, signify by saying  
18           aye.

19                               (Board members respond.)

20                  CHAIRMAN: Opposed, no.

21                  MR. MARKHAM: No.

22                  CHAIRMAN: The eyes have it. Okay. This  
23           is the time on our agenda for any Board  
24           discussion. Any Board member have anything they  
25           would like to bring up? Mr. Vaughan.

1                   MR. VAUGHAN: I am going to turn this  
2                   around so I could be heard. As I said to a couple  
3                   of the members of the Board this morning, driving  
4                   down here gives you three hours to do a lot of  
5                   thinking; and one of the things I've come to the  
6                   conclusion on is that everything we do in life has  
7                   a passing score; whether it was in college,  
8                   whether it was the CPA exam, the bar exam or  
9                   whatever, it has a passing score. And I voted  
10                  against some projects on the 2008 because I didn't  
11                  think the score -- or it achieved a passing score.

12                  I think we need to consider going forward  
13                  a mechanism where we accept a minimum passing  
14                  score on any of our projects, which would be, I'll  
15                  offer this as an example, 70 percent of the total  
16                  available points that a particular project may  
17                  have with an appeal process. So anybody that  
18                  maybe got 65 but didn't get 70 -- this is  
19                  something for the future, I understand, but  
20                  Mr. Chairman, I would like for you to consider  
21                  putting this on some type of discussion for future  
22                  meeting.

23                  CHAIRMAN: Will do. Will do. Okay.  
24                  Richard, you had something you wanted to bring up?  
25                  Also, you wanted to talk about lobby day.

1                   MR. ROGERS: Yes, sir. While I have  
2 y'all, I wanted to give you a brief update in a  
3 couple of areas with regards to what's going on  
4 with Clean Water.

5                   From a legislative perspective, John gave  
6 y'all the update on the Senate budget, \$95 million  
7 in both years of the biennium. We are extremely  
8 appreciative of the Senate efforts there. I think  
9 it is a great budget for us. I think it also  
10 provides, from a House perspective, which is going  
11 to be a much more difficult task, provides and  
12 basically sets governor's budget at the floor, we  
13 hope, and we will begin next week to start working  
14 with the House folks and encourage them to put as  
15 much funding as they can towards Clean Water  
16 Management Trust Fund. As John mentioned, they  
17 are going to be working with a little more  
18 realistic numbers in their budget process, so I  
19 think things are going to tighten up.

20                   Also in the budget there is a provision  
21 that changes our administrative cap. As you know,  
22 we were formerly -- or that proposes a change in  
23 our administrative cap. We current have a 2  
24 percent of our fund balance, or I think  
25 \$1.25 million for administrative costs. We've

1           been functioning on the fund balance with the  
2           governor taking \$100 million out of our fund  
3           balance. We are potentially out of compliance  
4           with that, simply with our current administrative  
5           budget at the end of the fiscal year.

6                        What we have done is trying -- we have  
7           capped the administrative cost at \$3 million in  
8           the Senate budget. Our current administrative  
9           budget, well, it was approved at 2.5. It's been  
10          reduced substantially since then, but what we've  
11          done is try to set a cap that we think is workable  
12          that won't be dictated by a fluctuation in funding  
13          to Clean Water perhaps, and will continue to allow  
14          the Board to make the decision with the  
15          administration of the trust fund.

16                       With regards to our governor's office,  
17          the communications are far and few between. They  
18          continue to be. I don't think that's anything  
19          against Clean Water. I think it's just that they  
20          don't know. We continue to inquire about the  
21          status of the \$100 million that was taken by the  
22          governor. We are hearing all kinds of stories  
23          it's still over there in the controller's office.  
24          I heard that at the American Waterworks  
25          Association from an engineer the other day, and he

1           said it was still there. I said I didn't think  
2           so.

3                       The reason I don't is the State budget  
4           office continues to look at State agencies, and  
5           most recently look into the National Heritage  
6           Trust Fund and the Park and Rec Trust Fund for  
7           revenues so that they can continue to operate  
8           State government in this fiscal year. I think  
9           that things are extremely tight, but we hope to,  
10          after the tax day, start getting some feedback and  
11          understanding better where we are with regards to  
12          this current fiscal year. So, we continue to work  
13          on these issues. We continue to work on stimulus  
14          efforts.

15                      The stimulus package and the resolution  
16          that y'all approved today will be helpful, and we  
17          will keep y'all updated on the progress that we  
18          make in trying to recoup some of the funds that we  
19          have lost. Mr. Chairman, that's it.

20                      CHAIRMAN: Okay. I want to remind  
21          everybody that Land For Tomorrow Lobby Day is  
22          going to be in Raleigh on April 29th.  
23          Registration, 8:30 to 9:15. Very important for us  
24          -- the ethics training will be available for us  
25          from 1:00 to 3:00 on the same day. Now, I think

1 -- Frank, I don't know if you have checked this  
2 out, but I believe all of us have had our initial  
3 ethics training. So everybody though has to have  
4 a refresher, and I think everybody on this Board  
5 probably is due a refresher this year.

6 MR. CRAWLEY: Two years.

7 CHAIRMAN: You have to have it every two  
8 years, but all of you, I think, have been on the  
9 Board for two years. So you are due to have it.  
10 So what you are gonna have to do is, if you can't  
11 come to Raleigh and do this on that day from 1:00  
12 to 3:00, then you need to check and find out when  
13 other training is going to be across the State and  
14 do that. Now Richard, is there any other options  
15 you know about?

16 MR. ROGERS: What I encourage is that  
17 Penny has the list of scheduled refresher courses  
18 across the State. She will get that to you, and  
19 then help you any other way that you need  
20 assistance with regards to getting the training  
21 done, and also with regards to submitting your  
22 annual report.

23 CHAIRMAN: These things are a nuisance,  
24 but they are there and we've got to do it and we  
25 don't need to lose any of you. You are all very

1 valuable, so please, please take care of it.

2 Okay. Is there anything else -- Stan.

3 MR. VAUGHAN: Mr. Chairman, is there any  
4 guidance we should give Richard? As we just  
5 heard, the staff is going to have to spend a lot  
6 of time following up on the stimulus and dealing  
7 with the loans and loan applications, and that's  
8 going to be time consuming. We know that, based  
9 on what we said today and the potential for  
10 available money, there is going to be very little  
11 money available to the 2009 projects.

12 Is there any guidance we should give him  
13 or suggest to him that, in looking at his workload  
14 on the rest of the year, are we going to be  
15 wasting a lot of time going through the detail we  
16 normally go through on 2009 projects, or whether  
17 we should just say do something to try to identify  
18 the best and put the others on a rollover basis  
19 for the following year? But I just think, you  
20 know, we don't need to waste our effort if there  
21 is no money there is all I'm saying.

22 CHAIRMAN: Richard has given a lot of  
23 thought to that issue, I can assure you, because  
24 he's discussed it with me, so I will let him  
25 respond to that.

1                   MR. ROGERS: I think that's a great  
2 point. Things are not normal, and with regards to  
3 the 2009 projects, I think it's important that we  
4 do consider them, that we do work through them.  
5 But again, when you don't have money to spend  
6 perhaps on them, we have got to look at  
7 alternative things that staff can be doing and  
8 working on while we are not particularly getting  
9 into contract projects and things of that nature  
10 in the fall.

11                   I have talked with Beth and Tom. We are  
12 beginning to get our heads together. We are  
13 taking a look at the total program, things that we  
14 haven't been able to do in the past because of  
15 spent time on other issues, but trying to make a  
16 list of options that we have to reallocate staff  
17 time and determine if we are going to have full  
18 workload, and that's just the honest fact of  
19 things, and we have to do that.

20                   My sense is our workload through the end  
21 of the fiscal year and our budget, administrative  
22 budget, will remain pretty constant because we do  
23 have to do our initial workload on the projects  
24 for 2009. We have a lot of other work in the  
25 legislature working on stimulus funds and that



1 kind of thing, and in June it's our intent to  
2 provide the Board another administrative budget,  
3 and I think within that administrative budget  
4 we're going to have options that will be laid out  
5 for consideration depending on the amounts of  
6 funding we get when it comes to pass in August or  
7 September.

8 We are really taking a hard look at this,  
9 and I hopefully will be communicating with you  
10 folks, especially you, Stan, with regards to this  
11 as we move forward and as we develop an  
12 administrative budget for 2009, 2010.

13 CHAIRMAN: Okay. Let me I guess report  
14 to you, I have just -- it's been on my desk to  
15 redo the committee appointments, and I just  
16 haven't done it. I don't really have a good  
17 excuse, but I promise you that I will get that out  
18 to you within the next 30 days. So that's on the  
19 way.

20 MR. BEANE: Can I have a refresher on  
21 when our next meeting is in June and where?

22 CHAIRMAN: It's in Raleigh, isn't it?

23 MR. ROGERS: Yes, sir.

24 CHAIRMAN: Yeah.

25 MR. ROGERS: The next meeting will be

1           June 14th and 15th here in Raleigh. We will get  
2           notice out to you. Penny can send notice out to  
3           you for accommodations, reservations and that kind  
4           of thing.

5                       MR. CAMP: June 13th?

6                       MR. ROGERS: 14th and 15th.

7                       CHAIRMAN: Is there anything further to  
8           come before the Board?

9                               (No response.)

10                      CHAIRMAN: If not, we will stand  
11           adjourned.

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13                               (Board meeting concluded at 10:58 a.m.)

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CERTIFICATE OF NOTARY - COURT REPORTER

STATE OF NORTH CAROLINA)

)

COUNTY OF WAKE )

I, JOANN BUNZE, Court Reporter, Notary Public in and for the above county and state, do hereby certify that the transcript of the above-mentioned board meeting was duly recorded by me by means of stenotype at the time and place hereinbefore set forth, and was reduced to written form under my direction and supervision, and that this is, to the best of my knowledge and belief, a true and correct transcript.

This the 20th day of April, 2009.

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Joann Bunze  
Notary Public, Wake County,  
North Carolina  
Notary Public, #200707300112