

**Board of Trustees
Clean Water Management Trust Fund**

**Minutes of Regular Meeting
Sunday, June 14, 2009**

2728 Capital Boulevard

Room 1H-120

Raleigh, North Carolina

1:00 p.m.



Post Office Box 98475, Raleigh, North Carolina 27624-8475
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B O A R D M E M B E R S P R E S E N T

Philip A. Baddour, Jr., Chairman
Ron Beane (by phone)
Yevonne Brannon (by phone)
Norman Camp III
Richard Coleman (by phone)
Karen Cagnolin
John Crumpler
Rance Henderson
William Hollan
Robert Howard
Charles Johnson
Kevin Markham
Charles McGrady
Dickson McLean
John McMillan
Peter Rascoe
Stan Vaughan
Claudette Weston
Jerry Wright

A G E N D A

- A. Call to Order - Chairman Baddour
 - 1) Roll Call - Penny Adams
 - 2) Compliance with General Statute § 138A-15 - Chairman Baddour
 - 3) Revisions, additions, and adoption of the agenda - Chairman Baddour (Action Item)
 - 4) Please put cell phones on vibrate or off - Chairman Baddour

- B. Public Comments (Up to Three Minutes Per Person) - Chairman Baddour

- C. Committee Appointments - Chairman Baddour

- D. Legislative, Budget and Administrative Update - Richard Rogers
 - 1) Legislative update
 - a) Overview of legislation of interest
 - b) Legislative budget status
 - 2) 2008-2009 Budget - Governor's actions
 - 3) CWMTF program budget
 - a) Background
 - b) Program outlook for 2009-2013
 - i) Discussion of critical program elements
 - ii) 2008-2009 administrative budget update
 - iii) Funding scenarios
 - 4) General discussion of approach used in developing a 2009-2010 administrative budget
 - 5) Status of program review of existing contracts

- E. CWMTF Administrative Response to State Budget Office's May 5, 2009, Notification of a \$12.98 Million Withholding From Current Fiscal Year Allotments - Richard Rogers (Information and Action Items)
 - 1) Request Board discussion and consent on interim administrative action taken to place projects on hold
 - 2) Request to provide payment for 2008/2009 fiscal year expenditures

- F. Specific Project Issues
 - 1) Request to utilize unspent funds: 2007-528, Mount Olive, Town of - Plan/WW/growth overflow planning,

- Northeast Cape Fear - Larry Horton (Action item)
- 2) Request for additional funds: 2005B-020, Lumber River Conservancy - acq/Singleton's Bay Tract - Will Summer (Action item)
 - 3) Request for change in project scope, budget, and grant amount: 2006A-701, Public Works Commission (PWC) of the City of Fayetteville - Glenville Lake Stormwater BMPs - Kevin Boyer (Action item)
 - 4) Request for change in project scope and budget: 2006B-401, Durham Soil and Water Conservation District - restoration of unnamed tributary to Lake Michie - Kevin Boyer (Action item)
 - 5) Request for change in budget and contract conditions: 2007-406, National Committee for the New River (NCNR) - East Fork New River restoration - Kevin Boyer (Action item)
 - 6) Request for addition of new line item: 2008-011, Conservation Trust for NC - acq/ MER Equity Tract, OVT, Rose Creek - Robin Hammond (Action item)
 - 7) Request to forgive repayment of \$1.686 million for land acquisition: 2005B-513, City of Southport - Richard Rogers (Action item)

G. Consent Agenda Items

- 1) Ratify chairman/co-chairs and staff decisions made per the decision matrix
- 2) Ratify payment of additional funds for Turnagain Bay and Luken's Island appraisals

H. Discussion

I. Adjourn

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P R O C E E D I N G S

CHAIRMAN BADDOUR: Folks, my cell phone says it's 1:00, and I think that's supposed to be the absolute correct time. All right. So we will start the meeting.

Penny, before you even call the roll, I'd like to identify who is -- well, I tell you what; let's don't do it that way. Penny, call the roll.

MS. ADAMS: Mr. Baddour.

CHAIRMAN BADDOUR: Here.

MS. ADAMS: Mr. Beane.

MR. BEANE: (No response.)

CHAIRMAN BADDOUR: Ron, are you on the phone yet?

MR. BEANE: I'm here, yep.

MS. ADAMS: Yevonne Brannon.

MS. BRANNON: Here.

MS. ADAMS: Mr. Camp.

MR. CAMP: Here.

MS. ADAMS: Mr. Coleman.

MR. COLEMAN: Here.

MS. ADAMS: Ms. Cragolin.

MS. CRAGOLIN: Present.

MS. ADAMS: Mr. Crumpler.

MR. CRUMPLER: (No response.)

1 MS. ADAMS: Mr. Henderson.
2 MR. HENDERSON: Here.
3 MS. ADAMS: Mr. Hester.
4 MR. HESTER: (No response.)
5 MS. ADAMS: Mr. Hollan.
6 MR. HOLLAN: Here.
7 MS. ADAMS: Mr. Howard.
8 MR. HOWARD: Here.
9 MS. ADAMS: Mr. Johnson.
10 MR. JOHNSON: (No response.)
11 MS. ADAMS: Mr. Markham.
12 MR. MARKHAM: Here.
13 MS. ADAMS: Mr. McGrady.
14 MR. McGRADY: Here.
15 MS. ADAMS: Mr. McLean.
16 MR. McLEAN: Here.
17 MS. ADAMS: Mr. McMillan.
18 MR. McMILLAN: Here.
19 MS. ADAMS: Mr. Rascoe.
20 MR. RASCOE: Here.
21 MS. ADAMS: Mr. Vaughan.
22 MR. VAUGHAN: Here.
23 MS. ADAMS: Ms. Weston.
24 MS. WESTON: Here.
25 MS. ADAMS: Mr. Wright.

1 MR. WRIGHT: Here.

2 CHAIRMAN BADDOUR: Can everybody on the
3 phone hear me okay?

4 PHONE PARTICIPANTS: Yes.

5 CHAIRMAN BADDOUR: I want to ask everybody
6 today in particular, so those on the phone can hear
7 you, to please speak into the microphone. I think
8 that will help them a lot. And let's see. Are there
9 staff on the phone?

10 MR. SCHUMAK: This is Bern, and I'm going to
11 put my phone on mute and listen.

12 CHAIRMAN BADDOUR: Okay. Anybody other than
13 Bern?

14 MR. SUMMER: This is Will.

15 CHAIRMAN BADDOUR: Will.

16 MR. HORTON: Larry.

17 CHAIRMAN BADDOUR: Larry.

18 MS. MURRAY: This is Terri.

19 CHAIRMAN BADDOUR: Terri? Okay.

20 MS. JOHNSON: And Cheryl.

21 MS. WESTON: And Cheryl.

22 CHAIRMAN BADDOUR: And Cheryl. What we're
23 going to do, because we have people on the phone, I'm
24 going to ask you, if you're on the phone, to do this:
25 and that is, if you're not speaking, if you would put

1 your phone on mute, it will really help everybody a
2 lot. It'll help the other people on the phone a whole
3 lot because of the background noise. When we have a
4 subject, I'm going to try very hard -- and y'all
5 remind me if I don't -- to ask the people on the phone
6 if they want to speak. And I want to ask you, if
7 you're on the phone, not to speak unless I call on
8 you; but I will give you many opportunities -- or
9 plenty of opportunities to tell me that you want to
10 speak so that I can recognize you. And we'll do that
11 every time we have something to talk about.

12 So, with that, General Statute 138A-15
13 mandates that the Chair inquire as to whether any
14 Trustee knows of any conflict of interest or the
15 appearance of a conflict of interest with respect to
16 matters on the agenda. If any Trustee knows of a
17 conflict of interest or the appearance of a conflict
18 of interest, please so state at this time.

19 Okay, Kevin Markham?

20 MR. MARKHAM: Thank you. I'll be recusing
21 myself from any discussion for voting on Item G-2,
22 which involves the Turnagain Bay and Luken's Island
23 appraisals.

24 CHAIRMAN BADDOUR: Okay. Anyone else?

25 MR. McLEAN: I'll be recusing myself on

1 Item F-2, Singleton Bay tract.

2 CHAIRMAN BADDOUR: Okay, that was Dickson
3 McLean.

4 Would anyone on the phone like to be heard
5 on being recused from consideration of an item?

6 BEANE, BRANNON, and COLEMAN: (No response.)

7 CHAIRMAN BADDOUR: Okay. I want to thank
8 everybody for being here. We all know that we're --
9 we've called this meeting. We can't be reimbursed for
10 our expenses. We're having a one-day meeting, so
11 hopefully most will not have to spend the night, will
12 not have that expense. And I'm gratified by the
13 attendance of those here.

14 When we have meetings like this, where we
15 cannot reimburse, we always want to give an
16 opportunity for people to talk -- to be here and
17 participate on the telephone, and so we'll do that.
18 Those who are not here today -- all would be here
19 except that they had vacation plans or plans with
20 their family and are away. So we appreciate you who
21 are participating that way for taking time from your
22 family to be with us today.

23 Are there any revisions, additions to the
24 agenda?

25 THE BOARD: (No response.)

1 CHAIRMAN BADDOUR: If not, do I hear a
2 motion that the agenda be adopted?

3 MR. MARKHAM: I move this adoption.

4 MS. CRAGNOLIN: Second.

5 CHAIRMAN BADDOUR: Discussion?

6 THE BOARD: (No response.)

7 CHAIRMAN BADDOUR: Hearing none, so many as
8 favor the adoption of the agenda, say, "Aye."

9 THE BOARD: Aye.

10 CHAIRMAN BADDOUR: Opposed, "No."

11 THE BOARD: (No response.)

12 CHAIRMAN BADDOUR: The ayes have it. I'd
13 ask everyone, if you have not already done it, to put
14 your cell phones on vibrate or turn them off.

15 And let the record show that Mr. Crumpler is
16 here with us today and Mr. Johnson is here with us
17 today. Thank you both.

18 Now is the time on our agenda for public
19 comments up to three minutes per person. Is there
20 anyone from the public that would like to address our
21 group today?

22 THE PUBLIC: (No response.)

23 CHAIRMAN BADDOUR: I do want to welcome, to
24 my right, Jenny Hauser, who is with the Attorney
25 General's office. And Frank Crawley is out doing

1 things with his grandchildren or something. And so,
2 Jennie, we're glad to have you here with us, filling
3 in for Frank.

4 I guess I have kind of dillydallied long
5 enough with regard to committee appointments. But you
6 have those committee appointments in front of you.
7 Just a couple words about it. You'll note that there
8 are -- in the funding committees, I did make some
9 changes in the chairs of those committees. And I
10 think, for the most part, some of you had signaled to
11 me that you did not want to continue to serve as Chair
12 and were ready to let someone else do that. And I
13 really tried to see if people who had not had an
14 opportunity to serve as Chair before in some capacity
15 would have a chance to do so for a while.

16 You know, with -- and let me also point out
17 with the funding committees, I have put the Greenway
18 Committee with Restoration and Stormwater. And in
19 talking with staff, it just made sense, in terms of
20 workload, to do that. And of course, I would say that
21 when we began allocation of funds, certainly it'll be
22 up to this committee to decide how to put the funds,
23 so that doesn't necessarily -- certainly doesn't mean
24 that the same percentages that we allocated before to
25 Restoration and Stormwater would hold and that you

1 would have to do greenways with that money. I think
2 the Board will have to decide how it's going to do
3 greenways.

4 And I think a couple of you that were on
5 Acquisitions before, I have moved you to that
6 committee that was dealing with greenways. You
7 expressed some interest in that, and there was some
8 interest in some to move over to the Acquisition
9 Committee. So again, I hope that that meets -- I hope
10 that meets with everyone's approval.

11 With regard to the Administrative and
12 Program Committees, you'll see that that is pretty
13 much left the same as it was. There are not really
14 any changes there. One change is that the Cochair of
15 the Program Committee and -- for stewardship and
16 endowment, I've asked John Crumpler to serve in that
17 capacity. And I tell you, that's an issue -- y'all
18 know that it's kind of near and dear to my heart, that
19 we have let languish long enough, that we've really
20 got to bring that home.

21 We now have the legislation in place to set
22 up our own endowment in the Treasurer's office, but I
23 don't believe the money has ever been transferred to
24 that endowment. It still remains in the STIF account,
25 and whether it goes over and stays invested in STIF

1 account type funding or whether it's in the stocks is
2 a decision that we've got to make. And there's some
3 issues involving setting that up and the cost of
4 setting that up. And with your background, John, I
5 hope you'll give us some leadership in that. You
6 know, maybe it's the kind of -- the year that we can
7 work on these kinds of issues. We may not have quite
8 as much to do in some other things.

9 People have said to me, "Well, there's not
10 going to be anything for the funding committees to
11 do." Well, one thing that we are going to have to do
12 this year -- more about this later, but it's unlikely,
13 I would say, that we're going to get 100-million-
14 dollar appropriation. And as you know, we're
15 \$94 million in the hole, and that is we have made
16 grants that total about 94 million that we have not
17 been able to obligate that money for. So it is
18 probable that one of the things the funding committee
19 is going to have to do is set some priorities,
20 depending on how much funding we get, among the
21 projects that we've already funded. So I would say
22 that that would be something that we will certainly
23 begin working on in August or September, as soon as we
24 know what our funding level is. And certainly more
25 about that.

1 But if any of you are unhappy about the
2 committee assignments or whatever, please talk with me
3 after the meeting, and we'll try to make whatever
4 adjustments. I did take into account whatever -- you
5 know, the forms that you filled out and sent back to
6 me, and certainly tried, I think -- I think for the
7 most part we were able to do what you had asked, so --
8 all right. With that, and moving along, any questions
9 about committee assignments or -- those of you on the
10 phone?

11 Do they have these packages?

12 MR. ROGERS: (Nods head.)

13 CHAIRMAN BADDOUR: They do? Okay, good.

14 We'll move on, then, to the legislative
15 budget and administrative update. Number one, the
16 legislative update. Richard?

17 MR. ROGERS: Thank you, Mr. Chairman. I
18 also want to thank y'all for participating today. And
19 first want to go over and give y'all an update with
20 regards to the Legislature. This year, from a
21 substantive legislative perspective, we'd had a few
22 bills in the mix. There are several bills, and there
23 is -- if you refer to D-1-A in your Board packet, that
24 whole first page is legislation that resulted in the
25 program evaluation study that went on during the

1 interim, that we've been keeping y'all up to speed on.

2 The House Bill 846 is basically the piece of
3 legislation that is still alive. It is a provision in
4 the current House budget. The other bills are not
5 planned to do or will not do -- the Statewide
6 Infrastructure Plan, House Bill 846, basically sets up
7 a legislative study commission to look at wastewater
8 and coordinating efforts and has appointments out of
9 the Legislature. It also appoints the Executive
10 Director of Clean Water and the Rural Center, and also
11 DENR folks to go in and take a look at how we can
12 better coordinate our efforts and work closer together
13 with regards to the state infrastructure across North
14 Carolina.

15 I think it will be a -- if it survives the
16 budget process, I think it will be a needed group that
17 can do some good work. And we can, I think, help
18 ourselves out and also better coordinate our efforts,
19 not only with the Rural Center, but with DENR'S bill.

20 Onto the backside of that page, these are
21 just some bills that we wanted to highlight. The
22 Clean Marinas Pump Station, I think, is an interesting
23 piece of legislation that represented McComas' move
24 forward that is requiring and putting in requirements
25 for pumpout stations at marinas. I think it's a good

1 thing.

2 At one point he was interested in making
3 that part of our criteria and putting it into Clean
4 Water Management Trust Fund's priorities for funding.
5 I felt that we needed to allow the Trustees to take
6 that notion on themselves. If it becomes a priority,
7 then we can put it into the criteria rather than
8 having it legislated. And he agreed to that. So --
9 but the bill is interesting. I think it's good, and
10 it will require marinas to take account of the folks
11 that are in their marinas, so --

12 House Bill 1395 is legislation that was put
13 forward by -- I can't think of her name --

14 BOARD MEMBER: Bryant?

15 MR. ROGERS: Bryant; that's right. It was
16 interested in making sure that we fund our 2008
17 projects. She has several projects in her district
18 that were awarded, and we responded to her with
19 y'all's resolution. That piece of legislation has not
20 showed up in the budget, which I think is a good
21 thing. Again, we need to keep these points of
22 interest and authority sitting with the Trustees and
23 not with the Legislature.

24 Upper Neuse Basin and Clean Water Credits is
25 another bill of interest. I think that the

1 interesting notion here, we're struggling with Jordan
2 Lake rules right now, back and forth, and in a
3 position where it's going to be extremely costly to
4 meet the water quality standards that are there.
5 Senator Josh Stein has taken it upon himself to
6 introduce this legislation, trying to get a little
7 ahead of the curve with regards to the Upper Neuse
8 area and the Falls Lake area prior to it gets
9 developed out. But they can start acquiring credits
10 so that they can meet the regulations as it becomes
11 developed.

12 House Bill 628, the Aquarium Satellite Areas
13 Funding, was simply an authorization to begin
14 construction on the pier project down in Dare County,
15 which, again, is a part of our efforts, and we have
16 funding on that.

17 One of the other issues around the
18 Legislature, and a program that our program, the Clean
19 Water Management Trust Fund, takes advantage of a lot
20 to its donated mini-grant program, is the conservation
21 tax credit. Early in session, Senator Clodfelter --
22 under his leadership we looked at revamping the tax
23 system. And one of the things that he did was
24 eliminate all the tax credits out there. And this is
25 one of those that was potentially going to be

1 eliminated. Again, I think it's something that is of
2 value and provides a great service with regards to
3 conservation efforts and provides a great incentive
4 for landowners too.

5 Just a quick summary of the substantive
6 regulation that we are tracking. And as the session
7 winds down, most of these bills are on their way or
8 either held up somewhere, pigeonholed, and will not be
9 moving. But if you have any questions with regards to
10 that, please let me know.

11 CHAIRMAN BADDOUR: Bill Hollan?

12 MR. HOLLAN: On this conservation tax
13 credit, is that one that's not moving, or is that one
14 that could come up as part of the -- when they're
15 trying to reconcile the Senate version of the taxes
16 with the House version of the taxes?

17 MR. ROGERS: It has a possibility of coming
18 up. We never did see Senator Clodfelter's proposal in
19 legislation. It was basically a white paper that was
20 presented to the Senate, and so we never -- we never
21 really saw it in legislation. But you're right; it
22 could pop up, so we're keeping our eyes out on that.

23 MR. HOLLAN: John, do you have any feel for
24 whether that's going anywhere?

25 MR. McMILLAN: There's a risk that it might

1 go somewhere. There's some stuff going on with the
2 Department of Revenue, and some folks who have applied
3 for this tax credit, and they're in disagreement about
4 that. And so that's -- I think that's given some
5 impetus to this. But it hasn't yet.

6 MR. HOLLAN: We may have some projects out
7 there yet that have this as part of the motivation.
8 Will there be an effective date that might be --
9 July 1 or something might -- of this year that could
10 conceivably interfere with some of these?

11 MR. McMILLAN: I would doubt that. I think
12 it would be prospective as opposed to -- it could be,
13 but generally they put a later effective date on
14 something like that than right immediately.

15 CHAIRMAN BADDOUR: Is there anyone on the
16 phone that would like to make a comment or ask Richard
17 a question about what he's talked about?

18 PHONE PARTICIPANTS: (No response.)

19 CHAIRMAN BADDOUR: Okay. Does anyone else,
20 one of those present, have a comment?

21 THE BOARD: (No response.)

22 CHAIRMAN BADDOUR: You know, one of the real
23 dangers is -- this conservation tax credit, is kind
24 of -- because all of the tax laws are in play as a
25 result of the different budgets that were passed by

1 the House and Senate. I mean, you know, you can have
2 things show up in special provisions at the end that
3 you have very little opportunity to comment on. I
4 mean, it's a very -- it's a dangerous time in that
5 kind of -- for that kind of thing, so -

6 John?

7 MR. McMILLAN: Well, let me just emphasize
8 that, because up until last Monday, the House had said
9 there weren't going to be any increased taxes
10 anywhere. And at 7 -- or, I guess, 8:00 Monday night,
11 we learned there was going to be a Finance Committee
12 meeting Tuesday morning at 8:30. So 12-1/2 hours
13 during the night, people were scrambling, not knowing
14 what was going to be in the House finance package. As
15 it was rolled out Tuesday morning, it increased taxes
16 by a billion dollars, and it had all sorts of things
17 in it, including higher income tax and increased sales
18 tax, tax on -- a franchise tax on LLCs,
19 (unintelligible) reporting of corporation taxes; lots
20 and lots of stuff. And they debated it most of the
21 week and then came up with a little bit different
22 package than what was -- but all those things were --
23 remained in it.

24 So they can happen at any time. And with
25 them being in such -- the Senate has not yet sent out

1 its tax package. The Senate passed its budget a month
2 and a half ago with a 500-million-dollar gap in it to
3 be filled by their revenue package. But that has not
4 yet been taken up, voted on, or considered. So when
5 the conference report comes out at the end, it's going
6 to have things in it that may not have been debated.

7 CHAIRMAN BADDOUR: Okay. Any other
8 comments?

9 Bill?

10 MR. HOLLAN: I guess it seems to me that
11 because it could come up without notice, no
12 opportunity for input, that we ought to make input
13 preemptively, because this is something that's
14 critical. I don't know how many extra dollars have
15 been added to the acquisition of important areas of
16 the state because of this conservation tax credit. To
17 take that away, we're going to have no money for a
18 couple years, I think it'd be devastating.

19 CHAIRMAN BADDOUR: Okay. I think everybody
20 would agree with that, probably. Is there any other
21 comment?

22 MR. ROGERS: We will follow up. We'll try
23 to get a summary of the program itself. I think over
24 the past couple of years there have been some changes
25 to the program to make it more substantial, to better

1 track and better manage the conservation tax credit
2 program.

3 And we'll try to get some of those points
4 out to you in case you're interested in calling the
5 legislators so you have that background. The usual
6 response immediately is the program is being abused,
7 and that -- I think that there is some good
8 information out there that will benefit you if you're
9 interested in communicating it. That's one reason
10 that we put it all on this sheet, is it's just hanging
11 out there. And so we'll provide you all that
12 information the first part of the week.

13 CHAIRMAN BADDOUR: One thing that -- I don't
14 know how hard this would be to do, but staff might do,
15 is to -- those projects which we have funded and
16 either have encumbered or not encumbered but have not
17 yet actually gotten the money, to see if you can get
18 some feel for how many of them were using -- you know,
19 the conservation tax credit was an important component
20 and to get a feel how that would impact on our work.

21 MR. ROGERS: I think you could probably go
22 with 100 percent of the donated mini-grants that we
23 get, and that's a big portion of that, and that's a
24 great program. But we'll definitely get to that.

25 CHAIRMAN BADDOUR: Anybody else, either on

1 the phone or here?

2 THE BOARD: (No response.)

3 CHAIRMAN BADDOUR: All right. With that,
4 then, we'll move on to the legislative budget.

5 MR. ROGERS: We've been trying to keep those
6 up to speed weekly with regards to the Legislature and
7 the budget process. I guess we're starting a long leg
8 for this route. We have the Governor's budget come
9 out; the Senate produced its budget; and then the
10 House, as of about 12:08 or so Saturday morning,
11 approved its budget. And in that budget, Clean Water
12 was appropriated \$25 million; it's a 75 percent
13 reduction in our appropriated funding.

14 MR. HOWARD: Now, was that in the House
15 budget?

16 MR. ROGERS: Yes, sir, that was in the House
17 budget. So now what we have, the Governor provided
18 75 million in her budget; the Senate, 95 million in
19 its budget; and then 25 million in the House budget.
20 Typically, the way the rules work with regards to the
21 conference committees is that you don't go any lower
22 than the lowest number and you don't go above the
23 highest number. And so I guess our range to work from
24 is between 25- and \$95 million, would be the
25 parameters that we'll look at in the conference

1 process.

2 Conferees have not been appointed.

3 Typically, they're the budget chairs, as well as the
4 subcommittee chairs, and then a few others that come
5 into play. The normal process after appointments is
6 they send them back to subcommittee, and then
7 subcommittees work on their budgets and come up with a
8 compromise budget that they send back up to the big
9 chairs.

10 But since -- Clean Water will not be a part
11 of the subcommittee discussion. We are usually left
12 to the discussion between the chairs and usually
13 between the Speaker and the President pro tem in the
14 end. So I think our focus and effort will be more in
15 the leadership and talking to them.

16 It is, again, an interesting time. I
17 forwarded you last week the last handout that we
18 provided our House leadership with, and I think it
19 kind of summarizes the status, where we are, and lays
20 out very well the needs that we have, and clearly
21 communicates that we're down over \$100 million from
22 where we need to be, even before they appropriate
23 funds.

24 So the last part of this process which is
25 going to be most critical for us in making sure that

1 we're in the discussions and making sure that we
2 increase our funding from the House budget and move it
3 up towards the Senate appropriation number.

4 CHAIRMAN BADDOUR: Okay. Is this a stopping
5 point?

6 MR. ROGERS: That's it.

7 CHAIRMAN BADDOUR: You know, I think -- let
8 me just say it's incumbent on all of us and our
9 friends in the land trust community and those who are
10 involved in our effort, to make your communication. I
11 think, as Richard said, the decision about Clean Water
12 has probably made it a fairly high level, but that
13 doesn't mean that -- I mean, those people who are
14 making decisions at high level are listening to
15 everybody. So the input is extremely important. It's
16 a very critical time for us to talk about the
17 importance of our program and keeping the integrity of
18 our program.

19 So, John McMillan, have you got any words of
20 wisdom for us?

21 MR. McMILLAN: Well, the Governor's number
22 and the Senate number were based upon revenue numbers
23 of \$1.5 billion more than what the House budget was
24 based on. And so there's going to be a real challenge
25 for us to get up closer to the higher numbers. And

1 it's incumbent upon us to let Senator Basnight know
2 that we're working, to let Speaker Hackney know how
3 important it is, to let the -- particularly the
4 appropriations chairs know how crucial it is. And
5 there are appropriation chairs from all over the state
6 that need to have input from us and reflect on what
7 we've done -- been able to do for them in the past on
8 funding projects that they were interested in.

9 Just to show the importance of our project,
10 I will tell you that the land trust community and Land
11 for Tomorrow and the Nature Conservancy have been
12 working all session long, and their main talking point
13 is to fund these organizations -- our organization,
14 the National Heritage organization, Parks. And
15 that's -- and they're working nonstop for us, and we
16 need to give them support.

17 MS. CRAGNOLIN: John, is that true of the
18 local governments as well? Are they coalescing behind
19 us?

20 MR. McMILLAN: I'm sure they will. They
21 probably need some encouragement. Richard may can
22 speak to that. They've got their own issues too.

23 MS. CRAGNOLIN: I know.

24 MR. ROGERS: Yeah, one of the things that
25 we've been doing every other week is basically getting

1 our 2008 project folks together on the phone, giving
2 them updates on where we are. We've split them up
3 into kind of the construction projects,
4 restoration/stormwater, and wastewater, and then our
5 land acquisition grouping; provided them an update on
6 where we are, giving them information about how to
7 communicate with their legislators.

8 And I can tell you that out of the
9 construction and the wastewater, we are getting good
10 input from them. They're communicating with the
11 legislators. We encourage them to do it when they're
12 at home. These are local government; these folks can
13 see them on weekends and encourage them to communicate
14 with them about their need, reconnecting with those
15 specific projects that they have on hold and following
16 up with some legislators. I would say that they are
17 communicating and working the legislators pretty well.

18 So I think it's important that we have that
19 aspect of communication and lobbying, as well as from
20 the Nature Conservancy and the other land trusts as
21 well, so that folks can see the complete program and
22 where we are. So we've been really trying to
23 emphasize the effort of getting the local governments
24 engaged in supporting the projects and funding for
25 those projects.

1 CHAIRMAN BADDOUR: Bill Hollan?

2 MR. HOLLAN: John, in communicating with
3 your legislators, is it accurate to say that there is
4 no other program in state government that had all of
5 its funding for the current year taken and is now --
6 and has made commitments for \$95 million that it --
7 has been taken away from it? I mean, isn't that just
8 totally without any comparable situation? When we're
9 looking at the current -- the forthcoming budget and
10 what we need there, is there anybody else who was cut
11 as heavily in this current year?

12 MR. McMILLAN: There were some isolated
13 programs, that were generally non-state government
14 programs, that have been eliminated or defunded -- not
15 many, and no program like ours. We took a hugely
16 disproportionate hit in the -- in all of the budgets
17 that have come out except the Senate budget.

18 MR. ROGERS: Mr. Hollan, I would say yes. I
19 don't know of any other program with this current
20 year's budget that has been -- I mean, they basically
21 took our whole appropriation, 100 percent of it. And
22 I don't know -- I think there may have been some other
23 granting programs -- I don't know if there was an
24 education fund or two that were hit pretty severely.
25 But with regards to -- I think we were pretty much on

1 our own with regards to being impacted 100 percent
2 like that.

3 CHAIRMAN BADDOUR: All right. We'll move on
4 to the next item, which is kind of what you were
5 talking about, the Governor's actions and where, kind
6 of -- I guess that kind of leads into where we are,
7 doesn't it, Richard?

8 MR. ROGERS: Yeah. I wanted just to --
9 again, the Governor -- there's a -- there's the
10 Governor's end of this budget of -- not only what the
11 impact has been, withdrawing money from Clean Water,
12 but there's also -- they are also active in this final
13 process with regards to the conference reporting
14 coming up for the state budget. Just back up on
15 May 5th, I believe, the Governor's office informed us
16 that they were going to take another 12 -- two -- our
17 last two-month allocation, and we thought we were
18 going to run about \$12.9 million short again. Last
19 week we got news from the budget office that they were
20 only going to take just May's allocation and not
21 June's allocation. So that's good news.

22 I talked to Charlie the previous Friday, and
23 I was -- seems that every time I talk to Charlie, they
24 come and take money from us, so I was a little
25 nervous, but early last week we got word that they are

1 actually going to -- and they have provided us our
2 June allocations, so we're in half as bad a shape as
3 we were with regards to the contracts that we'd put on
4 hold with Parks and Rec, Wildlife Resources, Soil and
5 Water, and a couple other entities. And we'll talk a
6 little bit more about that in a few minutes.

7 But it's -- we need to make sure -- and I
8 think it's interesting and a point noted that we need
9 to continue communicating with the Governor's office
10 for two things. One is the end of the year is coming.
11 There may be some moneys left on the table, and we
12 need to make sure that we're a part of that list that
13 may see funding restored. The Governor has made a
14 commitment that it was her intent to restore funding.
15 Of course, we all understand the dire budget straits
16 we're in. However, I still think we need to be
17 communicating with them and making sure they remember
18 the 100 million they took and the projects that we
19 have on hold. We'll do our part as well, and we'd
20 appreciate your support as well in making some calls
21 into the Governor's office as well.

22 On the budget side, I think it is also
23 important that they have a vested interest in Clean
24 Water. The Governor was one of the people that ran
25 the legislation to establish Clean Water Management

1 Trust Fund. I think that she's interested in seeing
2 it move forward, she's interested in sustaining it and
3 continuing the program and that -- during the
4 conference discussions, they'll be at the table -- and
5 again, making sure that they understand the importance
6 of funding Clean Water, our current situation, and the
7 need to provide funding so that we can fund these 2008
8 projects and get those off our plates so we can move
9 forward.

10 If there's any other questions with the
11 Governor's status, ask away.

12 CHAIRMAN BADDOUR: Let me make -- I want to
13 make one comment that I think is a little bit
14 technical. But when Governor Perdue made the decision
15 to come in and to take -- was it 100 million?

16 MR. ROGERS: Yes, sir.

17 CHAIRMAN BADDOUR: -- 100 million from our
18 reserve fund, it wasn't like it was a conscious
19 decision to take the money that we were appropriating
20 this year. Their feeling, and the way it was
21 expressed to us, is they were taking it from our
22 reserves, and it was more of a cash flow issue at that
23 time, and that they would hope to return some or all
24 of that to us.

25 But when it came to us -- when it came to

1 us -- and certainly, as Chairman and as a lawyer --
2 and, you know, we had to look at it in terms of what
3 was encumbered and what was not, what had we committed
4 to and -- what we felt that we had committed to
5 legally. And of course, that's when we had our
6 discussion and we made the decision that we made.

7 It was just -- I don't say it was by chance,
8 but it was -- it almost came out by chance that the
9 amount of money that was taken from the reserve
10 happened to closely equal the projects that had not
11 yet been encumbered. I mean, that was not like it was
12 an absolute, conscious decision on the part of the
13 Governor.

14 I felt it was a very fortunate thing on our
15 part, because it kind of laid out more clearly for us
16 where we are. Now, what has happened since then,
17 Richard's going to talk with you a little bit about,
18 and I'm going to make a comment after that, because
19 what has happened since then, as he goes and talks
20 about D-3 -- and maybe you're going to update it a
21 little bit -- right? -- with that last decision?

22 MR. ROGERS: (Nods head.)

23 CHAIRMAN BADDOUR: We were actually eating
24 into and not going -- and we still are short of money
25 to fund encumbered projects. And --

1 Anyhow, Richard, that's the lead-in I'll
2 give you for talking about 3-A. But it's not quite as
3 bad as (unintelligible).

4 MR. ROGERS: In your packet we sent, the
5 Clean Water Management Trust Fund -- it's a D-3-A
6 agenda item. In your folder you'll have an updated
7 one, where we've made adjustments.

8 CHAIRMAN BADDOUR: Everybody should get the
9 item -- which I didn't do -- out of your folder.

10 MR. ROGERS: This is something that we've
11 been providing since the \$100 million -- and kind of
12 summarizing our overall budget situation. It's very
13 rolled up, of course, but it does hit the highlights.
14 And this is -- as of May 31st, cash balance is
15 \$144,604,000.

16 The allotments, this is the line -- this is
17 the line that changed with regards to our allotment to
18 the other, original version. It'd be -- we're going
19 to be -- we got our 6.5-million-dollar allotment.

20 There's our interest (indicating).

21 It shows our obligations of encumbrances.
22 And as you see, it's a little higher than our cash
23 balance, so we're 158 million in encumbrances.

24 Unencumbered funds, the 457,533 is basically
25 contracts that are closing under budget. The

1 2-million-dollar figure that's in there as well is the
2 town of Morrisville returned a grant that we had given
3 them. They were not going to be able to get it going
4 in time enough, and Bern and staff worked hard to get
5 them to unencumber those funds and bring them back
6 into the -- back in.

7 There's our administrative budget
8 (indicating).

9 All told, our balance at the end of the
10 fiscal year right now will be about \$4.5 million. And
11 I think this is a point that we can really work on the
12 Governor's office at the end of the year. With
13 regards to this year, that we're coming under budget
14 is a point that they should feel obligated in helping
15 us as they can.

16 Below that is basically our grants, awards
17 that remain to be encumbered.

18 Line 22 is the first round of the stimulus
19 funds that we realized, that we'll deduct from our
20 stimulus funds at -- our Clean Water projects that got
21 funded through the stimulus program in the first
22 round. The second round is coming. We should know
23 the results of that by the first part of July, so we
24 hope that we will realize more funds from the stimulus
25 package.

1 CHAIRMAN BADDOUR: I'm sorry. I didn't mean
2 to interrupt you. But I do want to go back for a
3 minute. You know, first of all, I want to thank
4 Richard for -- he's kept us pretty much informed. I
5 know you all have been reading your e-mail, so this is
6 really not new to you, but it's the first time that
7 we've been together, and I want to be sure that
8 everybody's got a chance to question him and question
9 me and question staff about some decisions that have
10 been made.

11 The first one is, okay, what do you do when
12 you've got, we thought, 7 million; and now 4 million
13 in the hole? And it was the staff's recommendation,
14 which I supported -- we certainly talked about it
15 together -- is that, well -- I forgot how much; you
16 can tell us, Richard, but that would be covered by
17 grants that we had made that were encumbered to Parks
18 and Recreation and maybe to the Wildlife Commission.

19 And our thinking was, well, you know, if
20 anybody is going to get mad at us, we'd rather have it
21 be another state agency than a private individual like
22 a land trust or a private individual that we had dealt
23 with. And we thought the legal issues were less
24 complicated if we were holding back from a state
25 agency; the thinking being is that this would

1 eventually be covered anyhow and that -- some of it
2 was Parks and Rec, and they just hadn't got the final
3 request in to us.

4 So anyhow, y'all -- I'd like for Richard to
5 expand on that and see if y'all had any thoughts about
6 it, if you agree with that, if you had any other
7 direction that you want to give to staff about that.

8 MR. ROGERS: What we do have is on Agenda
9 Item 5 or Agenda Item E, and we'll take that up under
10 E-1. If you want to wait until then, we can go over
11 the details on what we've gotten held with regards to
12 our encumbered funds. Do you want to wait or discuss
13 that now or --

14 CHAIRMAN BADDOUR: Well, what do you think?
15 I had forgotten that that was on the agenda items.
16 And maybe we'll just skip over, since we've got the
17 background, and deal with it.

18 MR. ROGERS: What we have in -- if you'll --
19 the E-1 agenda item is -- it basically pertains to the
20 \$12.9 million and the contracts that we put on hold.
21 Those contracts are listed in your Board packet as
22 well. Let's see. They are E-1 in the Board packet.
23 And basically, what we've provided here is a listing
24 of all the projects that we had put on hold.

25 Things, as I mentioned, have changed. We've

1 realized half of those funds since we put these
2 projects on hold. And I guess what we need from the
3 Board -- we don't have enough funds to cover all of
4 those projects, but I think that what we'd like to do
5 with the realized funds is work with the agencies on
6 prioritizing the projects and getting those moneys out
7 the door. Park and Recs, they have about \$9.5 million
8 of invoices sitting in our offices, waiting to be
9 processed as well.

10 And E-2, if you'll look, are some other
11 funds that we would like to have approved so that we
12 can go ahead and make payment on those as well.

13 BOARD MEMBER: Do we have an E-2?

14 MR. ROGERS: Well, it's described in the
15 agenda. It's summarized all in the agenda. There's
16 no attachment there. It's in the agenda.

17 CHAIRMAN BADDOUR: I do apologize to y'all,
18 but it is logical to do what we're doing. What we're
19 going to do is we're just moving right into Item E.
20 Mr. McGrady?

21 MR. McGRADY: Yeah, just a question. I
22 mean, at every Board meeting I've been at, I think
23 we -- part of our agenda is unencumbering pieces here.
24 And so I think it -- my guess is it's probably a good
25 assumption that some of the grant contracts we've got

1 in place will have some small pieces of them come back
2 to us. And given the, you know, 158-million-dollar
3 number and that the shortfall is only 4-1/2, given the
4 way we have unencumbered in the recent past, I'm
5 assuming there's some real shot that these two numbers
6 will come together.

7 And I'm particularly assuming that based
8 on -- in the wastewater and stormwater areas because
9 of the -- I mean, the massive construction cost
10 changes that I'm seeing, as a local official, on
11 roads, airports, anything that has to do with asphalt,
12 cement, and digging in the earth. I mean, we're
13 seeing 20, 25, 30 percent reductions in cost estimates
14 on a range of projects of all ilk.

15 So I guess I'm not as bothered by this gap
16 as long as we're monitoring it, because I have a
17 suspicion that it will work out, given the size of the
18 unencumbered -- excuse me -- encumbered contracts that
19 sit out there. And I just, you know, would like to
20 get your reaction -- or staff's reaction as to what
21 I'm suggesting here.

22 CHAIRMAN BADDOUR: Let me give you my
23 reaction. And I don't know. This Board, in the past,
24 has never paid out money that we do not have. So if
25 you -- you know, we can bet on return; you can say,

1 "We know that we're going to unencumber another 5- or
2 \$6 million in the future, so therefore we'll go ahead
3 and pay Parks and Recreation, we'll go ahead and do
4 those things." But you've never done that in the
5 past. And so that's why staff made a temporary
6 decision to say we're going to hold back some money
7 until we actually have it covered.

8 Now, if you disagree, Chuck, and if the
9 Board disagrees, I guess you can do that, but it will
10 be a departure from the way we have done business in
11 the past, so --

12 Mr. McMillan?

13 MR. McMILLAN: I think what you've done is
14 correct. But as -- if we were to do it the other way,
15 we'd be, in effect, budgeting lapsed salaries or
16 something of that nature. But I do think that we've
17 gotten -- now that we've gotten this last allocation,
18 that there's no need to hold \$9 million of
19 applications, as long as we hold back \$4-1/2 million,
20 that we can -- that we ought to do that.

21 MR. ROGERS: That is -- I mean, that's the
22 intent. And what we need is, I guess, an affirmation
23 of managing it that way. And what we will do is get
24 with Parks. There's also a letter in your packet from
25 Parks, expressing their concern with regards to

1 holding their projects. And you do need to read that.
2 I think it's a letter that's well put, and I think it
3 also outlines some of the tough situations that Parks
4 is in as well. They're in a similar situation as us,
5 quite frankly.

6 So I guess, Mr. Chairman, what we'll do is
7 we will hold back the projects -- list of projects
8 in -- of the amount that -- of our balance. Now, what
9 I think we need -- now, the question is if there's any
10 interest in looking at specifically the projects
11 themselves, or would you rather defer -- we will be
12 glad to manage that and provide the money for what we
13 have.

14 CHAIRMAN BADDOUR: No, I think it would be
15 good to have a motion to give staff direction on this.

16 Mr. McMillan?

17 MR. McMILLAN: I move that we hold back
18 those funds that would put us out of balance,
19 sufficient amount so that we maintain a balance of --
20 in the positive number until we can get new allocation
21 of money.

22 MR. HOWARD: Second.

23 CHAIRMAN BADDOUR: Motion made and seconded.
24 Now, is anyone on the telephone? I've ignored you for
25 about 20 minutes now. I want to be sure; does anybody

1 want to question or speak on this?

2 PHONE PARTICIPANTS: (No response.)

3 CHAIRMAN BADDOUR: Okay. Mr. Rascoe?

4 MR. RASCOE: Thank you, Mr. Chairman. I
5 certainly support the motion. I do have one comment.
6 You asked for an affirmation of management, Richard.
7 And, you know, the letter from the Chairman of Parks
8 and Recreation, I do have -- I guess my thought would
9 be in any communication back to them, it made clear
10 that we're loosening up \$4-1/2 million because it's
11 clearly a balance situation; it's not because we're --
12 gee, we're just folding and giving out paper money.
13 That would be the concern I would have.

14 CHAIRMAN BADDOUR: Any other comments?

15 Mr. Hollan?

16 MR. HOLLAN: Well, I think I understand what
17 we're trying to do here, but I'm more persuaded by
18 Mr. McGrady's argument that this money is never going
19 to be needed anyway. What we're doing is taking all
20 acquisition projects and the -- not so much
21 acquisition, but we're buying these from people who've
22 entered into contracts with the State. They've had
23 these funds encumbered. The State has said we're
24 going to pay for these, either through Park and Rec or
25 through us, and now we're going to be renegeing on

1 contracts to buy land from people.

2 Now, if you've ever heard about stimulus or
3 shovel-ready, these are projects that are ready to go.
4 We've got sellers out there who negotiated in good
5 faith with the State. The State has agreed to buy
6 their properties, and now we're saying we're pulling
7 them -- the money after it's been encumbered.

8 I don't -- we have the money to close on
9 these. And these are -- I don't know why these are
10 any less important than the last \$4 million that we
11 may spend out of that 144 million that we have that
12 probably is never going to be spent. So I would
13 strongly favor not keeping \$144 million in the bank,
14 not being used for any good purpose, and reneging on
15 deals with the owners with whom we have contracts --
16 and we are the State -- to worry about money that's
17 not going to be spent for 10 years.

18 And if the State doesn't want to live up to
19 its obligation -- we didn't create this imbalance in
20 our funding; we've been as prudent as anybody. The
21 State took this money, and I don't even think they
22 understood what they were doing. But I'm going to
23 vote against it. I would prefer we take no action on
24 this, that we proceed to fund the projects and
25 ready -- as they're ready, as long as we have

1 \$144 million in the bank.

2 CHAIRMAN BADDOUR: Further discussion?

3 Mr. McGrady?

4 MR. McGRADY: I guess I wasn't going to take
5 my argument quite as far as Bill has, but I really
6 just wanted to point out that I think -- my gut
7 reaction is this problem is going to go away over time
8 just because we -- every meeting I've been at, we
9 unencumber some piece, and it's usually a seven-figure
10 number, and if we do that two or three times, we're
11 going to be there; and because I think the costs are
12 going down.

13 The other part that I -- you know, you look
14 at the projects that are listed on E-1, and -- you
15 know, you pull two of them, and you can fund
16 everything else. And I -- again, I -- part of me, I
17 just don't want to get into me going back and us going
18 back at this point and, you know, just pulling two of
19 them. But as a practical matter, I mean, you knock
20 out two of these projects, and everything else gets
21 funded.

22 And I guess my advice to staff would be to
23 try to move to clear, based on the priorities given to
24 us by the State, the departments here, as many of them
25 as we can. Because I think Bill's argument about --

1 you know, that he just made regarding, you know, what
2 we're practically doing here is the right one. And I
3 won't -- my initial reaction to the decision --

4 And, Phil, I really appreciate your sort of
5 articulating why we -- it made sense to go this way in
6 terms of, you know, whose projects are being
7 encumbered and, you know, it will all wash out as
8 between state agencies.

9 But part of me also goes the other way,
10 that, you know, golly, let's not make the state
11 problem worse, just moving it somewhere else by not
12 funding that set of problems. I had sort of the other
13 reaction, Phil, until I sort of understood your -- you
14 know, your rationale here. And I -- and you certainly
15 see that within the letter that we got from the Parks
16 and Recs people.

17 So I'm going to support -- I'm going to
18 support John's motion here because I think, you know,
19 as a practical matter, it's all likely to work out.
20 And again, if this list -- if we're funding all but
21 one or two of these projects, we can do it with the
22 funds we've got in place.

23 CHAIRMAN BADDOUR: Mr. McMillan?

24 MR. McMILLAN: Well, I think it's going to
25 work out too. I think it's going to work out as soon

1 as we get our first check within the next fiscal year,
2 and we'll be able to do this. I was a little -- I
3 didn't understand why the Parks and Recs folk didn't
4 at least send a copy of the letter to the Governor.
5 It should have been addressed to the Governor, not to
6 us. And the Governor ought to be aware of some of the
7 problems that were created by the action that was
8 taken.

9 CHAIRMAN BADDOUR: Mr. Howard?

10 MR. HOWARD: Mr. Chairman, I believe
11 proceeding in the direction you've outlined and
12 Richard has outlined would leave off the table any
13 perception that we're operating in deficit spending.
14 And it's going to resolve itself, because in a year,
15 hopefully, we're going to get some money back anyway.
16 So we're talking about weeks and not --

17 CHAIRMAN BADDOUR: We really are, yeah.

18 MR. HOLLAN: Well, I don't know how it
19 resolves itself if we have a contract to buy stuff
20 from somebody and then we renege on that contract and
21 they pull the plug on it for some reason. I mean,
22 these are projects that are ready to go. It'll
23 resolve itself through the fact that some of these
24 deals won't get done that are five years out. That's
25 where it resolves itself.

1 And if we're going to get money -- we'll
2 just be getting money next month, why put the Parks
3 and everybody else through the heartburn? Maybe I
4 don't understand. Is this the Washington Monument
5 thing, where we're hurting somebody in state
6 government so they'll go to the Governor and --

7 MR. McLEAN: Mr. Chairman, in view of the
8 fact that this is going to get -- this matter's been
9 pretty well talked out, I'm calling the question.

10 CHAIRMAN BADDOUR: Well, I hear you, but I
11 still want to let everybody have everything -- if they
12 want to say anything, Dickson, I'd like to do that.

13 Karen?

14 MS. CRAGNOLIN: I mean, are we acting like
15 the State has an option whether or not to actually
16 fund the projects that we've already approved? Is
17 that an option on behalf of the State?

18 CHAIRMAN BADDOUR: Well, I -- are you
19 talking about those that are encumbered or those that
20 are not encumbered?

21 MS. CRAGNOLIN: Either way. I mean, if we
22 told somebody that they had a grant, whether it was a
23 local government or a conservation nonprofit, and they
24 acted on that and told other people, "We've got
25 the" -- their partners; you know, they don't do this

1 by themselves -- and then that -- are we now acting
2 like: "Oh, well, we're going to change our minds"?

3 CHAIRMAN BADDOUR: Well, paragraph 3 of all
4 of our contracts is "subject to the availability of
5 funds." So, I mean, it's an interesting legal
6 question, but it's in --

7 MS. CRAGNOLIN: Has the Attorney General's
8 office ventured an opinion on this?

9 CHAIRMAN BADDOUR: No.

10 MS. CRAGNOLIN: Would you like to?

11 CHAIRMAN BADDOUR: No. I mean, that's my
12 opinion. I don't think you asked for that kind of
13 opinion. I think we're going to get through this
14 okay, is what I'm trying to say. I don't think it
15 ultimately will become a legal issue. But I was just
16 responding to your question. I mean, it's in there,
17 paragraph 3.

18 MS. CRAGNOLIN: Right.

19 CHAIRMAN BADDOUR: Richard?

20 MR. ROGERS: I just want to say this is an
21 accounting issue, and I was -- I was trying to make
22 sure, by putting these projects on hold, that we
23 impacted our constituency the least that we could.
24 Now, the Parks and Rec is not a critically important
25 constituency. A lot of these projects have already

1 been closed, they've been paid for, we're reimbursing
2 the Parks. That's another state entity. That was
3 kind of my thinking with regards to putting these on
4 hold.

5 One thing we didn't want to do is hold up
6 funding going to a local government, holding up
7 funding going to a land trust. To get to this point
8 that we are today so that we can discuss it, have
9 input from the Trustees. I think, like Phil says, and
10 John, and everyone, we'll get through this. It's just
11 making sure that we do it in a way that kind of
12 follows accounting principles and we don't get
13 ourselves out there too far.

14 Again, I think we can bring this issue --
15 there are projects still pending in August -- bring it
16 back. In August we'll be looking at 2008 projects and
17 other unfunded projects as well, prioritizing those.
18 So it will fall into that category unless we do have
19 funds and we can -- if y'all prioritize these, with
20 the next funds we get in, we can go ahead and run
21 these out as soon as we get the projects and invoices
22 in.

23 CHAIRMAN BADDOUR: Okay. Further
24 discussion?

25 Stan?

1 MR. VAUGHAN: Just for edification, I guess
2 we're talking about, right now, the \$9-1/2 million
3 that's closed and not the others that aren't in
4 contract? There's an 833,000 in this list that says
5 it's not under contract yet?

6 MR. ROGERS: Yes, sir.

7 MR. VAUGHAN: And also for edification, that
8 \$9-1/2 million is in the 40.37 million on this cash
9 balance paper?

10 MR. ROGERS: Yes, sir.

11 MR. VAUGHAN: So the way I look at it, we're
12 not deficit-funding because we're paying the first
13 bills that come due. And there's some -- a lot of --
14 and particularly in wastewater and maybe in some of
15 the others too, that won't be -- won't have to be paid
16 for several years. So -- and we also know that we're
17 probably going to get 25 million, anyway, from out of
18 the State this year. So I don't see that we are
19 really paying anything that we don't have the cash
20 for, I guess is what I'm saying.

21 CHAIRMAN BADDOUR: All right. Further
22 discussion? Anybody on the phone have a comment?

23 PHONE PARTICIPANTS: (No response.)

24 CHAIRMAN BADDOUR: All right, hearing none,
25 so many as favor the motion by Mr. McMillan, seconded

1 by Mr. Howard, signify by saying, "Aye."

2 THE BOARD: (Some members) Aye.

3 CHAIRMAN BADDOUR: Opposed, "No."

4 THE BOARD: (Some members) No.

5 CHAIRMAN BADDOUR: Okay, the ayes have it.

6 Okay, Richard, now let's go back to the
7 agenda as you have it written as opposed to how I --

8 MR. HOLLAN: Are we still talking about
9 where that money could come from? Can it come --
10 we've had CREP and the swine floodplain easement
11 program. Are those two that are eligible for this
12 4-1/2-million-dollar cutback?

13 MR. ROGERS: Yes, sir.

14 MR. HOLLAN: I make a motion that we take --
15 that as to our priorities, we take \$2 million out of
16 the CREP program and a million -- and 2 million --
17 whatever the difference is -- out of the swine farm
18 floodplain program -- which they haven't spent any of
19 it and those are other projects -- and that we proceed
20 to acquire the acquisition projects that have been
21 approved.

22 CHAIRMAN BADDOUR: I take that -- you really
23 don't mean take it out of it? You mean delay, which
24 is what we were going with the other?

25 MR. McGRADY: You're just designating

1 (unintelligible) --

2 MR. HOLLAN: (Unintelligible) -- four
3 million five thirty-three that we need to come out
4 of -- if we want to, maybe out of swine farm
5 floodplain and CREP, and not out of any of the
6 acquisition projects.

7 MR. McGRADY: You're not defunding them?
8 You're simply saying, "You're not to pay out those
9 funds until you have that money"? Is that your
10 motion?

11 MR. HOLLAN: We've already defunded
12 \$4-1/2 million.

13 CHAIRMAN BADDOUR: No, we haven't.

14 THE BOARD: (Some members) No.

15 MR. HOLLAN: Okay. Well, I'm not defunding
16 them. I'm -- yes, I'm saying --

17 CHAIRMAN BADDOUR: You're saying rather than
18 the money being withheld from Parks and Recreation,
19 that this is a different source that you would
20 withhold from?

21 MR. ROGERS: Yes, sir.

22 CHAIRMAN BADDOUR: I'm sorry. Is there a
23 second?

24 MS. CRAGNOLIN: (Raises hand.)

25 CHAIRMAN BADDOUR: Karen seconded the

1 motion.

2 MR. ROGERS: Just a comment. In talking
3 with Soil and Water, we have another motion on paying
4 some of their bills that we'll be able to pay. I
5 don't know that we need Board action because they're
6 funds of bills they already have. I think it's about
7 280,000. The swine buyout program is effectively on
8 hold in totality. It might be better if we put on
9 hold that 3 million and then pull the remainder out of
10 the CREP program, if you're -- if you'll do that.

11 MR. HOLLAN: I'll amend my motion to suggest
12 that we take it out of those two programs as
13 determined by the staff.

14 CHAIRMAN BADDOUR: All right. Seconded,
15 Karen?

16 MS. CRAGNOLIN: I second.

17 MR. WRIGHT: I have a question.

18 CHAIRMAN BADDOUR: Mr. Wright?

19 MR. WRIGHT: And that is in taking these
20 fundings out, I'm worried about, long-term, how we go
21 about putting the money back where it's at. And does
22 the Board -- I just want a comment from the Board
23 whether they are going to consider putting this money
24 back in when it comes available to us or whether we're
25 going to just consider this a long-term cut. And

1 we've worked a long time on the CREP program and on
2 the swine buyout, and I want some kind of -- at least
3 talk about commitment of trying to get these funds
4 back in place once our funding becomes available.

5 CHAIRMAN BADDOUR: It was my understanding
6 that these are all encumbered funds that we have
7 already contracted for. And my understanding of the
8 import of both the first motion and the second motion
9 is that we're not removing anything; it's just these
10 would be put on hold until the first funds were
11 available. That's how I understood it. Now -- so --

12 MR. WRIGHT: Is that your interpretation,
13 Richard?

14 MR. ROGERS: Yeah, our intention is that we
15 will inform, should this motion pass -- and of course,
16 we've been talking with the Soil and Water program --
17 that any bills -- they need to put the programs on
18 hold until further notice, we will not be able to make
19 payments on the contracts and any invoices that come
20 in on those contracts.

21 The swine buyout program, my understanding
22 is they have two projects in. David Williams was
23 talking with them. They are already on hold because
24 they're on this list. They are not depopulating the
25 farm or doing anything. They are just -- they are

1 waiting and continuing about their business until
2 further notice.

3 And the same is true with regards to the
4 CREP program. And this will give him some guidance
5 (unintelligible) continue to move forward in the CREP
6 program. My understanding in the CREP program, that
7 things are picking up, the expansion of the project
8 area, and things are moving along a lot better, so
9 they are interested in moving these funds. So the
10 idea is once the funds become available, then we'll be
11 able to move forward with these encumbered projects.

12 MR. WRIGHT: Thank you.

13 MR. ROGERS: Karen?

14 MS. CRAGNOLIN: With CREP we're not paying
15 any salaries; is that correct?

16 MR. ROGERS: I'm sorry?

17 MS. CRAGNOLIN: In CREP we're not paying any
18 salaries?

19 MR. ROGERS: We -- the CREP program is -- we
20 pay them a proportion on every project that they do.
21 There is a formula worked out where we pay actual work
22 being done per project. So there are funds going
23 towards salaries, but it's on a per-project basis.
24 That formula is one the Board worked out when I was
25 back at the department.

1 MR. HOLLAN: It's all reimbursed; it's so
2 much per acre.

3 CHAIRMAN BADDOUR: Okay, you've heard the
4 motion. Is there further discussion?

5 THE BOARD: (No response.)

6 CHAIRMAN BADDOUR: Does anyone on the phone
7 want to weigh in on this?

8 PHONE PARTICIPANTS: (No response.)

9 CHAIRMAN BADDOUR: Okay. Richard, what is
10 staff comment on the motion? Does that work just as
11 well?

12 MR. ROGERS: Yes, that's fine. That's the
13 direction we want to go.

14 CHAIRMAN BADDOUR: All right. Hearing none,
15 so many as favor the motion by Mr. Hollan, signify by
16 saying, "Aye."

17 THE BOARD: Aye.

18 CHAIRMAN BADDOUR: Opposed, "No."

19 THE BOARD: (No response.)

20 CHAIRMAN BADDOUR: All right, the ayes have
21 it.

22 Okay. Richard?

23 MR. ROGERS: Thank you, Mr. Chairman. We'll
24 be -- back on the first page of the agenda, D-3, Clean
25 Water Management, our program budget, I want to take

1 us back just for a moment. A year ago Clean Water was
2 sitting on the brink of, I think, getting its fourth
3 year of funding at 100 percent of \$100 million. We
4 were on top of the world, so to speak. We were
5 looking internally at staffing needs, building
6 expectations for deliverables with regards to our
7 contracts, with regards to our application with you,
8 setting standards that the Trust Fund wanted to meet.

9 The Trust Fund responded in August of last
10 year and provided what I believe is a budget,
11 administrative budget -- it works about 100 percent of
12 the needs with regards to our organization. We were
13 able to meet targets, close to them. And I think the
14 program was running well and we were moving along and
15 maturing as an organization.

16 Since November of last year, when the wheels
17 started falling off the economy, we had about a
18 5 percent increase at that time. Soon the Board
19 responded and put in a 10 percent reduction in our
20 budget in order to make available the needed funds or
21 what we thought were needed at that time.

22 Unfortunately, we took 100 percent reduction, and it
23 has put our '08 projects on hold until we receive more
24 money.

25 During this time we -- staff has worked

1 diligently trying to leverage other funds, stimulus
2 funds. We've been running through our contracts,
3 trying to see what contracts would be managed
4 appropriately, see if there was money in the contracts
5 and that we could unencumber those contracts and those
6 funds, and have been looking under every rock for
7 funding to help offset the impact that we had. To
8 date we've generated about 4.3 million in stimulus
9 funds and are looking to generate some more. And as
10 we've just mentioned, we've unencumbered about
11 2-1/2 million dollars' worth of contracts.

12 Again, we're working the Legislature, trying
13 to increase our funds and realize money to fund our
14 2008 contracts. During this time, again, as I
15 mentioned earlier, we've stayed close with our
16 clients, we've continued to process grants and
17 contracts, paying bills with the funds that we have
18 encumbered, I think in a timely manner. And we've
19 also been communicating with them with regards to
20 lobbying the Legislature on getting their projects
21 funded. So we've been -- made a great effort in
22 trying to keep folks abreast of what's going on and
23 the status of our efforts.

24 With regard to staff, I don't have to tell
25 you it's been an emotional time. It's been up and

1 down. One thing we have been doing -- Tom, Beth, and
2 myself -- we've been trying to communicate, be as open
3 as we can with staff. We've been letting them know
4 our thoughts with regards to how we're going to manage
5 our administrative budget and tried to be as open and
6 let them know that there may be some dire things
7 happen with regards to our administrative budget,
8 whether it's (unintelligible) or we may end up having
9 to release staff. I think it's important that we are
10 open with our staff and that they provide us feedback
11 and input as well. And we've been trying to process
12 that as we move forward.

13 I've also had the opportunity to speak with
14 all the Trustees with regards to their thoughts on the
15 administrative budget. I appreciate your comments. I
16 think they're well-thought comments, and we're working
17 on using those and having them as input with regards
18 to how we manage things.

19 First slide, Lisa.

20 The first think I wanted to do is address
21 our budget as we move into July. We will not have in
22 place an administrative budget adopted by the Board
23 when the fiscal year comes in. Basically, what we are
24 doing is working back from our budget last year. And
25 this -- and I want to summarize for you what we'll be

1 going into the new fiscal year with.

2 The new fiscal year will see the budget from
3 last year reduced by 13 percent at staff; that's three
4 staff that we have let go -- the total -- the full-
5 time equivalent of three staff.

6 What that entails is it entails about a half
7 position of contract development folks that we had on
8 temporary that we would use in developing contracts
9 after awards were made. From all I can tell, we're
10 not going to be making awards this year for '09
11 projects, so we're taking those out of the budget.

12 Our budget will be reduced by one and a half
13 attorneys, and this is a very big impact with regard
14 to our projects. But again, we're not going to be
15 engaging in new contract development, contract
16 implementation, final review of contracts and of
17 applications. Our closing projects will continue, the
18 ones that we had to close; Robin will be taking that
19 responsibility on.

20 We're also reducing our staff by another
21 temp acquisition/administration. This is a position
22 that the Board approved but we did not fill wisely
23 last year because of the concern with regards to the
24 economic times. This acquisition/administration
25 person is a valuable person with regards to moving

1 through our invoices and helping us manage our
2 acquisition projects.

3 So I wanted to make sure that y'all realize,
4 with regards to staffing, entering into this budget
5 year, we're going to be down 13 percent with regard to
6 staffing.

7 Our operating costs we have reduced by
8 27 percent. A lot of this cost has come from some
9 projects that we have delayed; one is a scanning
10 project with regard to our files. There's also a big
11 reduction with regards to our Board meetings, which is
12 pretty evident as we sit here today.

13 And we are also seeing operation costs
14 reduced with regards to travel. As we move through
15 the year, there may be some flex in that. I'm hoping
16 we'll be able to get back on the road some. As you
17 all know, that's a critical component to our program.

18 Overall, the budget coming into this year is
19 a 14 percent reduction from last year, and this is
20 before -- this is before we know what kind of funding
21 we are going to get. We pointed out some of the
22 unknowns that we have in dealing with our
23 administration budget. Of course, the appropriation
24 amount is the largest unknown. We still have more
25 stimulus funds that we may get. We got additional

1 projects and contracts that we're reviewing, looking
2 to unencumber funds. And then, finally, I think, as
3 we discussed earlier, we have the opportunity to work
4 with the Governor's office in realizing some of the
5 funds that she is committed to giving us back, if at
6 all possible, at the end of the fiscal year.

7 So I wanted to review this with y'all and
8 give y'all a sense of the reductions that we are
9 taking administratively and that will be in effect as
10 we move into this new fiscal year. It's a different
11 year; we realize that. And I think we -- that I, as
12 administrator of the program, realize that 14 percent
13 may not be enough.

14 One thing that we've been doing with regards
15 to looking at next year's budget is we've really tried
16 to focus on workload as it relates to some of the
17 primary and core functions of our program. And so
18 we've developed a -- I don't know how you'd
19 characterize it, but a spreadsheet, I guess, is the
20 best way to do it -- is a spreadsheet identifying the
21 workload as it relates to our application process, as
22 it relates to our contracts, and then also, you know,
23 all program management. And we'll go into that in a
24 little bit more detail.

25 The model that we'll present to you today

1 basically throws in our debt that we have, the
2 contracts that we have on hold, which we just
3 discussed, the 2008 projects that are pending. We've
4 run three different scenarios -- 25 million,
5 50 million, and 75 million -- and then the staff
6 functions are applied as I mentioned before.

7 Next slide, please.

8 The Clean Water Management Trust Fund -- as
9 I said, we try to look at the core functions of the
10 program. The application process is one of the major
11 functions, of course; our contracts; and then our
12 remaining administrating program and all those things
13 listed there. What you see here is kind of a
14 breakdown. What we did was we went through, took each
15 employee's work plan. We asked them to put a
16 percentage of work with regards to these different
17 areas, and then they responded, the managers collected
18 that information, and then we input it into the
19 spreadsheet. As a result, you can see how the
20 breakdown of the workload is.

21 Application is a 22 percent of total staff
22 workload. That's one thing to keep in mind as you go
23 through this: These percentages are total staff
24 workload. Our contracts take up 42 percent of our
25 entire staff time. Our program area takes up

1 36 percent of our staff time.

2 The -- as you can see, underneath each one
3 of those areas we've broken down into the four-two-
4 three major functions that we identified within those
5 areas.

6 Let's see. Next slide, please.

7 Now, what we've done here is we've totaled
8 the workload. The current -- and again, the
9 100 percent workload is based on last year's budget.
10 And you can see the workload under the 25-million-
11 dollar scenario. What we've done here is apply
12 \$25 million. And as you know, \$25 million will not
13 get us to funding new applications. You can see the
14 reduction of total workload in the bottom graph there.
15 In '09-'10, we have a 19 percent reduction in
16 workload. The red line you see there is the reduction
17 that we already -- that we will be going into the new
18 fiscal year with.

19 The first column -- I'm sorry. Under
20 "Current," we have 100 percent funded administrative
21 budget, and then we have \$100 million, so that
22 represents 100 percent of work reductions that we've
23 made in the budget is in '09-'10. And then, as we're
24 calculating the workload, it comes in at 19 percent
25 less than what we budgeted. It's not very hard to see

1 that it's going to have to be some drastic measures
2 taken if we get \$25 million funded.

3 CHAIRMAN BADDOUR: I just want to be sure --
4 it took me a minute to catch this -- at a 25-million-
5 dollar funding scenario, it would take approximately
6 three and a half years just to fund the projects that
7 we've already awarded? That's kind of what this is
8 showing?

9 MR. ROGERS: That's correct. And as a
10 result, you can see in '12-'13 we start getting money
11 back in the hopper, so the workload goes up with
12 regards to processing applications.

13 If you look at the top graph, you can see
14 the blue portion, which is the application, basically
15 disappears for two years while we're not processing
16 any applications. I think there's a 3 percent of
17 application process, which we call "project
18 development." So there's little or no -- and that's
19 where the big drop comes with regards to 25-million-
20 dollar-a-year funding over the next three years.

21 I just can't tell you how critical it is
22 that we don't end up here. It is -- and I'm not
23 talking just from administrative perspective; I'm
24 talking about from a program perspective. It will be
25 difficult for us to stay out there and be active in

1 the field and make sure that our program isn't long
2 forgotten and gone in three years.

3 Next slide, please.

4 The 50-million-dollar funding scenario.
5 Again, it's twice as much money, but it also shows a
6 much different scenario from an administrative
7 perspective as well. What we have is we only have a
8 3 percent reduction or gap less than what our adjusted
9 budget currently is. And as you can see, it's -- in
10 moving out years, we actually start to regain and move
11 back up in the high 80 percent of workload. And
12 simply, that's because -- we get 100 million, we'll be
13 in position to -- over two years, we'll be in a
14 position next year, 2010, to add some type of
15 application and process applications.

16 And you can see the result of that up in the
17 top scenario -- I'm sorry -- the top portion of that
18 slide, whereas the blue portion and application of
19 the -- expands in the third year out. In '09-'10 the
20 gap basically is -- from this time, where we start
21 scoring and scoping and getting projects prepared for
22 presentation, is -- that is not what we'll be doing
23 this year, so you see a reduction there in the
24 application process.

25 Next slide.

1 Again, the 75-million-dollar scenario, I
2 think we're on target here in '09 and '10. And as you
3 can see, again, workload quickly returns in the out
4 years because we'll have money in '09 -- sorry -- in
5 '10 and '11 to process applications and get back on
6 track with regards to a normal program process.

7 So what we're trying to do is look at
8 workload. I feel like it's -- one of the things we
9 want to do is maintain these core functions. We want
10 to continue to pay the bills. We want to be able to
11 service our clients as well. And -- but I don't think
12 we can go out and completely ignore the situation of
13 funding and how much we potentially will be funding
14 and that we may need to make some further adjustments
15 with regards to the situation.

16 Mr. Chairman, that's it.

17 CHAIRMAN BADDOUR: Yeah. And this is for
18 discussion, but what I would recommend is that when
19 the budget is adopted and we know how much money that
20 we have, we have a committee, an Administrative
21 Committee, that will meet and listen to Richard's
22 recommendations and to propose an administrative
23 budget for the Board. Probably we'll have to meet,
24 you know, either at the meeting or in between, just
25 depending on what the timing is on the adoption of the

1 budget.

2 But what I thought that we would do today
3 would be to open it up for any input that the Board
4 might have, any thoughts that you have, any advice
5 that you would like to give to the staff. You know, I
6 think this would be a good time to do this. That, of
7 course, is an ongoing responsibility of the Board
8 members, not just during the Board meetings, but at
9 other times also.

10 But we've all been worried about this.
11 We've been concerned about it. We're going to have
12 some decisions to make in 30 to 60 days, whenever we
13 get the budget. So I know it's -- staff is thinking
14 about it, worrying about it. So let me start out by
15 saying, anybody on the telephone like to be heard on
16 this at this time? Okay, I'm going to give y'all a
17 chance.

18 PHONE PARTICIPANTS: (No response.)

19 CHAIRMAN BADDOUR: Okay. Members of the
20 Board?

21 Stan?

22 MR. VAUGHAN: I have -- can we go back --

23 MR. ROGERS: Yeah, we can go back.

24 MR. VAUGHAN: -- to the 50 million?

25 MR. ROGERS: Sure.

1 MR. VAUGHAN: I had a little difficulty
2 understanding under that scenario. If we're going to
3 be -- to fund 2008 awards -- well, basically
4 98 million, \$95 million short?

5 MR. ROGERS: Right.

6 MR. VAUGHAN: And then you've got two years
7 of administrative budgets there. So under a 50-
8 million-dollar scenario, how do you work in the
9 applications or contracts until after 2011?

10 MR. ROGERS: Well, under the 50 million,
11 what we'll do is the 50 million will go for this year,
12 completely, to fund '08. That'll leave us 40 million,
13 45 million of remaining funds. And then there will be
14 some money to process applications. Again, what we're
15 taking into account, as given here, is that we're not
16 going to have a 2009 cycle. I think that's pretty
17 clear by the actions of the Board. But what that also
18 does is it gives us some money, and what we've taken
19 is some money to work into an application process, to
20 have an application cycle next year.

21 So the idea and thought is, with regards to
22 the application, this year we don't do -- and complete
23 our process on applications. We got it to a point
24 that we go on the site visits. The field reps have
25 done their job on the ground, looking at them and

1 assessing them. And now we're in the process that
2 we're -- that we're not considering moving forward
3 with is the process of scoping the projects, scoring
4 the projects, and moving forward on that part of the
5 review because we don't believe we're going to have an
6 application cycle this year.

7 But if we get 50 million this year and then
8 50 million next year, it does give us some money in
9 order to have an application cycle.

10 MR. VAUGHAN: Just a follow-up. I guess I'm
11 having a problem following the numbers. For example,
12 in 2009 we'd have no applications?

13 MR. ROGERS: Right.

14 MR. VAUGHAN: In 2010 we might have
15 applications, but we wouldn't have -- at the best we
16 wouldn't have more than maybe 25- or \$30 million of
17 awards?

18 MR. ROGERS: Right.

19 MR. VAUGHAN: And why do contracts stay such
20 a big percentage of that time when we're not even
21 going to have contracts to award?

22 MR. ROGERS: Well, the number of contracts
23 that we currently have in-house -- what -- let me just
24 go into a little detail on how we mean the contract
25 portion of it, which I didn't do earlier. We

1 currently have about 300 contracts that are -- hold on
2 one second. We currently have 346 contracts that
3 we're administrating now. And we're saying that they
4 roll out after two -- on an average of two and a half
5 years, so we still have a big load of contracts
6 existing that we are processing.

7 We will not have to write new contracts this
8 year; that's correct. We do have to do some final
9 things with regards to the contracts that we have
10 ready. And I will have you know that we've got all
11 our contracts with the exception of two, I think, out
12 to our folks for the '08 projects. So the contract
13 work kind of stays steady all the way through just
14 because of existing contracts.

15 Development of the new contracts and getting
16 those in place is -- what percentage of a workload is
17 that? Yeah, the new contracts per total staff is only
18 7 percent of our workload in the contract period.

19 So --

20 MR. RASCOE: Mr. Chairman?

21 CHAIRMAN BADDOUR: Peter? Peter Rascoe?

22 MR. RASCOE: I've got three questions on the
23 very first slide, just a clarification.

24 CHAIRMAN BADDOUR: You want the --

25 MR. RASCOE: Okay, the top three bullets are

1 what's going to happen -- we're implementing those
2 anyway, regardless?

3 MR. ROGERS: Yes.

4 MR. RASCOE: I had a question on the top
5 bullet, the "3 of 22 FTEs." I'm confused because
6 that's -- you're talking about the temporary staff.
7 On the top, you have as of July 1, we will have
8 eliminated all temporary staff?

9 MR. ROGERS: Right. They're part of
10 three -- they are the three FTEs.

11 MR. RASCOE: So they're full-time
12 temporaries? I got you.

13 MR. ROGERS: Well, it's equivalent to three
14 full-times. I mean, it's actually incorporated like
15 five people that were working part-time. We had one
16 and a half attorneys; that's one and a half persons.
17 And then we had two working on a new contract, and
18 then we have another one that was working on our
19 acquisition management.

20 MR. RASCOE: So the three is temp -- it's
21 temporary layoffs or whatever?

22 MR. ROGERS: Well, they were temp staff;
23 however, two of them were filling established
24 positions that we did not fill.

25 MR. RASCOE: Okay. That's all I had.

1 CHAIRMAN BADDOUR: Mr. McMillan?

2 MR. McMILLAN: Richard, you and I talked a
3 little bit about this. The budget is -- we never know
4 from year to year what our budget's going to be.
5 We've been fortunate to have three years in a row
6 where we've been at full funding. But no matter what
7 the number is for the coming year, we won't know what
8 it's going to be for the second year until over a year
9 from now. And so we're almost having to do this year
10 by year.

11 Are there some things that we could do with
12 our staff that would be helpful? One thought is to
13 take a look back at projects we've done; have site
14 visits that would have been made to new applications,
15 have those made to projects that we had completed; and
16 do some sort of analysis of what we have accomplished
17 over the years -- and utilize our staff so that we
18 don't have layoffs and have to reboot up if the next
19 year we go back to full funding. Are there some
20 things that you could do in the interim that would be
21 positive and productive, that wouldn't be make-work,
22 but would be helpful?

23 MR. ROGERS: I think there are several areas
24 of the program that we can do that. I think you
25 raised one in particular that we've talked about in

1 staff -- and in reality, it'll go across the Board --
2 and that's following up on our projects to make sure
3 that they have done what they said they're going to
4 do, to do some monitoring and produce some outputs
5 with regards to our projects.

6 One of the things that our program -- it's
7 not because we hadn't wanted to, but trying to measure
8 the output that we have with regards to the impact to
9 the environment is something that we could definitely
10 focus on. I think that's just one area.

11 Also, with staff, what we're doing is we're
12 reallocating some staff. I did not mention that, but
13 because of the need with regards to processing
14 administrative invoices and that kind of thing, that
15 position that we're laying off, we're currently
16 training Penny here so she can take over some of those
17 functions. And, you know, we're realizing -- filling
18 that gap to an extent at no extra cost to the program.
19 And she's proficient enough in some of the other
20 duties, and we're looking at rearranging staff duties.
21 Everybody in staff is aware that their workload may
22 change, they may be required to do new things.

23 You know, we're looking at all kinds of
24 alternatives. So one of the things with regards to
25 contracts, we're looking at contracts and contract

1 development and seeing if we can't get staff involved
2 in that piece too, because that's always a place where
3 we get bogged down and get dragged down after the
4 Board has approved things. So we are taking an in-
5 depth look and I think a holistic approach to
6 everybody's role and how we can better prepare
7 ourselves.

8 One thing, I think, is we need to be lean,
9 because the very point that John McMillan raises is we
10 don't know from year to year what we're getting, so we
11 need to be as efficient as we can. We're striving to
12 get to that point. And I think there are areas of the
13 program where we can improve our efforts during these
14 times, if there's work that we can do that would in
15 the long run help the program run more effectively,
16 more efficiently.

17 MR. McLEAN: McLean here.

18 Richard, I understood earlier that you said
19 that you either developed or would be developing a
20 spreadsheet for each position, the amount of work
21 performed by that position; is that basically correct?

22 MR. ROGERS: What we -- yes, sir. What we
23 did was we apportioned percentage of times into those
24 core functions, and we provided the amount of
25 workload -- of time that they spent in those areas for

1 all the staff members. And that was in order to
2 develop the model that we presented today.

3 MR. McLEAN: Richard, I think that that
4 spreadsheet would be good information for all of the
5 Trustees to have, if you can -- we can all have copies
6 of it.

7 MR. ROGERS: We'll try to make it make more
8 sense to you in a -- we'll see what we can do to get
9 it to you.

10 CHAIRMAN BADDOUR: Yeah, Richard has some
11 detailed backup information to these things, which he
12 can share, certainly, with us and with our committee.

13 Karen?

14 MS. CRAGNOLIN: Several years ago we made
15 our staff exempt from the State Personnel Act. What
16 is the impact of that on any action that we might take
17 for staff? What would be the difference between if
18 they really were state employees and not exempt and --
19 or is there no difference?

20 MR. ROGERS: That's a very good question. I
21 think the major difference is some of the rights they
22 have with regards to placement and -- but we can pull
23 that information for you, Karen. I don't have the
24 details on that right now. I can't tell you that off
25 the top of my head.

1 CHAIRMAN BADDOUR: Mr. Rascoe? Peter?

2 MR. RASCOE: I just wanted to clarify one
3 more thing. In that regard, really, until you know
4 what the appropriation is, you won't kick in a plan
5 for any of that until then, and then the
6 Administrative Committee would meet with you prior to
7 the August meeting, and that's where that will come;
8 is that right?

9 MR. ROGERS: That's correct. Yeah, I think
10 what we've tried to do is make the adjustments that we
11 think will be required, and we have done that. And
12 then it's just waiting for the other foot to drop, to
13 see what it is we have to work with. You know, we
14 always -- I wish I had it now, but we don't. And
15 believe you me, I am eager to get this behind us so we
16 all can move on.

17 CHAIRMAN BADDOUR: What -- you know, my
18 talking with Richard -- just share this a little bit
19 with you. You know, I think it's incumbent on him, as
20 the Executive Director -- it is -- for him to put
21 forth a budget for us to consider. But it's the
22 Board's job to adopt the budget. But I think we want
23 Richard to tell us how to get where we want him to go.
24 We've got to agree with it. But, I mean, I think
25 that's his leadership, and he'll have to do that.

1 If he comes up with a budget, if the
2 committee and this Board doesn't agree and they say,
3 "Richard you've got too much money in operating
4 expenses, and you're going to have to cut it some
5 way," then he's going to have to figure out a way to
6 cut it and come back to the point where we can
7 reach -- we can feel comfortable with what's being
8 recommended to the Board.

9 And so we've got a tough job ahead of us,
10 folks. There's just no doubt about it; we've got a
11 tough job. I think, though, that he's done some good
12 background and some good thought, and your input today
13 and your continued input, when we find out what the
14 numbers are, then we'll know what we've got to do.

15 Bill Hollan?

16 MR. HOLLAN: I have two questions. One,
17 don't we have some legislative parameters on what our
18 administrative budget can be, as a percent of our
19 award or something like that?

20 MR. ROGERS: Yes, sir, it's based on
21 2 percent of our fund balance. And this budget
22 proposed will be fine for now. Now, that's not saying
23 if we don't get some funding, that we're not going to
24 be in trouble. One thing that we've worked at on the
25 Senate side was looking to work more with just a

1 funding gap so that then it's the Board's decision on
2 what the budget is for administration and not having
3 to be, you know, committed or tied to the fund
4 balance.

5 Because I think one of the issues is that we
6 want to get that fund balance as low as we can get.
7 And if we have a percentage connected to that fund
8 balance, and if we get the program as efficient as we
9 can, then we start running into problems with
10 operating cost. So it appears, in projections, that
11 we'll be able to hang in there this year. However, we
12 do have a provision in the Senate budget that's still
13 in contention to get past, that will take off that
14 requirement.

15 MR. HOLLAN: Well, an observation, I guess,
16 is that I understand the process you went through, and
17 I think there's a risk in that process. Everybody
18 knows what we're facing; and so you ask how much of
19 your time you spend on new projects, and people are
20 going to say, "I don't spend very much of my time at
21 all on new projects; I spent all my time on last
22 year's projects." And so I think you're likely to get
23 a natural tendency for people to overinflate.

24 I think Stan's observation about these
25 levels would be consistent with my thought about that.

1 You know, I would say don't ask your barber if you
2 need a haircut. If you ask somebody who's got a
3 direct stake in what's going to happen how they spend
4 their time, they're likely to do some other things.

5 The other thing, I think -- and I guess I'm
6 envisioning the worst-case scenario then, of 14 or
7 19 percent cut and what happens if -- I don't know the
8 extent to which we need to take into account the face
9 of Clean Water around the state. I mean, you could
10 say if we've got no projects, we don't need field
11 reps, for instance. We -- you know, if all we're
12 doing is administrating contracts and running program,
13 we don't need field reps. Those are the faces of our
14 program around the state.

15 And so I think you need to take into account
16 something other than just the self-employment
17 workload. This looks like a headquarters budget
18 rather than a -- I mean -- and it should be. I mean,
19 let's prepare our headquarters. But in the military,
20 you know, you don't want to cut your troops in the
21 field and leave just headquarters.

22 MR. ROGERS: Well, just a comment with
23 regard to that. My sense is the field reps are a
24 critical piece to the program. They are the face of
25 the program. And again, their workload is impacted

1 the most with regards to when you don't have
2 applications. But I -- you know, I don't foresee us,
3 you know, running out -- without field reps. I just
4 think that they're too critical a component of the
5 program and very important.

6 CHAIRMAN BADDOUR: Let's see. Chuck
7 McGrady?

8 MR. McGRADY: First, Richard, I appreciate
9 the information you pulled together here, particularly
10 with respect to sort of how the workload breaks out.
11 I feel better informed about, you know, going forward,
12 having seen this.

13 After we talked the other day and you
14 indicated you were inclined to, you know, proceed with
15 the status quo until we figure out a funding scenario,
16 I just -- I continued to just mull that over and churn
17 on it a bit. And I guess what precipitated my thought
18 on that was Robert's memo back a month ago or so, when
19 he -- we sort of clearly put out that, you know, if
20 our program is going downward here, at some point in
21 time we're going to have to address those.

22 I guess I'm willing to, you know, take a bit
23 of leap of faith and follow you, Phil, in terms of:
24 Okay, we're going to put this off a month and a half
25 and wait to see how the funding scenario breaks out

1 based on this information that we've got here. But I
2 just wanted to admit I'm nervous about that.

3 I mean, my thoughts are probably influenced
4 most by, again, how my local government reacted to
5 what was going on. In October, as soon we understood
6 what was likely to happen in the sales tax revenues
7 coming into the county, we began making significant
8 cuts well in advance of actually knowing what those
9 numbers are. And my county is in pretty good shape
10 right now because we, much earlier than a wide range
11 of other local government entities, moved forward.
12 And I was nervous then about moving forward, because
13 who knows? Maybe the sales tax stuff will go back.
14 But Lord knows we're so much better shape than a lot
15 of other people because we acted on what we knew was
16 going to be a pretty significant cut.

17 And part of me -- maybe a month and a
18 half -- if we're going to do this in August, it's not
19 that big a thing. But I -- Phil, I am a little
20 nervous just sort of putting it off. I mean, there's
21 just no way we're going to come under a 75-million-
22 dollar allocation this coming year. \$50 million may
23 be the right number. God forbid the 25. But I think
24 we've got to think in terms of the 25, 50. And part
25 of me goes, you know, aren't there some even, you

1 know, small steps that the Board can begin to take to
2 reflect what is likely to be a significantly smaller
3 appropriation? And I'm not willing, you know, to
4 think about funds returned by the Governor's office as
5 a possibility of bailing us out of this situation.

6 I just want to, Phil, indicate my
7 queasiness, I guess.

8 CHAIRMAN BADDOUR: Okay. Jerry?

9 MR. WRIGHT: Mr. Chairman, I guess the --
10 when I'm on my tractor, riding around watching the
11 birds fly by, I listen to the public radio, and
12 Senator Rand was on the other day, on radio. And the
13 thing that really caught me, in listening to that, is
14 that I guess they're doing their formal projections on
15 revenues and whatever, and he was talking about
16 projections of revenues and the far extent of those
17 revenues getting back -- even starting to be familiar
18 with what we've dealt with in the past. And he talked
19 the number of 2013, 2014.

20 And so far as that, the thing that I see
21 locally in our government is that sales taxes are
22 still dropping, revenues are still dropping,
23 basically. And it is the counties, basically, that
24 have -- were, over the years -- our county cut their
25 budget this time about 7 percent, and they're talking

1 about cutting their budget again 7 percent in this
2 projected year coming up.

3 And so that revenue -- I think the one thing
4 I'll say is that unfortunately, our reserves basically
5 put a pretty big target on us, and they came and got
6 the money, and we are going to get those, and it
7 should be our long-term -- in our long-term interest
8 to try and keep those revenue surpluses down.

9 And we've tried to talk about that over the
10 years, and we've talked about it a lot. And we should
11 reconcentrate our efforts to keep those reserves down.
12 It gets us in trouble, and we just need to try and
13 process and get that money out the door as quickly as
14 possible.

15 CHAIRMAN BADDOUR: Okay. Any further
16 comment, anybody on the telephone?

17 PHONE PARTICIPANTS: (No response.)

18 CHAIRMAN BADDOUR: Okay. Mr. Howard?

19 MR. HOWARD: Thank you, sir. I agree the
20 perception becomes reality, and our large cash
21 balances have gotten us in trouble over the years.
22 But one of the things that -- starting with Joe
23 Hester, that we've done is having a credible -- our
24 credibility has not been in question because we've
25 been able to react, and we've (unintelligible) in

1 bringing our staffing levels up, and our
2 administrative budget. So I am extremely nervous.

3 In the private sector, when revenues fall,
4 we have to take positive steps. We don't have any
5 other choice. And so I am extremely nervous that we
6 seem to be trailing in this effort. And I would just
7 caution us not to put ourselves in the position where
8 we open ourselves up for some criticism, and that we
9 move aggressively to not have an administrative budget
10 equal with the 25- or 50-million-dollar funding that
11 we did with 100-million-dollar funding.

12 CHAIRMAN BADDOUR: Further comments?

13 THE BOARD: (No response.)

14 CHAIRMAN BADDOUR: Richard, is there
15 anything else you want to -- anybody else got
16 anything?

17 THE BOARD: (No response.)

18 CHAIRMAN BADDOUR: Richard, I'll give you
19 the last shot here.

20 MR. ROGERS: I appreciate your interest.
21 And we'll work through this; and again, we will be
22 responsive to what we're appropriated. I would
23 hesitate -- and one of the reasons I don't think we
24 need to begin action now is our livelihood is still in
25 the balance in the Legislature. If word gets out that

1 we're reducing staff, I don't know whether that's a
2 very positive sign that we expect money to come to us.
3 And I want to make sure that we respond appropriately
4 with regards to the appropriation.

5 And I hear your concern there. But again,
6 you know, I think -- I'm ready to get this behind me.
7 I know we all are. But I think we still need to -- we
8 need to hold on until we find out what the bottom line
9 is with regards to our appropriation and the other
10 factors, whether they're a pie-in-the-sky hope of
11 action or not. But they are still factors that are
12 out there, that may have some impact on us.

13 MR. McGRADY: Mr. Chairman, just one
14 following thing. In effect, we're operating with zero
15 funding this year, if we got \$100 million in funding
16 but we also had \$100 million taken away from us.

17 CHAIRMAN BADDOUR: Okay. Richard, now,
18 we -- have we now covered everything on Item D, or is
19 there anything else? We're going to take a break in a
20 minute. Is there anything on D we need to deal with,
21 or have we covered that?

22 MR. ROGERS: Number 6, at the very top of
23 the page, I think it would be good -- and again, this
24 might be something good, right prior to break time, to
25 think about and come back and see if y'all want to

1 take any action. But I do feel like it's important
2 that we take our 2008 projects, the committees look
3 back over them. We are going to be in a position
4 where we're going to have funding -- we're not going
5 to have all our funding.

6 And we're going to need to come up with a
7 system of prioritizing these 2008 projects out the
8 door. There's factors other than water quality score
9 that are out there. Some are under contracts; some
10 have two signatures; some have one; some have spent
11 funding. And I think -- and it might be good, during
12 the interim between now and August, that we process,
13 in committee, these projects with staff so that we can
14 come up with a newly prioritized list.

15 And then I think the other question that
16 will be coming before us is -- well, we got three
17 committees; how do we bring them back together and
18 then have a single list for us to work down with
19 regards to what goes out the door for us once we do
20 get funding?

21 So that's the thought behind that, and I do
22 feel like we do need to kind of take a look at this.
23 And I'm open to your suggestions.

24 CHAIRMAN BADDOUR: All right. Any comment
25 on that?

1 Mr. Hollan?

2 MR. HOLLAN: The only thing I would
3 suggest -- I know we made a decision over the phone
4 meeting about how to spend the next \$96 million we
5 get, but I would urge us to have to look at possibly
6 trying to come up with a mini-grant program for this
7 forthcoming year. If we get the most bang for the
8 buck on those, if we can get going in these months or
9 planning for future projects or something like it,
10 just to keep our program active and to do some good
11 works.

12 And for a million bucks or something like
13 that, if we could find a way to get out and scrub the
14 bushes, to get out good projects with small amounts of
15 money, I think that'd be money well spent and it would
16 be doing good for the future, so --

17 CHAIRMAN BADDOUR: Okay. Mr. Vaughan?

18 MR. VAUGHAN: I've made this comment before.
19 And I think last year, when we were voting on 2008, I
20 was very concerned about the scores, in some of the
21 2008 projects particularly. I've always thought that
22 in everything we've done -- and I took a CPA exam, had
23 to score 70 out of a total possible points to pass,
24 and that's the way it's always been in school. And I
25 know we approved some projects in 2008 that wouldn't

1 come close to that.

2 So I would hope that in staying with what
3 we've already said on prioritizing the 2008 projects,
4 we still take a look at the low-score projects, and
5 whether something comes along this year or next year
6 that's so outstanding that it might -- I guess what
7 I'm saying is if a great project came along today, I'd
8 have a much better conscience funding that than
9 funding a project in -- that was approved in 2008 that
10 was very low score. That's just my opinion.

11 CHAIRMAN BADDOUR: Thank you. Any other
12 comments?

13 THE BOARD: (No response.)

14 CHAIRMAN BADDOUR: If not -- on the phone?

15 PHONE PARTICIPANTS: (No response.)

16 CHAIRMAN BADDOUR: Folks on the phone, I
17 guess if you want to, you can stay on the phone or
18 hang up and call back in. Can they do that, Penny?

19 MS. ADAMS: I would recommend not.

20 CHAIRMAN BADDOUR: She says not, so you put
21 it on hold.

22 We will come back promptly at 10 after 3;
23 and it is now 3 minutes to 3. So we will start
24 promptly at 10 after 3. We'll be in recess for about
25 12, 13 minutes.

1 (A short recess was taken.)

2 CHAIRMAN BADDOUR: Okay, it's 10 after; we
3 said we'd start back at 10 after. So we will now --
4 Richard was on -- well, we did E-1. Have we done E-2?

5 MR. ROGERS: Mr. Chairman, I think because
6 of the reimbursement of funds or of us getting our
7 last month allotment, that E-2 is not an issue now.
8 These are invoices that were received before we put
9 these projects on hold, and we were going to make a
10 request to the Board to go ahead and pay those since
11 they had already been incurred. But now we have funds
12 to manage this with.

13 CHAIRMAN BADDOUR: All right. Well, then,
14 we'll move on to F. Larry? Is Larry here?

15 MR. HORTON: Yes, I am here.

16 Item F-1 is a request to utilize unspent
17 funds. We've had several of these in the past little
18 while. The Town of Mount Olive is looking to use some
19 of their unused funds. The Trustees have approved a
20 grant of up to \$115,000 for engineering design and
21 permitting, and the town has an estimated 46,600-
22 dollar project cost underrun.

23 And because it's such a high percentage of
24 the contract, that's why we needed to bring it for
25 Board action. It did not -- would not work with the

1 decision matrix mechanism, so that's why we brought it
2 to you.

3 The town's letter proposes to use the funds
4 for design of additional inflow/infiltration reduction
5 work. The work would be in addition to the project
6 scope in the town's application. Staff does not
7 recommend approval of the town's request to use the
8 funds because the work is not part of the project as
9 specified in the grant agreement with the town.

10 Thank you.

11 CHAIRMAN BADDOUR: Okay, you've -- you know,
12 obviously, this was typically a situation -- if it was
13 our regular procedure, we would have had a committee
14 meeting and the committee would make a recommendation.
15 So in effect, we're just going to act like -- you
16 know, we have to do this without the committee process
17 because of the situation that we're in. So we want to
18 have full and open discussion. So you've heard the
19 staff recommendation. Do I hear a motion to get this
20 on the floor?

21 MR. McLEAN: Move that the recommendation be
22 accepted.

23 CHAIRMAN BADDOUR: Okay, we've got a motion.

24 BOARD MEMBER: Second.

25 CHAIRMAN BADDOUR: Is there any discussion?

1 THE BOARD: (No response.)

2 CHAIRMAN BADDOUR: Anybody on the phone have
3 anything they want to say?

4 PHONE PARTICIPANTS: (No response.)

5 CHAIRMAN BADDOUR: Hearing none, so many as
6 favor the adoption of the staff recommendation as
7 moved by Mr. McLean, signify by saying, "Aye."

8 THE BOARD: Aye.

9 CHAIRMAN BADDOUR: Opposed, "No."

10 THE BOARD: (No response.)

11 CHAIRMAN BADDOUR: The ayes have it.
12 Okay, next, Will Summer.

13 MR. McLEAN: Mr. Chairman, I'd like to be
14 excused from any participation on this.

15 CHAIRMAN BADDOUR: Yes. Let the record show
16 that Mr. Dixon McLean is excused from voting and
17 participating in deciding F-2.

18 MR. SUMMER: All right. Item F-2 is a
19 request for additional funds from the Lumber River
20 Conservancy in regards to Project 2005B-020. If I can
21 start with a medium story. If anybody wants any more
22 details, I'll be happy to provide the longer version.
23 But essentially, this project was approved for 400,000
24 on the 2005 cycle. The original request was 478, and
25 it's my understanding that it was -- the Board elected

1 to get the 400,000 and allowed them to come up with
2 the additional 78,000 to provide what was seen as an
3 adequate match, around 17 or 18 percent.

4 So they had some issue come up with that
5 extra money, as well as their initial appraisal, I
6 believe, was flawed, and they didn't consider a large
7 portion of the timber value of the tract. So I think
8 it's -- their initial timber appraisal was flawed
9 because the timber appraiser did not take into account
10 any of the timber value that was in the wetlands; and
11 since this is a bay, most of the property is in
12 wetlands.

13 So in addition to not being able to fund
14 that additional match, that meant the landowner in
15 this case felt that that was unfair and they since got
16 a second appraisal within the State Property Office.
17 And rather than throwing out the appraisal that was
18 viewed to be flawed, they just averaged the two.

19 And fast-forward to 2009. We've now, since,
20 revisited the issue. The State Property Office issued
21 a new statement that they do, in fact, believe that
22 first timber cruise was flawed and therefore shouldn't
23 be averaged, and the second timber appraisal was
24 averaged.

25 So what the applicant is asking for is

1 \$500,200 to cover expenses and a higher land
2 acquisition price. Given that the new value, between
3 5- and \$6,000, that actually does have them at an
4 equivalent match of up to 17 percent on the low end,
5 as much as 22 percent depending on how the final land
6 averages come out, and that has yet to be surveyed.
7 But that is the case.

8 I think under a normal year, given that
9 they're not asking above the value, they're not asking
10 for purchase of uplands, and they're not asking for
11 match to be reduced below what the Board had initially
12 approved, it might be seen by staff as a reasonable
13 request. But I believe this year, due to our budget
14 situation, staff does not recommend approval for these
15 additional funds.

16 Thank you.

17 CHAIRMAN BADDOUR: All right. Do I hear a
18 motion?

19 MR. CAMP: I move that we accept the staff
20 recommendation.

21 CHAIRMAN BADDOUR: Motion by Mr. Camp

22 MR. JOHNSON: Second.

23 CHAIRMAN BADDOUR: Seconded by Mr. Johnson.

24 Is there any discussion?

25 Mr. Markham?

1 MR. MARKHAM: Yes. Well, I know this is
2 before your time. Do you recall what this project
3 scored out?

4 MR. SUMMER: I had discussions with Tom
5 Jones about that in November, and I apologize for not
6 having that number at my fingertips. I believe it was
7 in the high 80s. Tom, do you have that number?

8 BOARD MEMBER: I believe it was 87.

9 MR. SUMMER: And it may have been bumped up
10 a point or two, given this new match scenario.

11 CHAIRMAN BADDOUR: Further discussion?

12 THE BOARD: (No response.)

13 CHAIRMAN BADDOUR: Those on the phone,
14 anybody have anything they want to say?

15 PHONE PARTICIPANTS: (No response.)

16 CHAIRMAN BADDOUR: Hearing none, so many as
17 favor the motion that the staff recommendation be
18 adopted, signify by saying, "Aye."

19 THE BOARD: Aye.

20 CHAIRMAN BADDOUR: Opposed, "No."

21 THE BOARD: (No response.)

22 CHAIRMAN BADDOUR: The ayes have it.

23 Okay, F-3, Kevin Boyer.

24 MR. BOYER: Thank you, Mr. Chairman. This
25 is a request from the Public Works Commission of the

1 City of Fayetteville to reduce the scope of work and
2 the budget on a project that was awarded in August
3 2006 for up to \$2.647 million for construction of
4 three stormwater BMPs. Since that time the PWC has
5 completed the design, and their engineer's estimate
6 indicates that the construction cost will be well
7 above the budget they have available.

8 Their request of the Trust Fund is to drop
9 from the scope of work one of the three BMPs and use
10 the -- most of the available funds to construct the
11 other two BMPs, and to reduce the award amount and the
12 amount of matching funds needed to complete the
13 project. So the request is to reduce from three to
14 two the number of BMPs, to reduce the award amount
15 from \$2,647,000 to \$2,439,000 -- excuse me --
16 2,439,443 -- that's a reduction of 207,557 -- to
17 reduce the match from \$682,800 to \$603,324, a
18 reduction of \$79,476. The staff recommends approval
19 of the City of Fayetteville PWC's request.

20 CHAIRMAN BADDOUR: Okay. Is there any
21 question of Kevin?

22 THE BOARD: (No response.)

23 CHAIRMAN BADDOUR: Do I hear a motion?

24 MR. CAMP: I move to accept the staff
25 recommendation. Camp.

1 CHAIRMAN BADDOUR: Camp moved. Seconded by?

2 MR. JOHNSON: Second.

3 CHAIRMAN BADDOUR: Mr. Johnson. Any

4 discussion?

5 Stan?

6 MR. VAUGHAN: I'm sure it's not as simple as
7 I'm of trying to make it, but if you go from three to
8 two and you only reduce it by 10 percent, does that
9 make sense? The cost?

10 MR. BOYER: Well, that -- the nature of the
11 request, Mr. Vaughan, I suppose, is that the cost is
12 considerably -- is ending up being considerably higher
13 than they originally expected. It happens that in
14 reducing the number from three two, they did not need
15 all of the funding that would remain available, and
16 that's why they're requesting a reduction. So it's
17 really a matter of not having enough funding available
18 to complete the work as originally approved.

19 MR. VAUGHAN: But I guess what I'm saying is
20 it's reducing the work by a third, so you've got a
21 significant cost overrun, and if we were looking at it
22 solely as funding a cost overrun, would we look at it
23 differently?

24 MR. JOHNSON: Might depend on the cost of
25 each BMP.

1 MR. BOYER: Looking at it on a unit-cost
2 basis, the cost increase is, on a unit-cost basis --
3 that is, for a unit of output -- only about 3 percent.
4 So it's close to being the same unit cost, cost per
5 unit of output, just reducing the scope down so that
6 they can make it within budget.

7 CHAIRMAN BADDOUR: Further discussion?

8 Mr. Henderson?

9 MR. HENDERSON: Well, that's a great
10 question. I had the same question. But looking at
11 your answer there, then I guess what you're saying is
12 that given the cost projections, the \$2,647,000 would
13 not have been near enough to have funded it; is that
14 correct?

15 MR. BOYER: That's correct, Mr. Henderson.

16 Also, the scale of -- the relative scale of
17 the BMPs may be what was throwing the numbers off or
18 making the numbers appear to be off when they're not.
19 This reduction from three to two BMPs reduces the
20 volume of storage -- that is, the output -- by only
21 10 percent, even though it's reducing by 33 percent
22 the number of BMPs, because of the difference in sizes
23 of the BMPs. That is, it was the smaller BMP that's
24 being dropped, decreasing the output by only
25 10 percent.

1 CHAIRMAN BADDOUR: Further discussion?

2 THE BOARD: (No response.)

3 CHAIRMAN BADDOUR: Anybody on the phone want
4 to weigh in?

5 PHONE PARTICIPANTS: (No response.)

6 CHAIRMAN BADDOUR: So many as favor the
7 motion to accept the staff recommendation, signify by
8 saying, "Aye."

9 THE BOARD: Aye.

10 CHAIRMAN BADDOUR: Opposed, "No."

11 THE BOARD: (No response.)

12 CHAIRMAN BADDOUR: The ayes have it.
13 Kevin, are you here?

14 MR. BOYER: Yes, sir. I have a request from
15 Durham Soil and Water Conservation District to
16 reduce -- to approve reduction of the amount of
17 matching funds on a project. In this case the
18 matching funds is value of conservation easements
19 being donated to the project. After the design of the
20 stream restoration was completed, the district was
21 approached by the property owner, who has had some
22 financial reversals and no longer wants to donate as
23 much conservation easement as originally intended for
24 the repairing buffer. He is still willing, however,
25 to donate the minimum 50-foot-wide buffer rather than

1 150 to 450 feet, as originally offered.

2 So the reduction in the scope of work would
3 be the reduction of the width of the repairing buffer.
4 Going along with that would be reduction in matching
5 funds in the form of value of the donated easement.
6 The grant amount would remain the same, and the match
7 amount would be reduced from the original \$105,000 to
8 \$38,000, a reduction of \$67,000. Staff recommends
9 accepting or approving the request from Durham Soil
10 and Water Conservation District.

11 CHAIRMAN BADDOUR: Any questions of Kevin?
12 Kevin Markham?

13 MR. MARKHAM: Yes, thank you. I know we're
14 not talking about a lot of money for a restoration
15 project on this one, but one of the things I've got
16 heartburn on is this is a project we've made a
17 decision based on a landowner donating something
18 larger than what's required as their match.

19 Durham County has buffers that are mandated
20 that are minimum 50 feet. So in essence, I'm not sure
21 that the match really has a significance or it even
22 has that much value if they can't do anything with
23 that 50-foot buffer anyway. I think this sets a
24 dangerous precedent, to come back and substantially
25 change the project itself in terms of what the State

1 is getting for its money.

2 However, with that said, because this isn't
3 a drinking-water watershed, I think it's a good
4 project. But I just want to make sure we all look at
5 this very carefully and understand that this is, I
6 think, a substantial change in terms of the original
7 agreement.

8 CHAIRMAN BADDOUR: All right. Further? I
9 asked for questions.

10 MR. HOLLAN: I had just a question about --
11 they came in with this understanding. Did they
12 have -- do they not have an agreement? I mean, is the
13 landowner not under some agreement to do this? Now
14 that significant money has been spent and this program
15 has been approved, can a landowner just say, "I've
16 changed my mind"?

17 MR. BOYER: There is not a binding agreement
18 on the property owner, only a letter of intent from
19 the property owner to participate in the project. And
20 that was not -- that's not required by the Trust Fund;
21 that's something that Durham Soil and Water obtained
22 on their own.

23 MR. HOLLAN: But, Will, as Kevin said, we
24 made the grant on the assumption that we did have
25 something more -- better than a letter of intent.

1 Maybe we just need to look at the procedure going
2 forward, that we have better than a letter of intent
3 in a case like this.

4 MR. JONES: Mr. Chairman?

5 CHAIRMAN BADDOUR: Tom?

6 MR. JONES: My first reactions, you know, to
7 this is real similar. And the going from 150 feet to
8 50 feet, if the donation was -- the fact that it's a
9 donation figures into it.

10 Secondly, as far as the 50-foot buffer is
11 concerned, if you have an existing forested 50-foot
12 buffer, you cannot violate it. But if you don't have
13 that 50-foot buffer, there is nothing requiring you to
14 put one in. So in this case he's done a minimum, 50
15 feet, to be basically restored and revegetated. And
16 for the livestock itself, in particular, that's the --
17 that is the BMP. So if it was a clear 50-foot buffer,
18 there is nothing existing that makes him forest that
19 buffer. But he just can't destroy one that exists.
20 And that's the kind of weirdness of that buffer rule.

21 CHAIRMAN BADDOUR: Do I have a motion?

22 MR. HOLLAN: I move that we accept the staff
23 recommendation.

24 CHAIRMAN BADDOUR: Okay, motion by Bill
25 Hollan.

1 MR. McGRADY: Second.

2 CHAIRMAN BADDOUR: Seconded by Chuck
3 McGrady. Any further discussion?

4 THE BOARD: (No response.)

5 CHAIRMAN BADDOUR: Anybody on the phone want
6 to weigh in on this?

7 PHONE PARTICIPANTS: (No response.)

8 CHAIRMAN BADDOUR: So many as favor the
9 motion to adopt the staff recommendation, signify by
10 saying, "Aye."

11 THE BOARD: Aye.

12 CHAIRMAN BADDOUR: No?

13 THE BOARD: (No response.)

14 CHAIRMAN BADDOUR: The ayes have it. Okay,
15 F-5, Kevin again.

16 MR. BOYER: Item F-5 is from the National
17 Committee for the New River. It is a request for
18 changes in the budget and contract conditions for this
19 project because of unanticipated funding or landowner
20 issues that arose during construction.

21 The original grant was made in August 2007
22 in the amount of \$214,000 for restoration of about
23 1400 feet of stream, East Fork of the New River.
24 National Committee for the New River has completed
25 construction along the full length and reported

1 conservation easements for about 90 percent of the
2 length. Some of the matching funding fell through
3 after the grant was awarded and after they had started
4 construction. The National Committee for the New
5 River, since, though, has secured \$20,000 in cash
6 match of the grant.

7 Because of difficulty in recording an
8 easement on the remaining 10 percent of the stream,
9 they're requesting approval to not have to record an
10 easement and also to be -- to not be able to -- or
11 recognition that they're not going to be able to claim
12 the value of that easement. The reason they haven't
13 been able to record the last part of the easement is
14 financial difficulties, legal difficulties on the part
15 of the property owner and not able to now enter into
16 legal agreement -- and the National Committee for the
17 New River's attorney has advised them not to enter
18 into an agreement with that property owner.

19 As a result, the National Committee for the
20 New River did some rescoping, has been able to realize
21 some cost savings on the project, and they are
22 proposing that the grant amount be reduced from
23 \$214,000 to \$189,962.13, a decrease of \$24,037.87.
24 Also, they're asking for a reduction of the match from
25 \$62,000 -- excuse me -- \$62,316 to \$43,345, a

1 reduction of \$18,971. Staff recommends acceptance of
2 the National Committee for the New River's request.

3 CHAIRMAN BADDOUR: Questions of Kevin?
4 Kevin Markham?

5 MR. MARKHAM: More of what I commented.
6 Again, this one gives me a lot of heartburn. And
7 again, it appears that we moved forward on a project
8 in which all the ducks weren't in a row.

9 I understand the letter from the National
10 Committee for the New River, that a situation did come
11 up that was unexpected, and I understand why they're
12 not entering into this conservation easement with this
13 individual on the property. But again, we made
14 decisions, the Board, based on assumptions that the
15 landowner was going to be participating fully and that
16 the State was getting what it was basically paying
17 for.

18 But with that said, I support staff
19 recommendations on the situation. But it's something
20 that we, as a Board, need to look at moving forward to
21 ensure these agreements are in place and that what the
22 Board is funding actually is the project we fund.

23 CHAIRMAN BADDOUR: Do I take that as a
24 motion?

25 MR. MARKHAM: I move to accept staff

1 recommendation.

2 CHAIRMAN BADDOUR: Okay. I heard a motion.
3 Is there a second?

4 MR. McGRADY: Second.

5 CHAIRMAN BADDOUR: Seconded by Mr. McGrady.
6 Further discussion?

7 THE BOARD: (No response.)

8 CHAIRMAN BADDOUR: Okay. On the phone?

9 PHONE PARTICIPANTS: (No response.)

10 CHAIRMAN BADDOUR: All right. Hearing no
11 further discussion, all in favor that we adopt the
12 staff recommendation, signify by saying, "Aye."

13 THE BOARD: Aye.

14 CHAIRMAN BADDOUR: Opposed, "No."

15 THE BOARD: (No response.)

16 CHAIRMAN BADDOUR: The ayes have it.

17 Okay, F-6. Robin?

18 MS. HAMMOND: Yes, this is a request to add
19 a line item to a budget to cover interest on a loan.
20 And it's -- grant recipient is Conservation Trust.

21 At the time that they made the -- applied
22 for the grant and the time we made it, they didn't
23 know they were going to need a loan. But we just
24 approved this last November and got it written -- got
25 the grant agreement, written it over to DENR, but they

1 weren't able to encumber it in order for the landowner
2 to close by the end of the calendar year, which he
3 needed to do for tax reasons. So Conservation Trust
4 borrowed the amount, the line item amount of the
5 acquisition money that we were going to give them.
6 They borrowed that from the Open Space Institute,
7 which is a land trust in New York State that operates
8 a revolving fund for these kinds of things.

9 And we have got -- we returned the check in,
10 and we have a closing date anticipated that we think
11 will be closing no later than June the 19th. And so
12 we do have an updated amount of interest that they are
13 looking to ask us to pay, which will be \$30,157 as of
14 June 19th.

15 There's plenty of money in the grant to do
16 it because the appraisals came in low and they
17 renegotiated with the landowner. So even if they --
18 if we were to allow this payment of interest, they
19 still will be -- well, we will be unencumbering about
20 \$420,000 at the end of the day. So we think this
21 is -- the staff recommends approval. This is a
22 situation, I think, where the grant recipient did
23 exactly what we'd want them to do; they went out and
24 got a loan to save the deal. And we moved as fast as
25 we could. And so they would just like to be made

1 whole on that interest. So we recommend approval.

2 MR. McMILLAN: Move to accept staff's
3 recommendation.

4 MR. McGRADY: I second.

5 CHAIRMAN BADDOUR: Motion by Mr. McMillan,
6 seconded by Mr. McGrady that the staff recommendation
7 be adopted. Is there any questions or discussion?

8 Okay, Mr. Vaughan and then Mr. Markham.

9 MR. VAUGHAN: Since this is a 2008 project,
10 this is the money the Governor took away from us. Are
11 we sure we've got the money to do this?

12 MR. ROGERS: Yes, sir. They were under
13 contract prior to the funds being --

14 MR. VAUGHAN: So it's not in the
15 98 million --

16 MR. ROGERS: It is not part of that.

17 MR. MARKHAM: I had the same question.

18 CHAIRMAN BADDOUR: Okay. Further
19 discussion?

20 Mr. Hollan?

21 MR. HOLLAN: I think I favor this. I'm
22 assuming that the land trust, to the extent they had
23 any private money in the deal, is going to have the
24 same amount in? In other words, they're not
25 profiting? The 420,000 -- they didn't get a 600,000-

1 dollar reduction in the price, and then they didn't
2 have to put as much in, and then they're also hitting
3 us for interest? I'm assuming that's not the case?

4 MR. ROGERS: It is not.

5 CHAIRMAN BADDOUR: All right. Further
6 discussion? Any further discussion?

7 THE BOARD: (No response.)

8 CHAIRMAN BADDOUR: Anyone on the phone have
9 any question or comment?

10 PHONE PARTICIPANTS: (No response.)

11 CHAIRMAN BADDOUR: Okay. All in favor of
12 the adoption of staff recommendation, signify by
13 saying, "Aye."

14 THE BOARD: Aye.

15 CHAIRMAN BADDOUR: Opposed, "No."

16 THE BOARD: (No response.)

17 CHAIRMAN BADDOUR: The ayes have it.

18 F-7, Mr. Rogers.

19 MR. ROGERS: Thank you, Mr. Chairman. This
20 is the City of Southport. In November the Board
21 amended their contract to allow them to send
22 wastewater to Brunswick County. Along with that
23 amendment, the Board had approved and funded a spray
24 application site for the previous project. The Board
25 determined that since it would not be put into use for

1 that purpose for several years, 10 years or more, that
2 it was prudent for the Board to request a refund on
3 that project.

4 During this time I've e-mailed to the City
5 of Southport, asking them the status. And in your
6 Board packet, you will have -- you have a letter from
7 Mayor Sandra Spencer, asking that the Trust Fund
8 forgive the funding of the project so that they do not
9 have to reimburse. They're obviously going through
10 some tough times as well. And the Board's interest,
11 of course, is to get refunded the funds and get their
12 amendment adopted so that they can continue and begin
13 their construction project to Brunswick County.

14 We're bringing this to you for discussion.
15 And I don't know if Mr. Howard has some comments he'd
16 like to make as well.

17 CHAIRMAN BADDOUR: Okay. Bob?

18 MR. HOWARD: Thank you. I appreciate
19 Richard keeping me posted going forward. I have had a
20 conversation with the city manager and the mayor on a
21 couple of occasions, offering any assistance that I
22 could with regard to this project. Sometime back, I
23 asked the city manager to go back and talk to the
24 county to find out if it was possible that this could
25 be used.

1 I haven't received a response on that
2 request or from that suggestion. They have not --
3 "they" meaning the administration -- has not
4 communicated with me. I respectfully don't know
5 what's on their mind or how they're operating, and I
6 support our position in asking that this money be
7 repaid. And it may be a second issue, but the -- also
8 the land sale.

9 MR. ROGERS: I guess one thing that we may
10 want to consider, one thing we did not with regards to
11 the amendment that we put out there, is to put a time
12 limit on how long the offer was available to the city,
13 trying to put some kind of timeline on either them
14 saying yes or no with regards to the amendment that
15 the Board has approved. And that might be something
16 that the Board may want to consider today.

17 MR. McLEAN: What would be a sensible time
18 limit?

19 MR. ROGERS: It seems to me -- I don't know.
20 The city is under right much pressure to get moving
21 forward on this project; and we felt, at the time of
22 approving the amendment, that they would be interested
23 in having access to those funds so they could begin
24 construction on the project. But we have not heard --
25 they have not been able to do that because they

1 haven't approved the amendment. And I -- Mr. Howard
2 may have a suggestion on time frame.

3 MR. HOWARD: They've had -- since your
4 letter went out to do that. But in addition to that,
5 from a local level, I've seen no effort on their part
6 to move this thing forward, and I'm just concerned
7 that they're not going to get it done by -- I believe
8 it's 2011 deadline. And you remember, you came down,
9 and Tom, and we were the ones that really jump-started
10 this thing about a year ago. So I -- you know, my
11 thought is that they've had -- they've had this on the
12 table since your letter went out -- when? In January
13 or something like that?

14 MR. ROGERS: Yeah, the Board passed the
15 amendment. I think we went out -- when was that,
16 Larry?

17 MR. HORTON: We e-mailed the amendment to
18 the town on January 13th for them to sign.

19 MR. HOWARD: This was not, I don't believe,
20 unanimous. I'm sure Karen didn't vote for it. But I
21 did step out again and recommend this project; and
22 quite honestly, I'm a little bit embarrassed, because
23 I just don't understand what's going on.

24 MR. HOLLAN: Mr. Chairman, we have a request
25 to forgive the repayment. I move that we deny that

1 request to forgive the repayment.

2 MR. WRIGHT: Second.

3 CHAIRMAN BADDOUR: Okay. Heard the motion
4 and second. Is there any discussion?

5 Karen?

6 MS. CRAGNOLIN: In terms of a time limit, I
7 think last time we did --

8 CHAIRMAN BADDOUR: Okay, let's do this, and
9 then we'll get to the time limit, because that's the
10 next issue.

11 Okay, the motion is to deny the request to
12 forgive the repayment. Okay, any further discussion?

13 THE BOARD: (No response.)

14 CHAIRMAN BADDOUR: Those on the phone have
15 any comment?

16 PHONE PARTICIPANTS: (No response.)

17 CHAIRMAN BADDOUR: You've heard the motion.
18 So many as favor the motion, signify by saying, "Aye."

19 THE BOARD: Aye.

20 CHAIRMAN BADDOUR: Opposed, "No."

21 THE BOARD: (No response.)

22 CHAIRMAN BADDOUR: Now as to establishing
23 some time limit on signing the contract. Karen?

24 MS. CRAGNOLIN: Well, we rejected the idea
25 last time of charging them interest. This is

1 basically a -- you know, a debt without interest. And
2 maybe that's the way to put some -- there would be an
3 interest some point of time that it's not repaid.

4 MR. RASCOE: Mr. Chairman?

5 CHAIRMAN BADDOUR: Peter?

6 MR. RASCOE: I move that we, the staff,
7 immediately communicate to Southport that they have 30
8 days to accept the original offer. And of course, if
9 they don't, then there will be -- other things could
10 be -- the whole deal's off, and they could add
11 interest to whatever end after that time.

12 CHAIRMAN BADDOUR: By "the original offer,"
13 you mean the amendment? The original --

14 MR. RASCOE: Yeah. Yeah.

15 CHAIRMAN BADDOUR: Okay. Is there a second
16 to the motion?

17 MR. HENDERSON: Second.

18 CHAIRMAN BADDOUR: Moved; seconded by
19 Mr. Henderson.

20 MR. HOLLAN: I wonder if we could have them
21 do it prior to our next meeting, so we could take
22 action on it. They may have to --

23 MR. ROGERS: We don't meet until August, for
24 30 days.

25 MR. McGRADY: And that's what I was

1 thinking. Why set an arbitrary 30 days if we're, as a
2 practical matter, not going to be able to take this
3 thing up for some time? Give them the extra time, you
4 know, to get --

5 MR. HOLLAN: I mean, they may have to have a
6 public hearing and notice of a -- I don't know what
7 they have to do to -- governmental agencies sometimes
8 have more difficulty coming to terms with things.

9 And also, I'd be willing to finance it for
10 them. I mean, I understand these governments are in
11 trouble, and if we took it -- if we did agree to take
12 interest and let them pay it off over three years or
13 something like that, I think -- I want to be flexible
14 if we can, but I think they need to listen to what our
15 problem is.

16 CHAIRMAN BADDOUR: In 30 days -- I'm just
17 saying that 30 days is July 14. When do we meet?

18 MR. ROGERS: August -- 2nd Sunday in August;
19 45 days.

20 MR. HOLLAN: How about August 1st? Would
21 you accept that, Mr. Rascoe?

22 MR. ROGERS: If they don't make it by
23 August 1st, that would give us time to be prepared for
24 our meeting 10 days after that or so.

25 MR. RASCOE: I'd agree to August 1st.

1 MR. ROGERS: The amendment itself had them
2 to repay the loan within a year of adopting -- you
3 know, signing on the amendment. That's kind of the
4 detail with regard to repayment.

5 CHAIRMAN BADDOUR: So you weren't asking for
6 immediate repayment? You're asking -- what I'm
7 explaining is the proposed amendment would not require
8 them to repay it immediately. Richard was just
9 explaining that.

10 MR. HOLLAN: Yeah, it would require them to
11 pay it -- they have to sign the contract -- they have
12 to sign the amendment to the contract.

13 MR. ROGERS: Within a year of signing the
14 amendment.

15 MR. McLEAN: No, within --

16 MR. ROGERS: Before August 1st?

17 MR. McLEAN: Before August 1.

18 MR. ROGERS: Okay.

19 MR. HOWARD: I apologize. But it seems to
20 me like if they don't -- if they don't accept the
21 amendment by the date we stated, then -- well, in that
22 event, then our approval would go away.

23 THE BOARD: (Some members nod heads.)

24 CHAIRMAN BADDOUR: Well, as I take it, we're
25 asking them to sign the amendment by -- the motion is

1 to have them sign it by August 1st. Now, if they
2 don't sign it by August 1st, then whatever action we
3 take will be back before the Board in August. That's
4 what I had understood.

5 MR. HOWARD: But, Mr. Chairman, I think --
6 and I'm not trying to debate it, but we approved their
7 offer with a condition -- I mean, we approved their
8 request with a condition. Their request was that we
9 allow them to change the scope to go to Brunswick
10 County instead of Southeast Sanitary Sewer District,
11 and we approved that conditioned upon them repaying it
12 or agreeing to repay it within a year. So if we give
13 them until August the 1st to accept it, then if they
14 don't accept it, then our approval for them to move
15 forward with the county and use our funds would go
16 away, in effect, seems to me.

17 CHAIRMAN BADDOUR: Okay. We have a motion
18 and second. Is there further discussion?

19 Mr. McGrady?

20 MR. McGRADY: Yeah. Mr. Howard's point
21 is -- I'm just no great supporter of this project, so
22 it's awkward arguing what I'm going to argue. But I
23 mean, my preference would be for them to, you know,
24 either respond by some certain date or make a
25 counterproposal of some sort, with an understanding

1 that at our August meeting we're going to take this up
2 and it's going to be resolved one way or the other.

3 I really don't want to set an arbitrary date
4 that -- you know, then the contract -- at that point
5 our commitment goes away completely. I'd just like to
6 let them understand that at our August meeting we're
7 going to move forward. So I guess I'm going to vote
8 against this motion even though, again, this isn't a
9 project that I'm wildly excited about.

10 CHAIRMAN BADDOUR: Well, I'd like to achieve
11 some consensus on it. What do you think, Bob? You --
12 what we can say is that: "If you've not signed the
13 contract by August 1, then we will consider at the
14 August meeting withdrawing the project." I mean, I'm
15 just asking, is that -- do you want to give them that
16 in case, for instance, they come back and say, "Well,
17 we're going to do it, but we want three years, and
18 we're willing to pay you interest" or something like
19 that, to give them a little bit of flexibility to make
20 a counterproposal?

21 MR. HOLLAN: I would think that's a good
22 idea, Mr. Chairman.

23 MR. RASCOE: That'd be fine, yes, sir.

24 MR. ROGERS: Can I make sure I'm clear on
25 this now? So we're giving them until August 1st to

1 make a decision about signing. They can sign it;
2 we'll move forward. If they don't, then they need to
3 provide a counter --

4 MR. HOLLAN: Well, if they don't, it'll be
5 on the agenda for approval.

6 CHAIRMAN BADDOUR: It'd be disapproved,
7 unencumbered. It's going to be on the agenda to
8 unencumber.

9 MR. ROGERS: But we then -- I mean, I'm just
10 wondering whether we want to, in this letter, provide
11 them the option, you know, of a counter or not. I --
12 you know, to me -- again, I've heard some question
13 that they need, perhaps, to be able to have an option.
14 Or if they can come up with a payment plan or
15 something that suited them that -- for the Board to
16 consider. The way it is now, the way I'm
17 understanding it, is that the Board will consider
18 either to -- I don't know what we're considering in
19 the Board.

20 CHAIRMAN BADDOUR: All right. Richard's
21 asking for some direction. From what I'm hearing, you
22 can convey to them that it seems to be the sense of
23 the Board that if they don't want it unencumbered,
24 they'd better come up with a payment plan to pay it
25 back within about three years.

1 MR. McLEAN: And that plan is to be before
2 us at our next meeting in August.

3 CHAIRMAN BADDOUR: We're not going to tell
4 them what plan to do, but they need to come up with a
5 plan.

6 MR. ROGERS: So either they sign the
7 amendment or come up with an amendment or come up with
8 a proposal for repayment of the property?

9 CHAIRMAN BADDOUR: Right.

10 MR. HOLLAN: With another -- or repay the
11 money. If the Board wants to be repaid, we say, "We
12 will not forgive the loan."

13 CHAIRMAN BADDOUR: We've already said that.
14 We're not going to forgive the loan.

15 MR. HOLLAN: We've said we're not going to
16 forgive the loan, so they've got to repay us. If they
17 don't want to repay us in 365 days, there are some
18 members of the Board who have expressed a willingness
19 to consider a longer-term repayment.

20 MR. ROGERS: Got you.

21 CHAIRMAN BADDOUR: Mr. Markham?

22 MR. MARKHAM: Before we vote on this, can we
23 get some clarification, since there appears to be a
24 violation on the property that they're asking repay?

25 CHAIRMAN BADDOUR: All right. Go ahead,

1 Richard.

2 MR. ROGERS: We are at this time -- and I've
3 sent a letter to the City of Southport, and they have
4 responded or are working on a response, with regards
5 to some excavation that's taken place on this -- at
6 the application site that Clean Water funded. We are
7 gathering information now. And it was a project that
8 Barnhill Construction did with regards to borrowing
9 some sand for a bridge project. And we currently have
10 their agreement in hand that we're reviewing, and
11 we'll continue to pursue this.

12 I think that that issue is that our
13 understanding, the project is going to be a spray
14 application site. It appears that they may have been
15 pursuing an infiltration site and developing holding
16 ponds and that kind of thing. And we're in the
17 process of trying to get the AG's interpretation on
18 the covenants and those types of things, to see if
19 that was allowable or not allowable. And we'll
20 continue to review this, and then we'll update you at
21 the August meeting.

22 MR. HOLLAN: And could we also review, as a
23 practical matter, whether it makes any difference?
24 Our easement may prohibit something that we don't care
25 about. If it's a disposal site, I mean, it's all --

1 it's all -- gets disposed of on that site.

2 MR. ROGERS: Yeah, I think that's -- and
3 that's something that we really need to take into
4 account, is that -- you know, is it something that if
5 they had come to us prior to and requested it, would
6 we have adopted it? I'm thinking if they're going to
7 use it for a spray irrigation site and they decided
8 that infiltration was better, I think that, you know,
9 it's still serving the same purpose. However, there
10 may be some issues with regards out there with
11 permitting and those types of things. So we're going
12 to take a thorough review, and we'll give y'all a
13 detailed update at the end of August.

14 CHAIRMAN BADDOUR: Okay, you've heard the
15 motion. Further discussion?

16 THE BOARD: (No response.)

17 CHAIRMAN BADDOUR: Anybody on the phone have
18 a comment?

19 MS. CRAGNOLIN: Could you repeat the motion?

20 CHAIRMAN BADDOUR: The motion is -- of
21 course, we already passed a motion that we're not
22 going to forgive it -- that they -- to convey to them
23 that they should sign the contract and return it by
24 August 1 or the Board will consider unencumbering the
25 funds; also to convey to them that the Board would be

1 willing to consider a little longer payback than one
2 year if they would like to propose that.

3 Okay. Motion, second. Any further
4 discussion?

5 THE BOARD: (No response.)

6 CHAIRMAN BADDOUR: So many as favor the
7 motion, signify by saying, "Aye."

8 THE BOARD: (Some members) Aye.

9 CHAIRMAN BADDOUR: Opposed, "No."

10 MS. CRAGNOLIN: No.

11 CHAIRMAN BADDOUR: All right, the ayes have
12 it.

13 We now go to consent agenda. Richard, just
14 briefly -- since there was no committee meeting here,
15 just real briefly, since it's --

16 MR. ROGERS: You have in your packet a list
17 of projects that we have run through a decision
18 matrix, and we just want to bring that before you.
19 And it lists all the projects, including, I believe,
20 the ones that were brought to the Board as well. And
21 we just wanted to bring that to you. And we're doing
22 that -- we'll probably do that on a yearly basis. And
23 we're bringing that to you. They have been approved
24 at staff level by the cochairs or by the Board, and
25 we're bringing you the whole list.

1 CHAIRMAN BADDOUR: Do we need a motion to
2 adopt the consent agenda?
3 MR. ROGERS: Yes.
4 MR. CAMP: So moved.
5 CHAIRMAN BADDOUR: A motion by Dr. Camp --
6 MR. RASCOE: (Raises hand.)
7 CHAIRMAN BADDOUR: -- second by Mr. Rascoe
8 that we adopt the consent agenda items. Discussion?
9 Anybody want to take anything off -- one item or more
10 off the consent agenda?
11 Kevin?
12 MR. MARKHAM: I will be recusing myself on
13 Item G-2 on the consent agenda. If you vote, I'll
14 abstain from voting.
15 CHAIRMAN BADDOUR: All right. Let the
16 record show Mr. Markham is abstaining from voting on
17 this motion.
18 Discussion?
19 THE BOARD: (No response.)
20 CHAIRMAN BADDOUR: Those on the phone?
21 PHONE PARTICIPANTS: (No response.)
22 CHAIRMAN BADDOUR: So many as favor the
23 motion, signify by saying, "Aye."
24 THE BOARD: Aye.
25 CHAIRMAN BADDOUR: Opposed, "No."

1 THE BOARD: (No response.)

2 CHAIRMAN BADDOUR: The ayes have it.

3 Gosh, we're just about right on time.

4 MR. ROGERS: Agenda Item G-2.

5 CHAIRMAN BADDOUR: I thought we did both of

6 those.

7 MR. ROGERS: Well, I just want to explain

8 this one a little bit to you. The Board, I believe,

9 back in October, approved funding to do some wetland

10 assessment on the Turnagain Bay site. We did one -- a

11 second appraisal and required another appraisal of all

12 the property, and we came to a resolution on it. And

13 the Board approved, I believe, \$10,000 the first time.

14 And then we had a little overrun with the second

15 appraisal, and we just want to make sure that we're --

16 that you are aware of the additional cost that it was

17 with regards to the appraisal on Turnagain Bay.

18 CHAIRMAN BADDOUR: Any questions?

19 THE BOARD: (No response.)

20 CHAIRMAN BADDOUR: All right. Hearing

21 none -- we've already acted on that, so is there

22 anything that any member of the Board would like to

23 bring up for discussion at this time, or comment that

24 you would like to make? Those on the phone, you can

25 go first. Is anybody still on the phone?

1 PHONE PARTICIPANTS: (No response.)

2 CHAIRMAN BADDOUR: I think we lost them.

3 Okay. I've acted like they were. Anybody else?

4 Richard?

5 MR. ROGERS: One other thing that was on the

6 agenda that we -- it won't take but one minute. But

7 Number 5 under the Status of Program Review of

8 Existing Contracts, I did mention this, but we have

9 developed a list of contracts that are not under

10 construction after a year. There is a clause in the

11 contract that requires them to be under construction;

12 and if they aren't, the Board is supposed to take some

13 kind of action with regards to those projects.

14 We have the list. What we are planning to

15 do is I will send out a letter to these folks to give

16 us their status and update. In talking with a lot of

17 these folks, they are moving forward, there's been

18 legitimate reasons that they have not met their

19 construction deadline. But I think it's incumbent

20 upon us, given the situation we're in, to make sure we

21 follow up. And then in August we'll report to you and

22 present to you if there's any of these contracts that

23 y'all would need to be making decisions on. I just

24 wanted to inform y'all of that.

25 Thank you.

1 CHAIRMAN BADDOUR: All right. Mr. Markham?

2 MR. MARKHAM: Yes. It's been a while since
3 we met. I did want to let the Board know that I
4 stepped in to fill in for Richard at the Land Trust --

5 MR. ROGERS: -- Assembly.

6 MR. MARKHAM: -- Assembly. And thanks to
7 Lisa for preparing the speech, which I stuck to
8 partially. I'm sorry. It was from Richard, actually.

9 MR. ROGERS: It was from me.

10 MR. MARKHAM: I'm sorry. Yes, Richard.
11 Richard showed up to actually answer a lot of the
12 questions that were -- ones that needed a lot of his
13 direction. But I will say that the feedback I got
14 from the land trust folks who were there from land
15 trusts all over the state were very complimentary of
16 Richard and the Clean Water Management Trust Fund.

17 They understood the actions that we are
18 taking, the position we were in, but they really
19 appreciated the level of effort that Richard and staff
20 have been providing in keeping them informed about
21 what's going on, what we at the Board have been doing
22 and what they at the staff have been doing to overcome
23 these obstacles. I did want to pass that along and
24 pat Richard on the back for that.

25 And the same thing as I went to the Marks

1 Creek Initiative celebration later in May. It was
2 also attended by Nancy and Will. And again, the folks
3 assembling there were very appreciative of what Clean
4 Water has done, and particularly in keeping them
5 informed about what's going on with the Clean Water
6 Management Trust Fund. So I compliment staff on that.

7 CHAIRMAN BADDOUR: I thank you for filling
8 in for me. I was supposed to speak on Thursday. And
9 I think Speaker Hackney dropped me from the agenda,
10 and I was not able to change my schedule to come back
11 on Friday. So I thank you for doing that.

12 Is there any further discussion, anything
13 anybody would like to bring -- we will work -- I don't
14 know. We really need to have committee meetings and
15 have a normal Board meeting in August. We'll do what
16 we can with the Governor's office to seek permission
17 to do that. I think it's a pretty important meeting
18 for us. So stay tuned, and we'll let you know the
19 outcome of that.

20 MR. ROGERS: My hope, Mr. Chairman, is that
21 the restrictions will be off and that the programs
22 will have the opportunity to manage these types of
23 activities. But again, I think we need to -- you
24 know, we'll stay on the outlook, to see what happens.

25 CHAIRMAN BADDOUR: Okay.

1 MS. BRANNON: Mr. Baddour?

2 CHAIRMAN BADDOUR: Yes.

3 MS. BRANNON: Can I make a comment before we
4 close?

5 CHAIRMAN BADDOUR: You may.

6 MS. BRANNON: All right. This is Yevonne.

7 CHAIRMAN BADDOUR: Yes, Yevonne.

8 MS. BRANNON: I just wanted to really
9 commend you as our leader and our executive director
10 for being calm and focused and levelheaded and trying
11 to lead us out of this storm. And I think you're
12 doing a wonderful job, and I feel really hopeful and
13 more positive since I've listened in to this meeting.

14 CHAIRMAN BADDOUR: Thank you very much.
15 Anything further?

16 Okay. Karen?

17 MS. CRAGNOLIN: Richard, you're going to be
18 providing us and Lisa regular information updates that
19 we can then forward to our constituencies to be
20 sending to our legislative folks so that we're -- we
21 have a comprehensive plan to sort of lobby, within the
22 constraints of what we can lobby, for full funding?

23 MR. ROGERS: We'll pull information
24 together, you know, on the tax credit, but also with
25 regards to kind of our situation. It's difficult,

1 with regards to conference committee, to ask for a
2 specific amount. And I think what we need to do is
3 just urge people to consider and do what they can with
4 regards to funding Clean Water Management Trust Fund.

5 John may have a whole different take on
6 that. I mean, right now we have the Senate at
7 95 million, and I think they'll be plugging hard for
8 that. And I think that's one perspective of -- I
9 don't know how much the House members will appreciate
10 you bringing that figure up to them. But, John, if
11 you've got any advice on that?

12 MR. McMILLAN: Well, one think I think you
13 need to do is to let everyone know who the conferees
14 are. And you can -- you'll be able to do that in the
15 next day or two. And it's -- we need to support the
16 Senate position and not try to compromise down from
17 that.

18 We need to be supportive, to emphasize that
19 the entire last year's appropriation was taken, and we
20 need to get back up working and fund those projects
21 that we have already approved, and then go forward and
22 keep this good effort on track. We don't need to --
23 for this thing to be stalled any further.

24 And just make that argument, talk about the
25 good works that we do, and they will -- some may push

1 back and say, "We don't have any money." And I think
2 the response to that is, "Well, don't cut us
3 disproportionately from the others. We're willing to
4 take our hit, but don't single us out for dramatic
5 cuts."

6 MR. ROGERS: We'll also provide some funding
7 scenarios about what the impact is over a normal -- I
8 mean, we're down 75 percent over the next three years.
9 You know, we're in the negative, so we can provide
10 that information on the conferees, and we'll keep you
11 posted on the progress as well.

12 MR. HOLLAN: We're talking about two years'
13 funding --

14 CHAIRMAN BADDOUR: That's right.

15 MR. HOLLAN: -- (unintelligible) budget.
16 They took all of our money. You know, they need to
17 look it as: It should have been 200 million, instead
18 it's cut us to 95, and that's less than half.

19 CHAIRMAN BADDOUR: If we got 50 million,
20 you're only getting 25 a year.

21 MR. HOLLAN: Yeah, but 100 million a year is
22 continuing budget. That's the baseline appropriation.

23 MR. CAMP: Richard, in the days to come,
24 provide us with some talking points that we can hit on
25 somewhat, so that we're all on the same page.

1

MR. ROGERS: We will do that.

2

CHAIRMAN BADDOUR: If nothing else, we will

3

stand adjourned.

4

(Meeting Adjourned at 4:04 p.m.)

