

TRANSCRIPT OF THE TESTIMONY OF CLEAN WATER MANAGEMENT
TRUST FUND MEETING

DATE: June 5, 2018

CASE: Clean Water Management Trust Fund Meeting

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Trustees Present:

E. Greer Cawood, Chair
Dr. Troy Kickler
Renee Kumor
William Toole
Charles Vines
John Wilson

Staff Present:

Walter Clark, Director
Will Summer, Deputy Director
Steve Bevington
Marie Meckham
Nancy Guthrie
Terry Murray
Marissa Hartzler
Damon Hearne
Justin Mercer

Also Present:

Hank Fordham, Counsel
Chastan Swain, Intern

Held at: Chowan County Courthouse
117 East King Street
Edenton, NC 27932

Held on: Tuesday, June 5, 2018
1:04 p.m. to 4:10 p.m.

1 (Hearing called to order at 1:04 p.m.)

2 CHAIRWOMAN CAWOOD: All right. Everyone
3 I will call to order the Clean Water Management Trust
4 Fund Board of Trustees meeting here in the historic
5 Chowan County Courthouse in Edenton.

6 And of course, want to welcome everyone,
7 and first, a big thanks to Sydney McDaniel for all the
8 work she did in setting up the logistics for this
9 meeting and being able to have us on the road, which is
10 always great to be able to see things firsthand across
11 the state, so thank you, Sydney, very much.

12 I will begin the roll call.

13 Chair Cawood is here.

14 Frank Bragg, has let us know that he's
15 not able to be here.

16 Fred Dufour is also not able to be here.

17 Dr. Troy Kickler?

18 DR. KICKLER: Present.

19 CHAIRWOMAN CAWOOD: Renee Kumor?

20 MS. KUMOR: Present.

21 CHAIRWOMAN CAWOOD: Bill Toole?

22 MR. TOOLE: On by phone.

23 CHAIRWOMAN CAWOOD: Thank you.

24 Charles Vines?

25 MR. VINES: Present.

1 CHAIRWOMAN CAWOOD: And John Wilson.

2 MR. WILSON: Present.

3 CHAIRWOMAN CAWOOD: Thank you, everyone,
4 for being here, and we'll begin with compliance with
5 general statute 138A-15, which mandates that the chair
6 inquire as to whether a trustee knows of any conflict
7 of interest or any appearance of a conflict of interest
8 with respect to matters on the agenda. If a trustee
9 knows of a conflict of interest or the appearance of a
10 conflict of interest, please state so at this time.

11 (No response)

12 CHAIRWOMAN CAWOOD: Hearing none, we will
13 move on to a request to please put cell phones on
14 vibrate or off, and for Trustee Toole, to be on mute
15 unless speaking.

16 And so I will begin with if there are any
17 revisions, additions to the agenda.

18 And I have one addition that we will talk
19 about, accommodation for Frank Bragg, who will be
20 leaving the Board.

21 So do I have a motion for adoption of the
22 agenda?

23 MS. KUMOR: So move.

24 CHAIRWOMAN CAWOOD: Thank you.

25 Do we have a second?

1 MR. VINES: Second.

2 CHAIRWOMAN CAWOOD: Awesome. All in
3 favor?

4 The Board: Aye.

5 CHAIRWOMAN CAWOOD: Any opposed?

6 (No response)

7 CHAIRWOMAN CAWOOD: Hearing none, we will
8 move on to the consent agenda, which everyone -- Sydney
9 had sent out the minutes of our February 28th board
10 meeting, and does anybody have any revisions or changes
11 to those?

12 (No response)

13 CHAIRWOMAN CAWOOD: Great. And I would
14 like to say to our court reporter that I think you do a
15 really fine job especially with our Board where we all
16 start talking and get going, and thank you for your
17 work. It really shows in the minutes.

18 So it's -- I will hear a motion to
19 approve minutes?

20 MR. WILSON: So move.

21 CHAIRWOMAN CAWOOD: Okay. Is there a
22 second?

23 MS. KUMOR: Second.

24 CHAIRWOMAN CAWOOD: Thank you.

25 All in favor say aye.

1 The Board: Aye.

2 CHAIRWOMAN CAWOOD: Any opposed?

3 (No response)

4 CHAIRWOMAN CAWOOD: All right. So we can
5 move on to -- does Hank have a legal update for us?
6 Where is --

7 MR. SUMNER: I believe he did, and I was
8 expecting him to be here today. He may be running a
9 little behind.

10 CHAIRWOMAN CAWOOD: Okay. Well, why
11 don't we move on to the next agenda item, and we will
12 come back to that. He might have gotten lost in
13 Edenton.

14 MR. CLARK: He's probably doing the
15 walking tour.

16 CHAIRWOMAN CAWOOD: Exactly. Perfect.
17 Perfect. Well, Walter, why don't you go ahead and
18 begin your --

19 MR. CLARK: Thank you.

20 First thing I would like to do is
21 introduce some new faces of the committee board
22 members. Marie Meckman, right here. This is Marie's
23 first board meeting, and I think many of you have met
24 her through our committee work, but Marie is working
25 with Nancy in the acquisition side of our program.

1 Marie, I don't know if would you like to
2 say a word or two but --

3 MS. MECKMAN: Thank you for introducing
4 me. I am coming from the private sector, and my
5 experience is in primarily project management and staff
6 management of large IT projects, and I am excited to
7 come into the conservation area and add my skills to
8 that field. I am very excited to be working for Clean
9 Water.

10 MR. CLARK: And we're thrilled to have
11 Marie join us. I know Nancy in particular is thrilled.

12 Our newest employee is Marissa Hartzler.
13 She comes to us from the Land Trust Alliance. Marissa
14 is taking Will's old place as our stewardship program
15 director. Will is now deputy director. He was
16 promoted last year, so we are fully staffed as an
17 office finally.

18 Marissa, would you like to say a word?

19 MS. HARTZLER: Sure. Hello, everyone.
20 I'm thrilled to be here. This is my first meeting,
21 which is my third day on the job.

22 And I -- as Walter mentioned, I'm coming
23 from the Land Trust Alliance, and I have worked with
24 Land Trust with land trusts, and I'm just thrilled to
25 be working directly with this institution and the North

1 Carolina association.

2 MR. CLARK: Marissa has a wealth of
3 experience in the Land Trust Alliance, which is really
4 helpful with our work.

5 We have an intern this summer. Some of
6 you have met Chastan Swain. I've known Chastan for
7 years. He interned at Blue Ridge Conservancy many
8 years ago when I was director there. Chastan just
9 finished his first year of law school at UNC.

10 Chastan, do you want to say a word or two
11 about your work and what you're doing?

12 MR. SWAIN: I'm Chastan Swain. I'm happy
13 to be here working for Walter this summer. I'm working
14 for open water for the Natural Heritage programs on
15 several of their legal issues including some of the
16 coastal reserves and then also with the DCR and some of
17 their general topics this summer. I'm getting a broad
18 taste throughout the state, so it's good to be here.

19 MR. CLARK: We're glad to have you.

20 You know, it was a year ago at this board
21 meeting, the June board meeting, when I was attending
22 my first board meeting, and so -- and that was -- is
23 Mt. Airy, my hometown, so it's sort of fitting that
24 we're having a second board meeting in Edenton, which
25 is our Chairman's hometown. I know Greer may get into

1 it later, but she grew up in this beautiful place.
2 It's hard to believe, but a year goes by in a hurry,
3 and I just wanted to reflect for a minute on the last
4 year and some of the things that we've done, which I
5 think are pretty notable.

6 One is finally we are fully staffed, and
7 I think that will be a real testament to our efficiency
8 moving forward as a staff.

9 We also have a new committee structure.
10 Thanks to Chairman Cawood, we have a -- I think a more
11 streamlined committee structure, which makes it like a
12 lot of meetings to the Board, but I think it's helpful
13 for the committee to hear some of our issues early on
14 and report them out to sort of get through some of the
15 technical issues and difficulties along the way.

16 Hank will be here. He may address this
17 too, but we have a more stringent legal review system
18 than we've had in the past, and some of you may
19 remember when Clean Water had a 21-member board, and
20 100 million dollars distributed and had a much larger
21 staff that included a full-time attorney. We don't
22 have that anymore, and I know when I first started a
23 year ago and talking to Nancy, we felt like we needed
24 to do a more in depth legal review of our contracts and
25 closing documents, so Hank has been helping us out with

1 that a lot.

2 I think we are quickly developing a
3 template which we can work with to be more thorough and
4 be sure we're crossing all of our T's and dotting all
5 of our I's, so I think we've made a lot of progress in
6 the last year. One testament to that is the interest
7 people still show in clean water. I think most of you
8 know we've had about 120 applications this year
9 requesting about 55 million dollars.

10 The legislature has responded favorably
11 to our budget this year. I don't know if many people
12 read my executive director's report, but we have 18.3
13 million dollars in our budget this year, which is
14 exactly the same as last year, and I think that was the
15 goal of the legislature.

16 We owe the general assembly a big thank
17 you, and particularly, a thank you to Representative
18 McGrady, who worked very hard to be sure that the
19 program stayed consistent, so of the 18.3 million
20 dollars that is allocated with the expected addition of
21 about 4.7 million from our license plate revenue, we'll
22 have about 23 million dollars.

23 We did have two earmarks this year. Sort
24 of caught us by surprise. We didn't anticipate seeing
25 them, where they came from, but one was actually to the

1 Appalachian State University for a million dollars to
2 do a day of renewal project in Watauga County, and the
3 other one was \$500,000 that went to -- was it the
4 Southwest --

5 MR. HEARNE: Southwest North Carolina
6 RCD.

7 MR. CLARK: RCD. And that was a project
8 we don't know a whole lot about right now. That
9 project was not an application. The ASU project is an
10 application we have for 2018, but that basically takes
11 out of the 23 million dollar allocation that we will
12 have available over the next year that's distributed
13 about one and a half million is allocated to those two
14 projects.

15 I want to follow up just a minute with
16 Greer's comment about Frank Bragg.

17 I think all of us that work with Frank
18 know what a gentleman he is and what an asset he's been
19 to this Board. It's kind of hard for me to imagine not
20 being here. I mean, I've know Frank for years. Frank
21 and his family donated conservation easement to the
22 Blue Ridge Conservancy many years ago, so the first
23 time I ever met Frank on a stewardship visit to look at
24 his farm, and I just remember leaving that day thinking
25 that Frank is somebody who leads by example. He really

1 walks the walk, and so like I said, he's been a real
2 asset to this Board, and we will certainly miss him and
3 his wisdom particularly when it comes to conservation
4 easements and acquisition.

5 By the time we meet in September, we may
6 have a -- we may have a board that looks a little bit
7 different than we have right now. I think we have four
8 vacancies, potential vacancies, on our trustee board.
9 Three in sort of a natural rotation cycle that we have
10 every year, so a governor appointment, a senate
11 appointment and a house appointment, but then most of
12 you will recall, that Rob Hackney resigned last fall,
13 and that position has not been filled so that makes
14 four positions. I understand that possibly by the end
15 of this month, by the end of June, we may have some
16 answers as to who those replacements may be or
17 reappointments. I know that.

18 Anyway, when September comes around, we
19 will have some changes in the makeup of our Board.

20 And that's pretty much it from me.

21 Thank you, Chairman.

22 CHAIRWOMAN CAWOOD: Oh, definitely.

23 Thank you, Walter.

24 Any questions for Walter?

25 CHAIRWOMAN CAWOOD: Great. Well, we will

1 move on, and first ask if there are any public comments
2 that would like to be made to the Board, and they're
3 three minutes per person.

4 MEMBER OF THE PUBLIC: Thank you very
5 much.

6 MR. SUMMER: Well, I don't know if he has
7 got any comments, but he's got a lot unfortunately.

8 CHAIRWOMAN CAWOOD: Wonderful. Well, we
9 will move on to our business for this board meeting.

10 First is the stewardship endowment report
11 and annual deposit/withdrawal request, and Will Summer
12 will lead us through that.

13 MR. SUMMER: Thank you very much.

14 Bill, can you hear me all right?

15 MR. TOOLE: Yes. Thank you for speaking
16 up.

17 MR. SUMMER: Not a problem.

18 So I want to begin by telling or
19 reminding everybody since we only see this once year
20 just a little bit about the stewardship program and
21 what we do with the funds that I will ask you folks to
22 take action on.

23 The main part of the program is to
24 maintain and improve the conservation values protected
25 by our easements. We have just under 300 easements set

1 in steward totaling almost 84,000 acres. Each site is
2 monitored annually by and through an inland review,
3 which is an arrangement that we designated with our
4 partners generally prior to 2004 where we gave them
5 stewardship endowment in lump sum with easements that
6 match and then promise us that they were monitored in
7 perpetuity, and since 2004, we've set aside funds
8 for each project in our stewardship endowment, and we
9 contract with them and reimburse the actual costs of
10 monitoring each year on the contract.

11 We also take a small portion of our
12 interest each year and make what we call a stewardship
13 management board. These are effectively like a
14 mini-grant of up to \$2,500 to enhance or protect the
15 conservation values of our existing easements, and I'll
16 talk a little bit more about that in a moment.

17 We also use additional interest to
18 address any easement issues that come up that require
19 resources to handle, and all of this again is funded by
20 interest earned through our stewardship endowment.

21 So our annual monitoring, give the
22 details a little bit more, it's done by our partners
23 that are identified during the time that the grant is
24 awarded. It's usually the Land Trust that is a partner
25 that is brought into the project. On our behalf, the

1 land monitors meet with the land owner, they discuss
2 the project. They walk the site, and basically, ensure
3 that all the terms of our conservation easement are
4 being met.

5 They improve the boundary signage and
6 markings needed, and then they submit a report to my
7 office, and the report is a four-page document with
8 information about the site, conditions, anything that's
9 changed, and most importantly, anything that may need
10 our attention with respect to the conservation
11 easement. They usually are accompanied with a map and
12 photo points, and we receive that and file it away and
13 address these issues as needed.

14 This year, 13 projects closed that are
15 not going to a state agency or a local government that
16 will have a state-filled easement, and this is the list
17 of these 13 projects, so what they closed, the
18 endowment will take part of that grant set aside for
19 stewardship and put it into the endowment corpus as the
20 principal to earn interest, so these though 13 projects
21 have been granted contracts that have a total of
22 204,568 that is intended for the endowment, and I'll
23 ask you folks to take an action on that soon.

24 The management awards for this year,
25 again, it's up to \$2,500 per site per year, that

1 protect the conservation values. Per our policy that
2 the Board passed in 2014 or '15, the decision on those
3 mini-grants is delegated to staff, but I will tell you
4 a little bit about what we have in front of us this
5 year.

6 The types of projects we fund are a lot
7 of barriers or gates that prevent trespass and access
8 to damming resources, and as you can see on the left,
9 the access to this property is resulting in degradation
10 to the buffer, and you can see the little plume of
11 sediment sitting in the bottom of the access point
12 there, so it definitely is in our interest to try to
13 prevent that kind of access when we can.

14 This is an example of what we've done in
15 a more urban preserve in Durham where we just put a
16 fence in to physically keep people out of this one
17 section of property where they're likely to access it
18 and dump large amounts of garbage. Sometimes, we do
19 riparian buffer plantings if there are areas of the
20 buffer that can benefit from having trees planted as
21 well as invasive plant movement.

22 So this year, we've got requests for 9
23 proposals totaling 14,350. Two were for gates or
24 barriers. Two were for removing invasive species. Two
25 were for removing debris and unauthorized structure.

1 Two were to improve and mark the boundaries, and one
2 was to stabilize a stream crossing. I've taken a
3 preliminary look at all of these, and they all I think
4 look good and will improve our conservation interests
5 on these properties.

6 To that end, I will get into the weeds,
7 and this may be where we miss Frank more than -- more
8 so than any other time. He has certainly had a strong
9 hand in providing input with the Board in setting this
10 up.

11 Our endowment fund is made of three
12 different investment types, and each of these three
13 blocks represent that. The top is our bond investment
14 fund, and the target set for that by the Board was
15 roughly 8 percent of our endowment. The second block
16 is our short term investment fund, which is
17 approximately 22 percent or meant to be 22 percent of
18 our endowment, and the rest is the equity investment
19 fund, which is approximately -- or set up to be
20 approximately 70 percent of our endowment. These are
21 all invested with the state treasurer, which we get
22 done with at a very low fee, and each year, I report on
23 kind of where the funds have been and how much interest
24 we have above our principal.

25 In the first column here is the

1 principal, so at the beginning of this fiscal year, we
2 had in the bond investment fund, 118,000 and change.
3 The Board directed a deposit \$108,000 last year. That
4 went into principal, and that fund made 226,000.

5 Likewise, in the short term investment,
6 we had 736,000, and the Board directed a deposit of
7 just under 140,000, so the principal in that fund is
8 876,000. And in the equity fund, we had a little over
9 2 million, and the Board directed just over 14,000 so
10 we're just -- a little more over 2 million there.

11 So the total principal, that is the sum
12 of all deposits in the corpus we've ever made into the
13 endowment fund, right now is 3.1 million in very round
14 numbers.

15 Everything that we've earned since the
16 first day of being invested in this fund above the
17 annual interest, available interest, which totals just
18 about 1.4 million. So I guess the short of this most
19 important thing to know here is this fiscal year, we
20 have earned \$158,039.15 in interest this fiscal year to
21 date, and overall, what is available interest, not the
22 principal or the corpus, is \$1,397,876.13, which is to
23 say we are in very good shape, and I did the -- back
24 when I did the math last week, and I think if the --
25 based on what we have in equities, if the market had a

1 40-percent direction tomorrow, we would actually still
2 have enough to fund our endowment needs this fiscal
3 year, which is an enviable place to be, and I hope this
4 does not happen tomorrow.

5 So one other things to point out in terms
6 of the actual fund balance and where it is with respect
7 to each of our investment types, our bond investment
8 fund is at 7.5 percent, and the target allocation is 8
9 percent, so we are a little off there. The short term
10 investment fund is 19.4, and the target there was 22.
11 A little off there, and the equity fund, since it's
12 grown most aggressively in the last year, has -- is
13 73.1 percent, and the target is 70.

14 So when we -- when I ask the Board to
15 approve the deposit, I'll ask the Board to approve it
16 in such a way it's pointing us back towards the level
17 -- kind of get us back towards the target allocation as
18 a correction.

19 So that's how the fund is doing. The
20 next section is really what we -- what I need from the
21 fund.

22 So in the operating fund right now that I
23 manage and use to pay the expenses for stewardship, we
24 have \$57,761.21. The sum total of all the stewardship
25 contracts that I plan to execute next year will be

1 \$128,077.44, and the management fund, which I discussed
2 a little bit earlier, will total up \$14,350, which
3 means that in order to meet all the needs of the
4 stewardship program this year, we need to withdraw
5 \$84,667, and that will be one action I will ask of the
6 Board.

7 In addition, for the 13 projects that we
8 closed this year that I mentioned previously, the
9 amount to add to the endowment principal is \$204,668.

10 And with that, I have got a brief
11 summary. One, we have the positive returns for the
12 year; two, that the total interest available is well
13 more than what we need, which is good. The balance
14 between the fund types may need a little bit of
15 rebalancing to get them closer towards the target
16 range. We need 84,667 from the endowment to cover our
17 expenses, and we need to deposit \$204,568 into the
18 endowment principal.

19 With that, I will take any questions.
20 These are the Board actions that I would propose that
21 we make with respect to the endowment.

22 Yes, sir?

23 MR. WILSON: So in each of the three
24 asset classes, the interest that has been earned, I
25 take it that is being reinvested in that particular

1 asset class? It's not cash? It's not --

2 MR. SUMMER: Yeah, we -- aside from
3 actually what I'm asking -- at this stage, what I'm
4 giving you is actually just the summary of the most
5 recent state, so I've not cashed or sold any of it
6 until I make a request to withdraw interest.

7 MR. WILSON: So for example, in the
8 equity investment fund where we've got a principal
9 figure and an available interest figure --

10 MR. SUMMER: Yes.

11 MR. WILSON: -- is that million plus in
12 available interest, is that actually shares in this
13 equity investment fund, or is it cash that is earned?

14 MR. SUMMER: It's shares in the fund, and
15 when I say "available interest," I just mean value of
16 the total fund minus the corpus that we have in the
17 endowment, so it is all still shares in the equity
18 fund, yes.

19 MR. WILSON: Okay. And then when you
20 make determination for additional sorts of funds to be
21 added to the principal in any given year, is that a
22 formula -- is that already determined by the budgets
23 for those projects? The stewardship line item is a --
24 the stewardship component is a line item in each of
25 those budgets?

1 MR. SUMMER: Exactly.

2 MR. WILSON: Okay. So it's not in any
3 way a requirement that there be a corpus of a certain
4 amount or that -- so it's all adding to the corpus of
5 the stewardship fund just based on whatever the
6 projects are for a given year, not by any stipulation
7 of how much corpus you have to have or what the
8 relationship is between the principal and the interest?

9 MR. SUMMER: It's not directly, so it is
10 based on -- take the endowment fund, the Land Trust
11 says this will cost us \$500 a year to monitor, we
12 assume the corpus and interest over inflation and just
13 multiply that number by 25, and that's the amount that
14 we put into the endowment.

15 And actually, do track -- for each
16 project, when I look at the invoice for project 27001,
17 I see that we have deposited \$15,000 for that project,
18 and thus, by our formula, the interest is -- that
19 project has up to \$500 available for that monitoring,
20 so we do track every project that has a specific amount
21 in the endowment tied to it in the corpus, and there's
22 a maximum that we can pay out for that project's
23 monitoring, but there's not a formula per se based on
24 number or acres or something else.

25 This may be part of what you're asking?

1 MR. WILSON: Yes.

2 No, that's good.

3 MR. SUMMER: Okay.

4 CHAIRWOMAN CAWOOD: Any other questions
5 for Will?

6 Great. Well, I will seek motion to
7 approve the staff recommendation to allocate up to
8 \$14,350 for stewardship management awards.

9 MR. TOOLE: So moved.

10 MS. KUMOR: Second.

11 CHAIRWOMAN CAWOOD: Thanks to both.

12 All in favor?

13 The Board: Aye.

14 CHAIRWOMAN CAWOOD: Any opposed?

15 MR. TOOLE: Madam Chair, I do have one
16 simple question.

17 CHAIRWOMAN CAWOOD: Definitely, Trustee
18 Toole.

19 MR. TOOLE: Kind of a largely -- that is
20 a lot of money piled up. What are we going to do with
21 it?

22 CHAIRWOMAN CAWOOD: Trustee Toole, I was
23 thinking the same thing. We've seen so many great
24 projects come before us and would welcome discussion.
25 Although, Trustee Toole, if you had something in mind

1 when you -- when you saw that that you would like to
2 start off a discussion or I'd be happy to.

3 MR. TOOLE: I have nothing in mind, but
4 it just occurs to me that if our burn plate is let's
5 say a quarter of a million a year, right, and we are
6 generating that much or more, well, it's hard to know
7 how much we generate in a year, but we've amassed a
8 very comfortable reserve against needs of things, and I
9 just don't want others to look at that kitty and think
10 that might be good to go fund other than Clean Water
11 Management. That's all.

12 CHAIRWOMAN CAWOOD: Well, any other
13 thoughts come to mind we can discuss?

14 Renee?

15 MS. KUMOR: Well, I was thinking that
16 because we continue to exist, we always continue -- we
17 will then in the future always have more projects that
18 demand this kind of stewardship, that if we start
19 reducing our corpus, don't we kind of reduce our
20 opportunities to grow more stewardship options in the
21 future? That's the way I look at it. I don't want us
22 to cut back when, in fact, we might prohibit growth in
23 our acquisitions in our stewardship.

24 CHAIRWOMAN CAWOOD: Okay. And --

25 MR. TOOLE: Well, I don't think this is a

1 time to try and find out a policy, but I think -- you
2 know, I'm looking at line 28, which suggests that you
3 need 85 grand this year to cover stewardship needs. I
4 look at line 21, which said that we -- you know, now
5 got 1.4 million, and I look at line 20 that says we
6 generated 158,000 in interest. So, you know, absent a
7 market crash, which we have to plan for, if it does --
8 and I also see line 29 saying that, you know, we expect
9 another 200,000 to come from, you know, projects in the
10 future, you know, as part of the way to set things up.

11 It just seems to me that this money
12 creates an opportunity to do things that are mission
13 specific should we choose to do so. That's my only
14 point.

15 CHAIRWOMAN CAWOOD: And, Trustee Toole, I
16 think what I'm hearing the difference between you and
17 Trustee Kumor is -- or you all don't have a difference.
18 It's looking at two separate things. We want to
19 continue to put in the stewardship dollars to make sure
20 that we are covered, but we might have so much of a
21 balance that we might need to look at using some of
22 that towards our mission.

23 MS. KUMOR: I understand -- I
24 understand --

25 CHAIRWOMAN CAWOOD: -- difference --

1 MS. KUMOR: -- what Bill is saying.

2 CHAIRWOMAN CAWOOD: So is that -- I was
3 kind of going where Trustee Toole was in wondering what
4 the Board would think about us asking staff to do some
5 research on -- within a Frank Bragg world at the
6 treasurer's office as to based on the spend rate, based
7 on the amount of projects that we have, what is the
8 conservative cushion that we should have in the
9 stewardship fund, and if we are way beyond the most
10 conservative cushion, then to bring back to the Board.
11 If it's the September meeting, great. I think's that a
12 lot to ask of you all. I would say maybe our November,
13 is that it?

14 MR. CLARK: If we choose to have one.

15 CHAIRWOMAN CAWOOD: If we choose to have
16 one.

17 But to come back to the Board when you
18 get that work done to let us know if -- if it's just
19 way more money that needs to be sitting there growing
20 than what the needs are.

21 MR. WILSON: So I remember reading
22 something about clean water stewardship endowment, and
23 I can't remember whether I read that in statute or in,
24 you know, our operating manual, but it's in there
25 somewhere, and, you know, in the land trust world, as

1 many of us know, it's standard operating procedure to
2 have stewardship endowment, and it's really important
3 and good policy to always have it there including on
4 rainy days including when there are potential
5 40-percent mark crashes.

6 To the degree that the Clean Water
7 Management Trust Fund is a different animal because of
8 the -- fingers crossed -- funding that is provided, is
9 it different? Maybe. But I think the first question
10 is what are we required by law to do in terms of
11 stewardship endowment? What was the -- if it was just
12 the operations manual, our own internal guidelines,
13 what was the thinking behind coming up with -- you
14 know, where did the original corpus come from in the
15 stewardship endowment?

16 MR. SUMMER: Well, I've got great
17 information to --

18 CHAIRWOMAN CAWOOD: Excellent.

19 MR. SUMMER: -- provide, so you are
20 correct. It is in our general statute, and what it
21 says is that the North Carolina Conservation Endowment
22 Fund, the tools that we are specifically authorized to
23 invest in equities and bond funds, which makes it
24 special. When you read the endowment, it's a lot of
25 state pensions and other very large organizations that

1 have that privilege, which our predecessors earned in
2 2007.

3 It does specifically state that the
4 interest may only be used for stewardship and Clean
5 Water Management Trust Fund projects, which is to say
6 there still may be other stewardship needs. There are
7 some easements that kind of predated our organized
8 stewardship program, and we didn't have money set aside
9 and records would probably show we didn't grant money
10 out to the land trust either. It was before they even
11 thought to ask for it, and they just make that promise,
12 and there wasn't any way to monitor it.

13 Sometimes we gave them a lump sum, and
14 sometimes, they just felt that that's part of their
15 duty in land trust and they weren't really thinking
16 forever in the same way that they do now, so there is a
17 statutory limitation in what we can use it for.

18 This other question, where it comes from?
19 Basically, it started in 2004. Just like I requested,
20 204,000 for those 13 projects, the 2004 projects that
21 closed had a budgeted amount, and we started out with
22 that, a couple \$100,000 as the principal and began
23 earning interest. In those days, we were only
24 statutorily allowed in the short term investment fund,
25 which is the cash fund savings account, as it were,

1 earning, you know, half of inflation I guess.

2 In 2008, we got the right to invest in
3 these other tools, and then fortunately, I guess, we
4 dragged our feet just long enough to let the market
5 make its correction, and it was in 2012, that the Board
6 decided to put money into equities and started dollar
7 cost average every 12 months, putting a chunk every
8 month into equities.

9 And as you know, we were kind of halfway
10 back in a recession at that point, so that's where our
11 handsome interest came from essentially, but I raised
12 this very question to Frank last year. I said, Frank,
13 we're really doing well. It seems like this is more
14 than we need. What should we do. And Frank said --
15 his advice last year, more or less the same boat was, I
16 think you should leave it. Corrections will happen,
17 and he -- his conservative line at that point was don't
18 do anything with it, but I'm happy to even engage him
19 in it. In our last question, he said, I will be moving
20 on. You know, we talked about the endowment fund, so
21 he's still very available.

22 MR. WILSON: And there's two big
23 variables. There's not just market crashes. There's
24 also, you know, we are entirely dependent on what the
25 appropriations are each year, and there have been past

1 years where it's been very difficult, and to not have
2 funds to steward those easements, would be awful and
3 put a huge burden on land trusts. Some of which are
4 hanging on by a thread financially.

5 CHAIRWOMAN CAWOOD: It would be
6 irresponsible. I think that's what --

7 MR. CLARK: And land trusts usually do,
8 as you know, reserve any endowment income fee just for
9 those purposes, and probably bill those funds in those
10 unpredictable outcomes. It could be some opportunity
11 in the future where we may receive some funds that
12 aren't necessarily generated for stewardship purposes.
13 We might want to actually talk about other options we
14 may have for separate funds. Separate and apart from
15 stewardship.

16 CHAIRWOMAN CAWOOD: Will, I think it
17 would be wonderful if you have another conservation
18 with Trustee Bragg because I mean, he is an expert in
19 this area, to make sure that he still feels that way.
20 I'd like for the Board to go through with the motions,
21 and then if there is a different feeling from Trustee
22 Bragg that -- bring it to the executive committee, and
23 we'll have a discussion, and then of course, we will
24 make sure the whole Board knows.

25 MR. SUMMER: I will absolutely do it.

1 CHAIRWOMAN CAWOOD: Good. So Trustee
2 Toole and I had the same thought of as, Whoo, that's a
3 big chunk, which is a great thing for us.

4 MR. SUMMER: It is.

5 CHAIRWOMAN CAWOOD: Great.

6 Trustee Toole, does that meet with --

7 MR. TOOLE: Yes. Exactly. I think we
8 need to have a conversation as we sort of just now,
9 and, you know, we may decide to do nothing with it
10 right now, or we may decide that there's a possibility
11 there's something less than this, and then within the
12 limits of our statutory and whatever policy or
13 authority we choose to do, we might wish to say as to
14 certain -- certain times it comes up, if it meets the
15 criteria that might be established, this isn't
16 something that allows us to act under the law.

17 I will make it up. Let's say, for
18 example, a project came along from a community that
19 really didn't have the financial resources but we
20 thought it was a fabulous project, maybe this becomes
21 an opportunity for us to say instead of, you know, a
22 50/50 match or something like that, we can see a 15/84
23 -- 15/85 percent match. I made it up, but you can get
24 the idea. This could be some flexibility for those
25 kinds of projects or others that we like. It may not

1 be because of other stewardship consideration, but I
2 just wanted to ask that we think about it. That's all.

3 CHAIRWOMAN CAWOOD: Wonderful.

4 MR. TOOLE: And I thank you --

5 CHAIRWOMAN CAWOOD: Oh, definitely.

6 MR. TOOLE: -- Chairman, for referring
7 this to the committee to think about.

8 CHAIRWOMAN CAWOOD: Excellent. Thank
9 you. Great, great discussion.

10 So we are now going to move to number
11 two. I'm looking for a motion to approve the staff
12 recommendation to deposit \$204,568 to the endowment
13 principal and withdraw 84,667 in interest to fund the
14 program expenses.

15 MS. KUMOR: So moved.

16 MR. VINES: Second move, Madam Chair.

17 CHAIRWOMAN CAWOOD: Great. All in favor?

18 The Board: Aye.

19 CHAIRWOMAN CAWOOD: Any opposed?

20 (No response)

21 CHAIRWOMAN CAWOOD: Hearing none, we will
22 move on to the third motion, which -- approve the staff
23 recommendation to allocate the deposit and withdrawal
24 between the funds in order to move the balance closer
25 to the target previously set by the Board.

1 MR. VINES: Make that motion, Madam
2 Chair.
3 CHAIRWOMAN CAWOOD: Thank you, Trustee
4 Vines.
5 MR. CLARK: Second.
6 CHAIRWOMAN CAWOOD: Thank you.
7 All in favor.
8 The Board: Aye.
9 CHAIRWOMAN CAWOOD: Any opposed?
10 (No response)
11 CHAIRWOMAN CAWOOD: Wonderful. Great.
12 Thank you, Will.
13 MR. SUMMER: Very well.
14 CHAIRWOMAN CAWOOD: As always, that's --
15 it is something that we see just once a year, and I
16 think that's a great way to preface that because it is
17 something that comes in front of us, so thank you for
18 your detailed explanation and walking us through that
19 and for the additional work you're going to do on it.
20 MR. SUMMER: Very well.
21 CHAIRWOMAN CAWOOD: Or is it additional
22 work for us as --
23 MR. SUMMER: This will be my last one.
24 My last time explaining.
25 MR. WILSON: One more quick question: Is

1 the target allocation in each of those asset classes a
2 single percentage or is it a range?

3 MR. SUMMER: It's -- it was initially set
4 up as a range, and on this last -- I believe it was two
5 and a half, three years ago the treasurer's office put
6 us into a different investment type, and a different
7 investment manager reestablished our deposit agreement,
8 and in that agreement, I believe it was just specified
9 as the range of 80 percent, 22 percent, 7 percent
10 respectively.

11 I'm not concerned that it get far out of
12 that, but I only -- we don't need to do anything with
13 it just once a year, so when making deposits, it's just
14 my suggestion to kind of move it back towards that, or
15 it will be twice as far out next year perhaps.

16 MR. WILSON: So I asked because, you
17 know, an 8-percent figure or a 22 or a 70, that's not a
18 target range. That's a target percentage.

19 MR. SUMMER: This is true.

20 MR. WILSON: But the reason I ask the
21 question is not to split hairs over the word. It's how
22 often are we rebalancing for the sake of rebalancing.
23 Is it typically done annually when decisions are being
24 made which of those asset classes to withdraw funds
25 that are needed from, so it's not -- there's never a

1 mid-year rebalancing, like, oh, we are, you know, at
2 six percent in the bond investment fund instead of
3 eight percent. We need to get closer to eight.

4 MR. SUMMER: It's typically just once a
5 year. We actually only allowed two times a year to
6 make transactions in this fund directly, but it's just
7 during this meeting when I ask that of the Board. The
8 way that the agreement reads is that our Chair must
9 sign any deposit or withdrawal form at the direction of
10 the Board, so this is -- this is the only time I
11 generally bring it before the Board.

12 MR. WILSON: Because a range conveys a
13 little more flexibility, a little less sense of urgency
14 we got to rebalance, we got to rebalance. An
15 individual target percentage causes people often to get
16 nervous and start, you know, making transactions when
17 they don't need to.

18 MR. SUMMER: Exactly, and it's just that
19 this is the opportunity to make an adjustment, so I put
20 it before the Board at this point, but you're right.
21 It actually used to be a range, and I think I have not
22 updated my slides.

23 CHAIRWOMAN CAWOOD: Great. And before we
24 move on to business two, I want to welcome our legal
25 expert, Hank, for being here with us, and Hank told me

1 he doesn't have an update for us for this meeting, but
2 I just wanted to recognize him and thank him for his
3 work.

4 Before you came in, in the executive
5 director's report, was mentioned what a great help you
6 are to staff and your work is very much appreciated, so
7 thank you.

8 MR. FORDHAM: Everyone is a pleasure
9 to work with. That's for sure.

10 CHAIRWOMAN CAWOOD: Great. Okay. Will,
11 we'll move on to our business two, which is the Outer
12 Banks Dare Challenge request, and as Trustees will
13 note, this is something that we saw at our last board
14 meeting --

15 MR. KICKLER: Madam Chair?

16 CHAIRWOMAN CAWOOD: Yes.

17 MR. KICKLER: Out of an abundance of
18 caution, I will recuse myself from this one.

19 CHAIRWOMAN CAWOOD: Thank you. Trustee
20 Kickler has recused himself from this and has left the
21 room, so, Will.

22 MR. SUMMER: Thank you very much.

23 So the Board did hear this request in
24 February, and I'm going to recap what was presented and
25 then talk about what has changed since that time.

1 So in 2004, we awarded \$200,000 to the
2 Wild Life Resource Commission to purchase 120 acres in
3 Dare County, which as is often and are almost always
4 done with our state properties dedicated under the
5 Nature Preserves Act, it's a conservation agreement
6 akin to a conservation easement.

7 The Outer Banks Dare Challenge, which is
8 a non-profit addiction treatment center, has facilities
9 directly adjacent to part of this land. They
10 approached WRC, Wildlife Resources Commission, to
11 acquire 4.2 acres of this property that's adjacent to
12 their's in exchange for 12 acres that's located about
13 20 miles north of this in Currituck County.

14 In February, the Board considered this
15 request and felt it was not strong enough to our
16 benefit and denied approval of the request.

17 Since February, a couple of things have
18 happened. The Wildlife Resources Commission has
19 approved a request from the Outer Banks Dare Challenge
20 for their part of it. Appraisal of this property has
21 been included. This is a piece of information we did
22 not have in February.

23 The Outer Banks Dare Challenge, based on
24 those appraisals, has amended their request, and the
25 Natural Heritage Advisory Counsel met on the 22nd of

1 May and considered the revised request and approved
2 that request, and that's the request that I'm going to
3 present to the Board now.

4 As I mentioned, in February, the Natural
5 Heritage Program has visited both sites. The WRC tract
6 is not rated a natural area but is adjacent to the
7 Roanoke Island Juncus Marsh which is (R2/C3). The
8 lower the number, the higher priority in that rating
9 system.

10 The Wells Tract, which is the one that
11 would be proposed to be swapped, is rated as a South
12 Currituck Marsh Natural Area, which is a (R2/C3). The
13 swap would result in a small parcel that may be a
14 little bit of challenge to man for WRC, but it is a
15 higher grade area in terms of the Natural Heritage
16 Program rating.

17 So this is a map from February with the
18 new area proposed in blue, so what you saw last time,
19 the 4.2 acres that the Dare Challenge is requesting is
20 essentially this entire cleaver-shaped property that is
21 about 4.2 acres, and what they have proposed now is to
22 reduce that request from 4.2 acres down to 3 acres, so
23 just the blue rectangle most adjacent to their
24 property, which is right here. That's change number
25 one.

1 Change number two is that the Outer Banks
2 Dare Challenge owns this out parcel of approximately
3 1.6 acres, so they are now proposing to swap that
4 directly with WRC to kind of effectively do what is --
5 for lack of a better -- onsite mitigation for their
6 impact, so if you consider the net of those two, it's
7 effectively 1.4 acres that is being traded outright
8 here or remained to be traded for some benefit
9 somewhere else.

10 This part of the property still remains
11 the same. This is that Currituck County piece that's
12 approximately 12 acres. That has not changed from what
13 we saw in February. I did inquire with Outer Banks
14 Dare Challenge people if they would talk to this
15 landowner and see what was available, and it simply was
16 not, so this part has not changed.

17 One other thing that has changed now that
18 they do have the appraisal, they're aware that the WRC
19 property is more valuable than the Currituck County
20 property, so when you consider the net difference of
21 the 1.4 acres, the value of that against the 12 acres,
22 there's a value difference of \$46,800, and both because
23 it makes us whole financially and because of state
24 property rights, you cannot just give something of
25 value to a private or -- they can't give up property at

1 a loss essentially. That is required by the state
2 property rights, if not.

3 So what they are now requesting is reduce
4 the original request from 4.2 acres to 3 acres, convey
5 their adjacent 1.6 acres inholding to WRC, which is
6 nice to clean up that boundary line. They're still
7 offering the 12 acres in Currituck County, and they're
8 proposing to compensate the State an additional \$46,800
9 in cash.

10 The default for this, and this is a --
11 one of the larger amounts we've received. Normally,
12 it's compensation for DOT right of ways, which are a
13 tenth of an acre and worth all of \$1,000 that generally
14 goes back into the endowment. Just for making it
15 stronger, not just because that's kind of the policy as
16 it's been to date. It doesn't necessarily have to be.
17 It's just a place to put those funds.

18 So the result of the revised request
19 mitigates all but 1.4 acres onsite, and in exchange,
20 offer 12 acres and 48,000 -- 48,600 to make our -- make
21 the State whole and conservation monetary -- with that,
22 I will take any questions, and this is the Board action
23 request.

24 CHAIRWOMAN CAWOOD: Questions for Will?

25 One thing for the Board to know and a

1 couple of discussions I've had both with Walter and
2 Will about this, since the 48,600 -- it's not just
3 \$1,000 that's coming back in from DOT, and it's funds
4 that have some real impact. Just we -- actually, I
5 think we all three independently came to the same kind
6 of thought, which was would there be a way to set that
7 money aside and possibly hold it, if legally we can,
8 and we'll have to look into that, and use that in
9 another project in that area so that we'll get even
10 more mitigation in that area where this is taking
11 place, and that would be something if the -- you know,
12 the Board has an interest in that, then I would ask
13 Will to work with our counsel and bring back to us how
14 we can do that, if it is what the Board wants to do.

15 MR. CLARK: Thank you, Madam Chair. This
16 could be part of the study, you know, for the
17 stewardship endowment. Seeing that there's parts of it
18 that could be removed that came from other money that
19 possibly are stewardship related and add it to this
20 amount.

21 MS. KUMOR: So what exactly would we be
22 looking -- we would just be holding this money and not
23 putting it in the endowment for now and looking at some
24 of the options that we could use that money for
25 provided that we have the advice that it's a legal

1 opportunity, and those things that you suggest would be
2 enhancing some mitigation opportunities in that -- in
3 Dare County or around there or doing some -- other kind
4 of informal or formal studies of something?

5 MR. CLARK: Well, I think that, Trustee
6 Kumor, the idea was during the last discussion that the
7 Board had, it was felt that the 12 acres that were
8 being offered weren't going to be quite enough, but
9 things have changed since then. The offer's much
10 better, but there have been some discussion in the
11 North Carolina Land & Trust about acquiring some
12 additional land, and I think the collective thought was
13 that this money could now be set aside and used maybe
14 by the North Carolina Coastal Interest or us to acquire
15 additional land in the future. It might -- that may
16 help that sort of dissatisfaction you felt the first
17 time around with the 12 acres being separate and
18 isolated and maybe not quite enough land.

19 MR. VINES: Madam Chair, any thought
20 about how long we would sit on that money? Are we
21 going to set a time frame on when we use it or just be
22 whenever it comes up?

23 CHAIRWOMAN CAWOOD: That is a great
24 question, and I think that needs to be part of what we
25 look at and present that to the Board.

1 MR. WILSON: Is there precedent for these
2 types of transactions and with us receiving funds for
3 similar purposes, and what -- if so, what have we done
4 with those funds?

5 MR. SUMMER: So to date, most of the
6 similar transactions have been land for land. No cash.
7 The only time we ever accept cash in lieu of land is
8 really when the properties that are so small and are
9 DOT projects where they're widening a bridge and
10 increasing a median 20 feet and it's again a tenth of
11 an acre, and the value of it is \$850 or \$1,000 where
12 it's not enough.

13 You know, if I say the only ones up since
14 I have been here, it's \$4,500 that we would be looking
15 at. This is the first one of any substantial amount.
16 I think by default, that amount is just going back into
17 the endowment, but I think I've already heard interest
18 from the Board that the endowment's doing well enough.
19 So this is, you know, enough of a chunk that it might
20 help purchase an inholding from -- I know there's a
21 reserve -- yes. Thank you -- Springer Point in
22 Ocracoke or other areas this might be good put to use,
23 so instead of 12 acres and money, you have 12 acres
24 here, 20 acres over there, and you see kind of more of
25 a tangible conservation benefit in the future.

1 MR. WILSON: What is north of the 12
2 acres? What is that adjacent property on the north
3 side?

4 MR. SUMMER: To my knowledge, if that's
5 the northern boundary of the Wells Tract, and it's
6 another private holding at the moment, to my
7 understanding. I don't believe it's private.

8 MR. VINES: Madam Chair, I don't want to
9 sit on the money longer. If there's something out
10 there that would benefit us more by going ahead and
11 securing something in another area, I'd rather see us
12 do that than sit on it.

13 MS. KUMOR: But you are in favor of not
14 rolling it into the endowment?

15 MR. VINES: Absolutely.

16 MR. WILSON: How would we use that money
17 to acquire some other property? Would it need to go
18 through our typical funding process?

19 CHAIRWOMAN CAWOOD: That's part of what
20 we want legal counsel to look at, and which is why I'm
21 not asking for a motion for us to do that. Right now,
22 this came up so quickly, and I want us to be thorough
23 since this is kind of an outlier of how things would
24 normally go or the amount of money that is normally
25 given back to us.

1 So that's why I wanted us to just take a
2 pause, have staff work with counsel, see if there is a
3 way within our target to be able to do it and our
4 mission to do it, and if so, what's the most
5 appropriate way to proceed.

6 MS. KUMOR: And --

7 MR. VINES: But we do need to get it into
8 our minutes, so it will be accounted for.

9 CHAIRWOMAN CAWOOD: Um-hmm.

10 MS. KUMOR: And also we're going to be
11 talking about it the next time we meet. Aren't we
12 going to be allocating and reviewing the requests?

13 CHAIRWOMAN CAWOOD: Um-hmm.

14 MS. KUMOR: So you that would respect
15 Charles's concern that we don't hold it a long time.
16 We might find the opportunities are within months of
17 setting aside.

18 MR. VINES: And I mean a long time is two
19 or three years. If we do something within the next
20 year, I think we are okay.

21 CHAIRWOMAN CAWOOD: Um-hmm.

22 MR. WILSON: Is our action time sensitive
23 and so urgent that we need to take this action before
24 -- it is.

25 CHAIRWOMAN CAWOOD: As you know, after

1 our board meets and approves something, it has to go to
2 counsel of state, which normally meets a few months
3 after, and then it has to go -- so with this, I feel
4 it's important if we believe that they have made a
5 good-faith effort to better their proposal, that we
6 should approve this and do the other as a separate --
7 separate study.

8 MS. KUMOR: For the issue of money.

9 So if any motion, would you like the
10 approval of this exchange as proposed by the staff but
11 with the notice that we will withhold the \$40,000 for a
12 period up to a year --

13 CHAIRWOMAN CAWOOD: Um-hmm.

14 MS. KUMOR: -- before signing it's --
15 well, not signing it --

16 CHAIRWOMAN CAWOOD: The most appropriate
17 use for it.

18 MS. KUMOR: That would be my motion.

19 CHAIRWOMAN CAWOOD: Wonderful. Do I have
20 a second?

21 MR. WILSON: I'll second.

22 CHAIRWOMAN CAWOOD: Thank you, Trustee
23 Wilson.

24 All in favor, say aye.

25 The Board: Aye.

1 CHAIRWOMAN CAWOOD: Any opposed?

2 (No response)

3 CHAIRWOMAN CAWOOD: Very good.

4 And I believe Trustee Kickler recused
5 himself for that, so he can join us back again.

6 With the executive committee reported
7 recommendations, and we just had three issues that have
8 come forth, and we get Will again to walk us through
9 this, so, Will, if you will start with consideration of
10 a minimum criteria policy.

11 MR. SUMMER: Thank you so much.

12 Okay. I think I maybe mixed up my
13 agenda. Just one minute. There we go.

14 Agenda item 3a is, in fact, the criteria
15 policy, so this is something that our counsel brought
16 to our attention earlier this year when reviewing our
17 status as either quasi-judicial or quasi-legislative.
18 The latter being kind of where we fit.

19 In consideration of the way our statute
20 reads, it says, That Trustees shall allocate moneys
21 from the Fund as grants. A grant may be awarded only
22 for a project or activity that satisfies the criteria.

23 And the way our scoring criteria are now,
24 they are not a pass/fail-type of criteria. They are
25 essentially a linear-scoring system, which you can

1 score very low in which makes you practically not
2 available for fund, but you can't fail in terms of our
3 criteria as it exists which makes them not criteria as
4 is defined in our statute.

5 To this end, what Hank has suggested is
6 that we establish a true minimum criteria, a pass/fail
7 system that is applied to all projects, and then what
8 we know as scoring criteria, the thing that we've been
9 working on for these last months, we simply, to avoid
10 confusion, we refer to something other than criteria.
11 Right now, we are working with the application rating
12 system, which is really more accurate anyway.

13 So to that end, with Hank's assistance,
14 we've developed a draft minimum criteria policy that
15 states in order for a project to be eligible for a
16 grant, it must meet certain requirements, and they're
17 primarily right out of our statute.

18 So the first one is it's submitted by an
19 eligible applicant; the second one is that it meets one
20 of the purposes established in our statute; the third
21 is that it contributed to at least one of the goals as
22 outlined in that specific subsection of our statute;
23 the fourth would be that it's supported by the complete
24 application; the fifth being that it must not use any
25 funds to satisfy compensatory mitigation, which is also

1 in our statute.

2 And we have included in the packet a
3 draft criteria that the executive committee has
4 reviewed and approved and recommended to this board,
5 and so the committee recommendation is to adopt the
6 minimum criteria policy as drafted.

7 And, Hank, do you have any more specific
8 information to present about it?

9 MR. FORDHAM: No.

10 MR. SUMMER: I don't need to --

11 MR. FORDHAM: I think you covered why I
12 know we just need a statutory minimum criteria. The
13 word "criteria" implies that it's mandatory to meet it.
14 Whereas, the guidelines that have been used in the
15 past, that's not mandatory. In other words, it's a
16 tool that staff use so that they can compare projects
17 and evaluate them, but you reserve the right to move
18 the project up to factor in things that weren't
19 specifically part of those guidelines, so the main
20 change is to make those two things distinct.

21 And I think it will be pretty invisible
22 how the minimum criteria will work because any of the
23 projects that make it to your real consideration will
24 meet that minimum criteria, so you won't have to
25 consider each project and rate each project, and

1 probably once you make your -- come close to your --
2 about to make your decision on which projects to fund.
3 In addition to that motion, would just be, And we find
4 that all these projects meet the minimum criteria.

5 CHAIRWOMAN CAWOOD: Okay.

6 MR. FORDHAM: So I don't think it will
7 complicate your business, and it will satisfy the
8 statute. It keeps the lines clear between what you
9 don't want to be, which is a quasi-judicial decision
10 maker when it comes to awarding projects, and a
11 legislative-type body that's using all the different
12 criteria to consider or factors to consider when
13 awarding grants.

14 MS. KUMOR: I had a question. When you
15 were talking about -- when Walter was reporting the
16 income that we had, he also pointed out there was some
17 earmarks of 1.5 million. Should -- do the earmarks
18 have to meet that same criteria or can they be
19 rejected?

20 MR. FORDHAM: Are these earmarks from the
21 general assembly?

22 MR. CLARK: General assembly.

23 MS. KUMOR: Yes.

24 MR. FORDHAM: I would have to read the
25 exact earmark, but if the -- if an earmark lays out

1 money to be spent on a certain thing, if it
2 specifically authorizes it with clear enough language,
3 it may or may not have to meet minimum criteria, so I
4 will review each particular earmark, but they can't
5 independently -- the general assembly has the authority
6 to earmark money for something and not make it run
7 through the general statute, that you would assume that
8 it has to go through the general statute unless the
9 earmark is specific enough to override it.

10 MS. KUMOR: I just wondered because it
11 would seem to me that if something wouldn't have met a
12 minimum criteria because of it being earmarked, we
13 might be giving money to something that in real -- in
14 the real world, we would be in violation of this
15 statute. I just -- that was a concern that I had.

16 MR. FORDHAM: We should be able to
17 reconcile the general statute with the specific
18 legislative act for an earmark and give you good
19 guidance on what the range of possibilities are.

20 MS. KUMOR: Thank you.

21 MR. WILSON: I have a question. In the
22 minimum criteria, in number two, the project must meet
23 one of the -- should it be "purposes" instead of
24 "purposed?"

25 MR. SUMMER: Yes, that's a typo.

1 MR. WILSON: Okay. And then in A, to
2 acquire land for riparian buffers for the purposes of
3 providing environmental protection for surface waters
4 and urban drinking water supplies and establishing a
5 network of riparian greenways for environmental,
6 educational and recreational uses. That "and" that I
7 emphasized, I wonder if that is problematic because
8 does item A mean that a project to qualify under item A
9 has to do both of those things simultaneously?
10 Shouldn't establishing a network of riparian greenways
11 for environmental, educational and recreational uses be
12 its own line item on that great big, long list as
13 opposed to added on as an and after the to acquire land
14 for riparian buffers, or is that -- I mean, I guess
15 this was cut and paste from the statute, but it sounds
16 to me like the statute should have been word-smithed a
17 little better maybe.

18 MR. SUMMER: We had many discussions
19 about the statute twisting us up in the way that it
20 required us to fund things, and we had that question I
21 think at the end of the day. We determined that it's
22 awkwardly worded. Yes, it was awkward, and we kind of
23 wrestled that as well, so that's -- it is cut and
24 pasted directly from our statute and our purposes, so
25 we felt compelled to kind of keep it as it -- as it --

1 MR. WILSON: Were there other places
2 where you had to go into the statute and decide where
3 to stop the cutting and pasting of a particular line
4 item in order to plug it into A, B -- A through I, or
5 were all of these really -- I mean, are -- is the
6 statute lettered exactly like this?

7 MR. SUMMER: There's one place, the
8 geographic distribution, that we ran into a logical
9 concern. Any one project can't in and of itself be
10 geographically distributed evenly across the state, so
11 that one -- that one led us to some trouble, but
12 ultimately, we decided to keep as true to the purpose
13 as we could so that this policy would be as -- true to
14 keeping us with the intent of the language as possible,
15 which I really think the impetus of this policy is to
16 make sure that it's unambiguous as we were complying
17 with the intent of the statute, which was a little
18 imperfect in the sense that it stated for us to do.

19 MR. WILSON: But we know how to apply it
20 and so we are not going to get tripped up by that and
21 part of that. Okay. If we do, we come and back fix
22 it.

23 MR. SUMMER: We have a lot of special
24 things that Hank felt that we -- as was written out and
25 presented to you, it was something that we could comply

1 with.

2 MR. WILSON: Okay. But we should
3 definitely change the "purposed" to "purposes?"

4 MR. SUMMER: Yes. Is that -- that's
5 here. Is that also in the act?

6 MR. WILSON: Yeah, it is.

7 MR. SUMMER: I will change that.

8 CHAIRWOMAN CAWOOD: All right. Thank
9 you, Trustee Wilson.

10 Trustee Vines?

11 MR. VINES: Madam Chair, it's a comment.
12 I did take a look at this along with some of the
13 applications and stuff that we funded previous year,
14 last year, and as I went through all of them, I didn't
15 find any of them the way they were written that
16 wouldn't have met the minimum requirement as written
17 here.

18 CHAIRWOMAN CAWOOD: Thank you for doing
19 that work.

20 MR. VINES: You're welcome.

21 CHAIRWOMAN CAWOOD: Okay. I will
22 entertain -- well, I guess since they came from exec
23 committee, we just need a second.

24 MR. VINES: You need a motion?

25 MR. CLARK: It is a motion.

1 CHAIRWOMAN CAWOOD: It's a motion, so we
2 just need a second.

3 MR. VINES: Make that motion, Madam
4 Chair.

5 CHAIRWOMAN CAWOOD: Thank you.
6 All in favor, say aye.

7 The Board: Aye.

8 CHAIRWOMAN CAWOOD: Any opposed?
9 (No response)

10 CHAIRWOMAN CAWOOD: Great. Perfect.

11 And we'll now move on to the allocation
12 of funding for the 2018 application, and just for the
13 Board, previously this had gone through the
14 administrative committee.

15 Is that what we thought?

16 MR. SUMMER: Um-hmm.

17 CHAIRWOMAN CAWOOD: And we felt like it
18 was more appropriate with our new committee structure
19 for this to go through the executive committee. Just
20 so board members know that's why we're seeing it coming
21 from exec committee discussions.

22 So Will?

23 MR. SUMMER: Thank you.

24 So a little bit of background
25 information, in recent years, the allocation for our

1 groups has been 75 percent of the appropriated funds
2 for acquisition, 20 percent for restoration and up to 5
3 percent for innovative stormwater. Planning grants
4 were funded based on the committee to which they were
5 most similar, so if the grant appeared to have a more
6 acquisition-related study, then it would be lumped in
7 with the acquisition projects. Likewise, if it was
8 more of a restoration grant, it was lumped in with the
9 restoration projects.

10 The new committee structure that we
11 adopted last fall has planning now as its own group in
12 the restoration, innovative stormwater and planning
13 committee, and that necessitates or suggests that we
14 look at the way we allocate funding for planning
15 projects a little differently.

16 And there's also an opportunity to kind
17 of simplify the allocation new or return funds, and
18 we'll talk a little bit more about that in a minute.

19 So in consideration of the new structure,
20 the committee recommends the simplification, is that
21 restoration, innovative stormwater, and planning
22 committee would determine the funding between the three
23 program areas, so rather than this group saying 20
24 percent for restoration and 5 percent for innovative
25 stormwater and we have planning to consider, it would

1 just say "X" amount would go to the restoration,
2 innovative stormwater and planning committee. They'll
3 review the application they've got, and then make an
4 allocation once they have considered all the grants
5 between restoration, innovative stormwater and planning
6 grants.

7 The request for this year, acquisition
8 had 67 percent of the applications in number;
9 restoration had 19 percent; innovative stormwater had
10 6; and planning had 8. In terms of requested funds,
11 acquisition had 76 percent; restoration, 19 percent;
12 innovative stormwater, 4; and planning, 1.

13 This is the previous years committee
14 recommendation, which was also adopted by the Board.
15 In round numbers, it basically said 75 percent for
16 acquisition, 20 percent for restoration and up to 5
17 percent for innovative stormwater. The last half of
18 this motion basically specifies all the different ways
19 that we could spend moneys that were returned with
20 different formulas and percentages.

21 We've suggested a little bit of a
22 simplification in this year, so the committee
23 recommendation for this year's grant cycle is as
24 follows: The committee recommends for the 2018 grant
25 cycle, that all new revenue be allocated, 75 percent to

1 the acquisition committee and 25 percent to the
2 restoration, innovative stormwater and planning
3 committee. The acquisition committee will be charged
4 with allocating funding for the Donated Minigrant
5 Program out of their 75 percent. The restoration,
6 innovative stormwater and planning committee will be
7 charged with allocating funding for each of their three
8 program areas based on the merits of the applications
9 during project review.

10 All unspent funds from previous grants
11 would revert to their respective programs, i.e.,
12 acquisition project returned moneys, they would go back
13 to the acquisition programs, and likewise, for
14 restoration and innovation stormwater, and excluding
15 wastewater, which would be treated as new revenue. So
16 wastewater doesn't have a natural component. It comes
17 back in, so we treat it as new revenue, and it gets
18 divided into 75/25 formula and assigned to each program
19 according to the percentages.

20 So that is the committee recommendation.
21 I'll take any questions about the details that I might
22 be able to answer.

23 CHAIRWOMAN CAWOOD: Great.

24 And one thing, too, just from previous
25 few years, there's -- and for Trustee Wilson especially

1 being newer to the Board -- sometimes there are years
2 where they're really impressive innovative stormwater
3 proposals, and some years, we don't get that many. In
4 some years, they're no planning grants. Sometimes --
5 so it kind of moves in that fashion, which is why with
6 our new committee structure, wanted it to go back to
7 that committee to decide based on that year what
8 they're seeing.

9 (Trustee Toole disconnected)

10 MR. WILSON: It's pretty remarkable that
11 the applications in 2018 are almost exactly -- how long
12 has that been the case?

13 MR. SUMMER: It has been within a few
14 percent of this for the last three or four years. It
15 is kind of -- it is kind of --

16 CHAIRWOMAN CAWOOD: It is shocking.

17 (Trustee Toole reconnected)

18 MR. TOOLE: You guys are the best.

19 CHAIRWOMAN CAWOOD: We are getting
20 Trustee Toole back on the phone.

21 So, Trustee Toole, we are happy to have
22 you back with us.

23 MR. TOOLE: I'm glad to be back. Thank
24 you.

25 CHAIRWOMAN CAWOOD: Any questions? Any

1 more questions for Will or thoughts?

2 Again, this did come from the executive
3 committee, so it comes in the form of a motion, so we
4 just need a second.

5 MS. KUMOR: Second.

6 CHAIRWOMAN CAWOOD: Thank you.

7 All in favor?

8 The Board: Aye.

9 CHAIRWOMAN CAWOOD: Any opposed?

10 (No response)

11 CHAIRWOMAN CAWOOD: Very good.

12 So, Will, now we'll move on to the trails
13 policy update. If you will give us a little bit of
14 background on that.

15 MR. SUMMER: Thank you.

16 As the committee members will recall, in
17 June of last year, the Board passed a trails policy,
18 and shortly thereafter, Walter received a letter
19 expressing some concerns with the policy from the Land
20 Trust Council. Now, you will recall we did send the
21 policy out to several stewardship folks, and I got
22 feedback from them as well as discussed at several
23 public meetings, but I feel like the Land Trust
24 Committee feel like everybody was aware of it, and they
25 expressed a few concerns, and Walter responded, you

1 know, let's communicate better. If you have anything
2 that warrants attention, please let us know, and we'll
3 be happy to take it back to the Board for any
4 improvements, and we, at the end of the day, want the
5 best -- the best policy we can get.

6 So we did receive comments this spring,
7 and they were considered by the executive committee.
8 By and large, I think they were comments that I think
9 were positive or either didn't need addressing. There
10 was one that I think the committee chose to kind of
11 just reject outright, and I will talk about that
12 because I think that was the right call absolutely.

13 So I'm going to go through the -- I think
14 it's eight or nine enumerated points that they had in
15 the letter and share with the committee or share with
16 the Board what the committee staff's thoughts were.

17 So the first part was the purpose
18 section. They wanted more clarification because they
19 were worried that the trails policy was applying to
20 private land owners. Now, we -- initially, when we
21 crafted this, thought we were taking great concerns to
22 kind of use this threshold of sole disturbing activity
23 as being the marker between I'm a private land owner
24 and there is my land and here's my -- where I park my
25 truck, and I'm just going to walk back and forth and

1 trim brush and so I'll get a path or something simple
2 in terms of -- as opposed to a modern mountain biking
3 trail that may require a small dozer and a lot of
4 excavation in size to kind of get things right.

5 So hearing that as really the biggest
6 concern is that the landowners were worried about
7 easement and worried that we would be reaching into
8 private -- easements on private land and requiring them
9 to have a certified trail or put in a little path on
10 their land, which is not the intent of the committee or
11 the Board or staff, so we've heard that feedback, and
12 we've got clarifications that we recommend to the
13 policy and to the language that goes in the easement,
14 and I will share that later.

15 Their comment number two is really more
16 of the same, same sort of comment. This was really
17 talking about whether or not it applied to single-tract
18 foot paths. To my mind and to my experience, a
19 single-tract foot path doesn't necessarily mean that it
20 is not a trail that couldn't be detrimental. This one
21 that you can kind of see if you see the little trail on
22 the right side of this image, and this is the old trail
23 which is now a gully. That -- that at one time, looked
24 just like this little single-trail foot path, so that
25 to me wasn't enough of a -- that's not a reason not to

1 be sure that trail was put in properly because if it's
2 on the wrong grade and it gets a lot of use, it can
3 turn into a bad situation. But again, we've got the
4 same language amendment that's proposed in point one.
5 We'll take care of clarifying when this would be
6 applicable.

7 Third point, they were concerned about
8 the builder qualifications and who could be on the
9 building team. One private landowner speaks clearly
10 from the policy in most cases, and it certainly doesn't
11 limit work crews on trails. In fact, two weeks ago,
12 this was one of our staff, Natural Heritage Program,
13 working on the trail and doing so as a volunteer in
14 that capacity, so this I think needs no addressing.
15 The policy doesn't prohibit it at all, and there's a
16 great example of that.

17 Point number four, they were concerned
18 that the trail alignments, you know, keeping at a
19 minimum distance away from the stream would prevent
20 them from creating designed access points to the
21 stream, which is again far from our intent. You have
22 to put a designed access point or people will make one,
23 and they will make it in the worst possible place and
24 it will cause issues, so we agree completely, and we
25 proposed in blue a way to adjust the policy to make it

1 explicitly allow it so that people aren't concerned
2 that we are trying keep them from that.

3 Planned access points to streams are
4 permitted where appropriate. A simple fix to the
5 policy.

6 Fifth comment, sort of a similar comment,
7 but it's access to streams they're talking about,
8 concern with access to cultural and historic sites. Of
9 course, if it's not a historic or cultural site and has
10 a point of trail, of course, you would be able to
11 access it, so I further modified the previous statement
12 to say, Planned access points to streams and other
13 features of interest are permitted where appropriate.

14 Again, just to make it more explicit. It
15 was not something we ever intended to limit, but now, I
16 think folks will be comforted by the fact that they can
17 see that our intentions are more clear, and that's
18 really what a lot of the issues are, is to clarify our
19 intentions.

20 Section six was a comment about a trail
21 length, so when we were initially doing this policy, we
22 conferred with the Department of Parks and Recreation
23 trail specialist, and she explained to us that when you
24 load up your bike or your horse, and you drive an hour
25 to get to a trail, if it's a little trail, three-mile,

1 two-mile trail, you're not just going to take one lap,
2 and then load up your gear and go home. You're going
3 to take many laps, which increases the impact on the
4 trail, so the notion behind this as a management --
5 best management practice, was to make sure that when
6 you have a destination trail, it's long enough to
7 distribute the impacts, and we conferred with the park
8 trail specialist again. She still felt that this was
9 good guidance, and we did soften it and said, For
10 biking trails, this suggested minimum is a suggested
11 minimum is a trail length of at least five miles on the
12 subject tract.

13 Softened the language a little bit.
14 Still makes our intent that these -- that short trails
15 in certain situations can be hindered by overuse.

16 Section seven, this is the one that we
17 didn't feel we wanted to give up the right for. They
18 were concerned about our authority to close existing
19 trails or deny new trails as open-ended.

20 This -- it certainly is a -- this is a
21 trail that if it were in one of our easements, I would
22 want the right to close it until it could be fixed or
23 repaired, and so the recommendation of staff and the
24 committee is to keep the language as-is, and allow us
25 to prioritize the conservation values over access when

1 -- and it's a rare case that a trail looks like this,
2 but when it does, it needs attention and not for our
3 hands to be tied in recommendation of a solution.

4 And I explained that to some of the folks
5 that submitted this last set of comments, is that we
6 feel pretty strongly about this, and obviously, it --
7 it requires them to trust that we'll be reasonable in
8 application of this, but I think that that is language
9 we should hang on to.

10 Eight was the potential conflicts along
11 right of ways in terms of putting trails in existing
12 sewer right of ways along streams. When there is an
13 existing right of way that's first in time ahead of our
14 easement, then we don't really have much to say over
15 what happens on that anyway unless it's subordinate,
16 which it generally is not. So the recommendation is
17 there's no need for us to change our policy for this to
18 be -- for this to be resolved. It's kind of a
19 non-issue by our interpretation.

20 So those are the eight points. They also
21 provide us some -- this is the paragraph that comes out
22 of our standard easement template. They suggested an
23 amendment, which in consultation with Hank, we have
24 reworded to make it fit better, be less ambiguous and
25 meet our interest, but essentially, the purpose of this

1 section is to make it more clear that the private
2 landowner who is using a trail for personal use by
3 themselves and their small number of guests, doesn't
4 have a big impact on the land or water is not subject
5 to the strictest requirements of the trails policy.

6 So this I think addresses the single
7 greatest concern that we heard from the Land Trust
8 Council with the trails policy, and this is what I am
9 proposing that we -- in addition to the change in the
10 policy that would impact this change in the easement
11 language, as well be considered.

12 So with that, the committee
13 recommendation applies to both easement language that
14 you just saw as well as the policy that was in the
15 Board packet, both changes.

16 CHAIRWOMAN CAWOOD: Any questions for
17 Will?

18 Again, this came from executive
19 committee, so it comes as a motion so it only needs a
20 second.

21 MR. WILSON: Second.

22 CHAIRWOMAN CAWOOD: Thank you.

23 All in favor?

24 The Board: Aye.

25 CHAIRWOMAN CAWOOD: Any opposed?

1 (No response)

2 CHAIRWOMAN CAWOOD: Yes, please?

3 MR. CLARK: Just one comment about the
4 trails policy and some of the discussion that led to
5 the Land Trust Council. Clearly, when this policy was
6 proposed, Will did a very good job of trying to contact
7 the right people in the Land Trust community to review
8 it, and really it was the Land Trust community's
9 responsibility to be sure it's circulated. There was
10 people who weren't satisfied with that, so what we've
11 done is requested from the Land Trust Council that
12 Clean Water be allowed to participate orally in their
13 Land Trust Council calls and update the Land Trust
14 about policies that we were considering, and charging
15 explicitly somebody in the Council for the distribution
16 of our proposed policy so there's no confusion in the
17 future, so created this direct relationship, which I
18 think is a good one to have.

19 Sort of a side note in this whole
20 discussion of the trails policy.

21 CHAIRWOMAN CAWOOD: Thank you, Walter.
22 That's a very important, and thank you for letting our
23 board know about that because I think probably we'll
24 have at least one of the issues come up after we set
25 the policy.

1 Will, you get to take a little bit of a
2 break. Next, we're going to move on to the acquisition
3 committee reported recommendations, and I will ask
4 Trustee Kickler to -- who is chair of that committee,
5 to take over.

6 MR. KICKLER: Thank you. We have three
7 items to consider that were recommended by the
8 acquisition committee. Item 4b has been removed, so
9 that one will not be looking at, but before we talk
10 about the acquisition committee reports at some point,
11 I just wanted to take the liberty to talk two or
12 three minutes about the building and the town we're in
13 right now.

14 Part of the activities like this, we are
15 in the second oldest active courthouse in the United
16 States of America. It was built in 1767 I believe, and
17 there were many important folks who entered the doors
18 below us during that time. It was a bustling place, as
19 I imagine. You look out the windows, you can see ship
20 masts. Herring was a big trade back then.

21 To my right over here, there's one of the
22 largest road walks in the United States. Well, the
23 colonies at the time. It was the largest road walks.
24 Because it was a bustling port, they would make roads
25 up to a mile long at the road walk.

1 Carolina, South Carolina, North Carolina,
2 before there was a north and south, it was divided up
3 into eight districts. The proprietors were the ones
4 that owned -- a fellow who owned this area, was called
5 Granville. He owned land all the way out to the
6 Winston-Salem area, and there are records of folks
7 traveling from Old Salem to the cupolas right here to
8 make land deals because the acts of the landowners were
9 Granville, and the land agent was Francis Corbin, who
10 lived in the cupolas.

11 Some of the fellows who walked through
12 the doors below us, I will just name a few of them.
13 Try to be -- I don't know if you're familiar with
14 Cheers. I'm not going to try to be Cliff Clavin about
15 it, but it's just exciting for me to be here.

16 Hugh Woodson was one of the folks who
17 practiced law here. Some of the people say no one
18 spoke more at the Constitutional conventions and said
19 less, but if you look at some of his ideas like the
20 six-year term for senator, it was his idea. Some
21 people wanted seven, people wanted eight, people wanted
22 third-year terms, but his idea was six years. There
23 were other things that he introduced during the
24 Constitution as well.

25 Samuel Johnson who practiced law below

1 us. His name is on the plaque. Many of you when you
2 were in civics class probably remember Marbury v.
3 Madison, 1803, judicial review when judges overturned.
4 That the legislature enacted.

5 While that was being debated, below,
6 another courthouse around here, the case is called
7 Bayard v. Singleton. That's one of the first examples
8 of judicial -- of review, and Samuel Johnson argued
9 that. Joseph Hughes signed the Declaration of
10 Independence. James Iredell, who's namesake is Iredell
11 County, practiced law here, and he was one of the first
12 members on the U.S. Supreme Court. One of the youngest
13 members, as well as his house is just up the road.

14 And then last, but not least in many
15 ways, maybe the most important here in this town, is
16 the Barker house right there, which is named after what
17 some would consider the mastermind of the first
18 organized political activity by women, what became the
19 United States of America. There had always been
20 individual activists, but women had not -- that we know
21 of in this part of -- acted in an organized fashion, so
22 essentially, they signed a petition.

23 And there's a debate about whether it was
24 in a house or in the courthouse, but if you can
25 imagine, go downstairs, families, women, couples, men

1 coming here to do business, legal or otherwise, and
2 stepping through the courthouse, and women are signing
3 a petition saying they are not going to pay the tea tax
4 basically.

5 A lot of political speeches from out
6 there on the steps, and people making up their minds
7 whether they were going to support the Constitution or
8 be against it, so anyway, it's a very important place.
9 I'm glad we could meet and eat here and --

10 CHAIRWOMAN CAWOOD: And to that aside, I
11 want to say how lucky we are to have Trustee Kickler,
12 who is such a noted historian, and he's written a great
13 deal on this very special place.

14 MR. KICKLER: So now -- thank you. We'll
15 get down to business here.

16 There are three items to talk about, but
17 as you all walk around, I mean, just -- if you have a
18 -- I say that if you have a little bit of a historical
19 imagination, the walking tour, will just mean so much
20 more, just think of what was happening around.

21 But the acquisition committee has three
22 recommendations to the full board. The acquisition
23 committee met three times -- oh, four in various
24 aspects of the application rating system, as we call it
25 now in order to refine it, to make it even better than

1 what it was, and then there are two requests to amend
2 various projects that have been funded in the past, and
3 I will turn the time over to Nancy to tell us the
4 highlights of what the acquisition committee
5 recommended.

6 MS. GUTHRIE: Thank you.

7 The committee did meet four times, and I
8 believe with our Trustees present today, Trustee Kumor
9 and Toole are the two who did not go to the four
10 meetings to discuss and bring forward the
11 recommendation, so I'm going to go at a fairly high
12 level, but certainly, particularly, Renee or Bill, feel
13 free to ask for more details as we go.

14 The review system, you may recall, before
15 we reviewed the system, there was a survey sent out to
16 our partners, and the acquisition committee had
17 received 27 comments. Throughout the process, all of
18 the comments were considered. A lot of them did make
19 some changes or resulting in some changes in the
20 application rating system. And overall, it was felt
21 that the rating system was functioning well, but there
22 was some questions on clarifying some of the details of
23 the system and just making certain that we were using
24 the full range of the 100 points.

25 Okay. So the major components for the

1 acquisition rating system, there's a resource
2 significance section, which is then made up of four
3 program areas, and I will get into those details in a
4 minute; there's a military buffer section; other public
5 benefits, which is education and recreational access;
6 readiness, which is the landowner's intent, and also
7 the status of match -- matching funds; and value, which
8 is just the percent and source of matching funds.

9 Overall, you can see that on the major
10 components, there was a little bit of trading points to
11 increase that resource significance from originally
12 55 percent of the points to 60, and then reduce the
13 readiness just a little bit.

14 In the resource significance, the
15 acquisition program, we do have riparian buffers,
16 riparian greenways, natural heritage and historic and
17 cultural, which are very distinct areas, and each of
18 those four categories have detailed points up to 50
19 points maximum, and then there's a way to combine if
20 you have two or more of these categories that you get
21 additional benefit points.

22 And I'm going to go through the sections
23 again just at a higher level in what was changed.

24 In the resource benefit for riparian
25 buffers, there were three subcategories there. One of

1 them detailing whether -- for five points whether it
2 was protected and existing or future water supply --
3 watershed. We decided to delete that section, and then
4 put all of those five points into the main section,
5 which was the water body classifications, and so those
6 points were absorbed into another section within the
7 riparian buffers. It simplifies the system. It also
8 really emphasizes -- or gives the same emphasis on the
9 water supply.

10 Throughout the water body classification,
11 very similar to the restoration application system, we
12 have increased points for water supply, watersheds, in
13 critical areas for drinking supplies. We added inland
14 primary and nursery areas. This was a request from
15 several of our partners to have that added.

16 We deleted other impaired waters, but not
17 on the 303(d) list, and the 303(d) list is a list of
18 impaired waters produced by the Division of Water
19 Resources every year and reported to EPA, so that is a
20 very specific list with criteria to be put on that
21 list, but other impaired waters did not have a good
22 source. It was rarely used, and we felt that that was
23 too subjective for really meaningful points.

24 We reduced points for the surface
25 drinking water assessment area susceptibility rating.

1 This is a rating that is developed by the public water
2 supply, and part of the reason for reducing this is
3 because it covers such a wide area of the State, and by
4 reducing it, we focused more on areas with specific
5 criteria and wanted to keep this in, but it is a
6 general -- and it has a lot of factors built into this
7 separate rating system.

8 In the riparian buffers for the
9 acquisition, there were some lower scoring categories
10 that was extra work for our partners to see if their
11 water had these classifications. That was extra work
12 for staff to go and check behind, so we deleted the
13 lowest scoring categories where deciding if it was 10
14 points or 5 points would not make any difference on the
15 overall score of the project.

16 And another section, there was points
17 given to reward the projects that built on existing
18 riparian buffers, but it was not very clearly written
19 how to use -- how to receive those points, or it would
20 be the same points if there was a conservation easement
21 protecting riparian buffers next door or if it was a
22 county park where every now and then the buffers would
23 be mowed and not really strongly protected, so we made
24 some differences in that section.

25 The last change to the riparian buffers

1 was when we have a very large tract but it is not
2 adjacent to existing buffers. There was a lot of
3 feedback from our partners that, you know, it was felt,
4 well, if I have 10 miles of stream on my property, that
5 should give me the same points as if I'm adding onto an
6 adjacent property, and we felt that there was a lot of
7 validity to that thinking and also water quality
8 protection, so there's now a possibility of points for
9 buffering significant miles of streams.

10 Staying in the resource benefit category
11 but moving onto the riparian greenways, the major
12 change here was trying to use all the points of the
13 scale, and what I mean by that, was previously in a
14 10-point category, how you got 10 points was
15 identified, and then there was identification for 5
16 points and 1 point, and we wanted to be able to use 10
17 points, 7 points, 5 points, 3 points, 1 point to spread
18 out the scores to help make -- see some of the
19 differences between the projects.

20 The natural heritage section, the natural
21 heritage staff revised the scoring system. They felt
22 it was important for natural areas to be emphasized and
23 have more value than stand-alone occurrences. We also
24 clarified the ecological network and again added the
25 possibility of points just for very large tracts.

1 In the historic and cultural section,
2 this section, not a lot of the points were changed, but
3 we did do some work to try and clarify an historical
4 event and what would qualify for Clean Water, what is
5 Clean Water really looking for with an historical or
6 cultural site, and a lot of the words came from the
7 national register criteria.

8 I did meet with the State historic
9 properties office and worked a good bit on this section
10 with the committee members trying to clarify this
11 section.

12 Then finally in the resource benefits, as
13 was shown on the slide with the major components, there
14 now is a maximum of 10 points if you're hitting on two
15 or more of these program areas.

16 In the second section, we revised the
17 system to consider the priorities from the military
18 personnel. Before it was a very simple, adjacent near
19 or a flight path. It's a lot more complicated than
20 that to the military and where their priorities and
21 where they will put their own funding, so now, we have
22 -- we will have a lot more input from that community
23 and help get the final score for this section from each
24 installation.

25 In the other public benefits, the

1 education and recreational use, these are five points
2 each. Again, the main work here was to just use the
3 full scale of the points, and added points for tracts
4 that are purchased for trails or greenways, but they
5 may not be connected right now. They may not be
6 constructed for quite sometime. That was another
7 strong feedback that we felt from our partners needed
8 attention.

9 In the readiness section, we reduced the
10 landowner interest from five points to two points, and
11 the purpose of that section is to see that projects
12 will move forward fairly quickly after funding. The
13 committee did talk about this point a good bit, and
14 starting in 2019, a signed letter of intent will be
15 required before the funding meeting.

16 So at this point of year, we would be
17 looking at the projects that don't have a letter of
18 intent and making a decision whether they will move
19 forward or not. The funding status also while it often
20 is very helpful for folks to be in hand for projects to
21 move forward quickly, it's also difficult for
22 applicants to line up different grant sources at the
23 same time, so the funding status was not necessarily
24 helping us get projects more quickly, but it is still
25 important for people to be having those funds and

1 actively seeking them while getting Clean Water funds.

2 And the value section, the last section,
3 remained 20 percent of the points. We simply
4 clarified, simplified some of the language in this
5 section. And before I started, I was going to say that
6 I'm going to give you bullet points here because if you
7 saw in your board packet, the red-lined version, it's
8 just about impossible to read, which was not so much
9 because there was so many changes to it, the intent,
10 but there was a lot of language change and a lot of
11 clarifying and a lot of formatting and a lot of
12 grammar, and that just made that document very
13 difficult to go through as a red-lined version.

14 That is where I want to stop for now and
15 see if there are any questions.

16 MR. VINES: We had lots of fun with this
17 one, didn't we?

18 CHAIRWOMAN CAWOOD: Trustee Vines, I'm
19 just trying to determine -- I was going to thank the
20 acquisitions committee now for all that work on that,
21 or maybe wait to thank both committees for all that
22 work.

23 MR. VINES: These were not 15, 20-minute
24 meetings. They were 2 to 3 hours at a time, but a lot
25 of thought in going through it, and we asked a lot of

1 the staff, and they pulled it all together. It's good.

2 CHAIRWOMAN CAWOOD: And again, for the
3 record, we did ask our partners to give us thoughts on
4 this. As everybody will remember, we talked about that
5 at the last board meeting, and I think that's very
6 important that we just did not do this in isolation.

7 Thank you for your information.

8 MR. KICKLER: It was a deliberative
9 process. Also pleased to share and learn that we were
10 on the right track. Like anything, we have tried to
11 improve, and we were refined the thoughts on it, so if
12 you look at the draft, the red could be intimidating
13 almost, but then when you look to see what's done, we
14 were refining, not overhauling it.

15 CHAIRWOMAN CAWOOD: Okay. Again, this
16 came from committee, from acquisition committee, as a
17 recommendation, so we need a second.

18 MR. VINES: I'll second the motion with
19 one statement, that we can make this clear that this
20 begins with the 2019 grant.

21 CHAIRWOMAN CAWOOD: Thank you, Trustee
22 Vines.

23 All in favor?

24 The Board: Aye.

25 CHAIRWOMAN CAWOOD: Any opposed?

1 (No response)

2 CHAIRWOMAN CAWOOD: Great.

3 And, Will, I guess --

4 MR. KICKLER: The only thing I have to
5 say is, Will, we're moving on to the acquisition
6 committee report, 4c, Request to amend Bunker Hill
7 Covered Bridge, DNP. Tell us a little bit more about
8 that.

9 MR. SUMMER: Thank you very much.

10 So here's a little bit of background
11 information: This project was actually approved by the
12 National Heritage Trust Fund, and as you know, since
13 they were abolished by statute, we took on a lot of
14 their responsibilities, and one of their
15 responsibilities was kind of deciding on their behalf
16 for -- on that previous board's behalf is when issues
17 would have come to them need addressing.

18 So in 2012, the Natural Heritage Trust
19 Fund made a grant of \$154,000 for property surrounding
20 the Bunker Hill Covered Bridge site. Subsequently,
21 qualifying portions were dedicated under the Nature
22 Preserves Act. A little time after that, there was
23 some flood damage to the stream under the Bunker Hill
24 Bridge which effected the buttress that supported the
25 bridge, and there's now some work that needs to be done

1 in stabilizing that bridge, the abutments and the
2 stream banks in that general area.

3 There is a deeded access easement that
4 allows unambiguous access, but it is kind of a long way
5 around, so to speak, and it's -- the available
6 resources that the organization has to repair the
7 bridge, the added cost to make it a challenging and
8 really not feasible at the moment.

9 So this is the site. The red line that
10 I've drawn, this is the existing deeded access. It's a
11 little over 2,000 feet. The green line I have drawn is
12 the access that the historic association is requesting,
13 which goes across the dedicated area.

14 As you can see, it's much shorter. It's
15 much more direct, and obviously, much more less
16 expensive to move materials to and from and improve
17 access roads, so they're requesting that the -- they're
18 requesting essentially that they be permitted to access
19 the site via this shorter route.

20 I think in talking with Natural Heritage
21 staff, the existing dedication may permit access to
22 restore and protect the historic site, but it's perhaps
23 ambiguous. I think what they are requesting is that
24 the dedication be amended to make the access --
25 temporary access to the site less ambiguous.

1 They have worked with again Hank in
2 drafting an amendment to the dedication that reads
3 essentially they could have temporary construction
4 access for repair, restoration and maintenance work on
5 the Bunker Hill Covered Bridge and its appurtenances,
6 and the Natural Heritage Advisory Committee has
7 reviewed this and approved it for their part on this
8 request.

9 And the short of it is, it has a minimal
10 impact on the site, and that it could be rehabbed
11 easily or rehabilitated and repaired so that it would
12 not have any long-term detrimental effects.

13 The recommendation of the committee is to
14 permit the modification of the articles of dedication
15 for the Bunker Hill Covered Bridge DNP, which is a
16 dedicated nature preserve, to allow temporary
17 construction access as needed for repair, restoration
18 and maintenance work on the Bunker Hill Covered Bridge
19 and its appurtenances.

20 I will take any questions that anyone has
21 about this.

22 CHAIRWOMAN CAWOOD: Thank you, Will. It
23 looks like again very thorough work working with the
24 different partners to make sure we get the right
25 answers for everybody.

1 Again, this comes from committee as a
2 motion, so we only need a second.

3 MS. KUMOR: Second.

4 CHAIRWOMAN CAWOOD: All in favor?

5 The Board: Aye.

6 CHAIRWOMAN CAWOOD: Any opposed?

7 (No response)

8 CHAIRWOMAN CAWOOD: Great.

9 MR. KICKLER: The next item that the
10 acquisition committee recommends to the full board is
11 City of New Bern's request to amend an easement, and
12 I'll turn the time over to Will, tell us what the
13 committee have recommended.

14 MR. SUMMER: Thank you very much.

15 So a little background on this. As you
16 can tell by the grant number, this is an old grant. It
17 was 1998. We made a grant of over \$5 million to the
18 City of New Bern to improve its wastewater treatment
19 system. Part of this grant was to buy the Martin
20 Marietta quarry property and use one of the quarry
21 ponds as essentially a polishing lagoon where they will
22 dump treated affluent, and then access it later for
23 reuse purposes. So a little over a million dollars of
24 our funds went into buying that property.

25 It's a 730-acre quarry property. It was

1 encumbered with our -- a standard conservation
2 easement, and what I will tell you now is that in our
3 early days, we used conservation easement as a tool to
4 protect our investment anytime land via stormwater via
5 a wastewater, it's great deal to it, a quarry that
6 we're going to put wastewater into.

7 And nowadays, I would suggest if we were
8 still in the business of doing those types of grants,
9 we would use a different sort of a mechanism. I think
10 a conservation easement is really to protect
11 conservation benefits, something really special. It's
12 a great riparian buffer. It's a significant natural
13 area. It's something that has some great conservation
14 value. I probably would suggest a deed restriction or
15 something of that nature or a notice of funding.

16 But anyhow, in the early days, this was
17 done a lot, and I make that point because I don't view
18 this the same as I would a conservation easement that
19 is meant to protect a pristine riparian area.

20 Recently, the City's been given an
21 additional 55 acres adjacent to the 730, and they would
22 like to develop a waterfront park. In order to
23 facilitate the amenities desired, the original easement
24 which surrounds the water, as it were, would need to be
25 amended to include additional reserve rights.

1 Many of the rights they have requested
2 appear in our standard template as a matter of process.
3 Some are not in our standard template, but are
4 consistent with rights that we've granted to other
5 applicants when they have requested them. Valley East
6 being one of the more recent examples. The Mountain
7 Creek Park outside of the Charlotte area is another.

8 So with that, I will talk some more about
9 the specific rights.

10 In your packet, is the -- a memo from the
11 town kind of describing each of these rights but in
12 bullet form, basically, are campsite areas including
13 platforms, canoe and kayak/boat access, docking and
14 launch, which is basically a dock with a storage house
15 for boats. Covered picnic shelter and picnic tables, a
16 playground. Vehicular access, roads and parking.
17 Boathouse building, utilities and convenience
18 facilities and swim area and water-based recreation.

19 And kind of to illustrate my point, I
20 have got a little bit of a time lapse on photos here,
21 so 1994, what you can see in red is the quarry
22 property. One of the ponds on the northern end is
23 still flooded, but what you will see in later pictures
24 is this area here and this area here that are still
25 open, dry and open quarry at this point in 1994, are

1 the huge water bodies, which kind of underscores the
2 claim they are not the most pristine riparian areas.
3 There weren't riparian areas 30 years ago.

4 In 1998, Martin Marietta was done
5 quarrying, so they stopped pumping. Allowed all these
6 areas to fill in, so these are the areas here over
7 which our easement exists, and this little island right
8 here that's carved out of our easement is the 55 acres
9 that the town was just given by Martin Marietta and
10 wishes to develop kind of this core of this park.

11 So this is '99. About the time that our
12 easement was recorded. This is 2005, the ponds are
13 still there, and it's still, you know, large, as you
14 might on the edge of the quarry. Not a lot has come
15 up, and this is the most recent. Hard to see. It
16 started to green up a little bit, but it still is far
17 from mature for a riparian area.

18 So this is the entire site again with the
19 park plans. You kind of see the center of these three
20 ponds is sort of the epicenter of what they want to do
21 with the park, and I will zoom in on the next slide.

22 So this is the current park plan. This
23 is where the boathouse would be right here. This is
24 where they would have the kayak rental. The access
25 road would come in here. This would a parking area for

1 the swim beach. This would be the swim beach, the
2 playground.

3 In this area, there's a lot of amenities
4 but these are completely outside of our easement. I
5 will go forward one more.

6 Essentially, the red area is what they
7 own, the 55 acres they were just given that is
8 completely unencumbered by our easement, and the blue
9 area, which has a lot of the waterfront areas is what
10 encumbered our easement and what they need additional
11 reserve rights to allow these recreational amenities to
12 exist.

13 What is meant to show up here is in
14 purple, there's an eight-acre kind of a forested
15 wetland right along this little tributary to the noose
16 right here that the City owns, but it's not encumbered
17 an easement, and what I suggested to them is that while
18 we are not giving up the easement area, there will be
19 more impacts because of the additional reserve rights,
20 some more impervious surfaces and impacts to the
21 buffer. Albeit, degraded, there still would be
22 impacts, and I have suggested to them that this area
23 that they have where they could protect it would be
24 suitable to mitigating impacts that they would have
25 from the additional reserve rights that are requested.

1 I talked to the parks and rec director.
2 He says that I think he supports that and will take it
3 to their board I believe on the 12th of June. Their
4 board in New Bern.

5 This is a picture of I believe part of
6 the area looking from their 55 acres out across our
7 area. Again, it's an old quarry site, and this is a
8 nicer-looking area, but still you'll see it's not
9 overtaken with forest just yet here on the edge of the
10 water.

11 So I do want to say, and the Board knows
12 this, many a conservation easement is really never
13 taken lightly. I think this one is a little different
14 because it was never meant to protect our pristine
15 riparian resources. It was really there because we
16 spent money on the land and we wanted our investment
17 and the wastewater would need to be protected, so we
18 used the only tool we were using at the time which was
19 a conservation easement.

20 I don't believe the additional amenities
21 would harm the original intent of the grant. Had they
22 had the foresight to go out and do this in the future,
23 I feel reasonably confident that the Board would have
24 said, Sure. You can have these amenities. The quarry
25 pond. Go forward.

1 And to answer the other obvious question,
2 the pond they are dumping the treated wastewater into
3 is not the one that they will build the swim beach on.
4 They are separated by -- so apparently, it is cleaned
5 up to swim, but that's not the intent. So it's the
6 northern pond that they're going to continue to put
7 their treated affluent in, and it's the kind of
8 southwestern pond is the one that has that beach
9 frontage.

10 To that end, the committee recommendation
11 was to approve the request to modify the terms of the
12 conservation agreement pending a satisfactory offset in
13 the conservation benefit by the City of New Bern via
14 the adjacent undeveloped 8.2 acre parcel that is
15 currently owned by the City.

16 And I will take any questions.

17 Yes, sir?

18 MR. FORDHAM: Are you wanting the
19 additional language to be added to the original
20 conservation easement?

21 MR. SUMMER: Or perhaps a separate
22 conservation easement that's similar.

23 CHAIRWOMAN CAWOOD: If there are no
24 questions, again, this comes in the form of a motion.

25 MR. KICKLER: I'll take us through

1 that --

2 MR. FORDHAM: No.

3 MR. KICKLER: Okay.

4 MR. FORDHAM: I think if the Board has a
5 preference or Will has a recommendation or you can
6 leave it open-ended for staff to determine which one to
7 do.

8 MR. SUMMER: The only reason I would
9 prefer to do it is because I believe our delegation of
10 authority from the State property office allows us to
11 enter into new easements. We are delegated to do that,
12 so we can simply enter into that 8.2 acre easement
13 without a lot of process, and I -- well, it can be done
14 either way because we are having approval from this
15 board to modify the other easement, which we can do so,
16 both modify the terms and the area. So if it's silent,
17 I suppose that gives us the most flexibility, the most
18 trustee's preference.

19 MR. FORDHAM: That's fine. If you're
20 going to give him -- give the staff the authority, I
21 would say they have the authority to do it, whichever
22 way they feel is in the best interest of the fund.

23 IF you're going to have different terms,
24 have that as a separate easement would be easier.

25 MR. SUMMER: Okay. Does it -- could it

1 be done simply by saying via a separate conservation
2 easement on an adjacent undeveloped 8.2-acre parcel?

3 MS. KUMOR: Do you want to mention it?
4 If you're recommending that if it's -- it should be
5 separated.

6 MR. FORDHAM: I think it's probably good
7 to address it in this motion --

8 MS. KUMOR: Oh.

9 MR. FORDHAM: -- so that the staff knows
10 specifically what to do or whether you want to give
11 them the flexibility to determine the form of
12 protection on the 8.2 acres, to address it one way or
13 the other.

14 MR. WILSON: I think we need to have some
15 verb to go with that 8.2-acre parcel. What is it --
16 pending a satisfactory offset in conservation benefit
17 via an adjacent undeveloped 8.2-acre parcel currently
18 owned by the City, what about it?

19 MR. SUMMER: Protected in perpetuity
20 through a -- there almost need to be a deed restriction
21 as well, so.

22 MS. GUTHRIE: We have a conservation
23 agreement --

24 MR. SUMMER: It's a conservation
25 agreement. That's probably the broadest term. It

1 gives us the discretion. So owned by the City,
2 protected by a conservation -- permanently protected by
3 a conservation agreement.

4 MR. FORDHAM: That sounds good, yes.

5 CHAIRWOMAN CAWOOD: So we have a
6 committee recommendation with that addition before us.
7 Do we have a second?

8 MR. VINES: Second.

9 CHAIRWOMAN CAWOOD: Thank you.

10 All in favor?

11 The Board: Aye.

12 CHAIRWOMAN CAWOOD: Any opposed?

13 (No response)

14 CHAIRWOMAN CAWOOD: Great.

15 MR. KICKLER: Madam Chair, can I say I
16 want to take one last opportunity -- at the risk of
17 gilding the lily, I want to thank the acquisition
18 committee members for their hard work. It was a lot of
19 work especially if you consider like their was a lot of
20 attentiveness, a lot of attention to detail, and it was
21 sometimes, as the chair of the acquisition committee,
22 wanting to steer -- or not steer, but wanting certain
23 things to be mentioned, and then if nobody mentions it,
24 I won't mention it, and somebody mentioned it, and then
25 I was like -- that's why I wanted to thank the

1 committee members for their contributions, their
2 attentiveness, and then also the attempt at specificity
3 to try to eliminate vagueness for applicants or anyone
4 interested in what we do. I appreciate it as chair.

5 CHAIRWOMAN CAWOOD: Great.

6 And we will move on to the restoration,
7 innovative stormwater and planning committee report and
8 recommendations, and those also were very hard working
9 trustees. Having served on both, so Renee Kumor, if
10 you will --

11 MS. KUMOR: Yes. And if I might say one
12 thing, I want to thank, Madam Chair, for joining us,
13 Bill Toole and Frank Bragg, and I -- and we worked just
14 as hard as the rest with our application rating system,
15 and I don't think it turned out to be as complex in
16 underlining as yours was, but it clearly -- we've tried
17 to make it clear and concise, and as you can see, we've
18 all tried to mirror both applications, so that our
19 staff isn't confused and wondering who we all are, and
20 I will turn this over to Steve.

21 MR. BEVINGTON: Thank you, Madam Chair.
22 I appreciate it, and I'd just like to say that I
23 appreciate the efforts from both committees because
24 Nancy and I coordinated it, and we are of course
25 essential at all the committee meetings, and there were

1 points where the restoration committee --

2 MS. KUMOR: I think I have to say I think
3 your dog voted one time.

4 MR. BEVINGTON: They are times. We had
5 many volunteers.

6 I think that there were times that the
7 acquisition committee was ahead of us and vice versa,
8 and that committee exchanged sort of the exact same
9 things also on each part, so some of what you will see
10 mirrors some of the work of the acquisition committee,
11 and I think it went both ways.

12 So I will start with the background very
13 quickly, that of course, we did have a question from
14 the Chair to look at these scoring systems, and
15 restoration committee met four times this spring, which
16 again underscores the huge amount of work that went
17 into this. Also relying on the work that was done
18 previously by other committees in the past years, and I
19 also want to thank the full board for moving to some of
20 these in the February meeting. Some of these actions
21 were really taking place at early stages, so I'm just
22 going to cover the stuff that's happened since the
23 changes were made to the water supply. That was
24 actually just completed in February, so we're very
25 fortunate that we are continuing to build up.

1 So we are going to look at restoration,
2 innovative stormwater and planning, and the nice
3 simplification is that in trying to be consistent
4 across the programs, not only are these recommendations
5 consistent to the acquisition scoring system as best as
6 possible, the planning system essentially mirrors what
7 those changes we're going to see in the restoration
8 scoring system. They are different levels of points,
9 but they're proportional. So we may attempt a very
10 brief look at the planning scoring system that
11 essentially is proportionally exactly the same as we
12 see in the restoration committee. Innovative
13 stormwater changes are modest, and we'll get to those
14 as we go.

15 So those are the three documents we are
16 going to take a look at. We have -- probably the most
17 efficient way of streaming -- of course in the package
18 you got these three documents. I'll start with number
19 "I" restoration committee where changes were made in
20 three sections.

21 Section I, which is the resource
22 significance score, which is similar to what Nancy was
23 speaking to some of this. Section 2, effectiveness of
24 the project, which has some very informal changes to it
25 I think here, and then readiness has some very minor

1 changes to it as well.

2 So I hope you can see the small print,
3 but this is actually the red-lined version of this, so
4 they are not the same. Some of the changes were a
5 little more streamlined here because it's a more simple
6 direct linear scoring system available through these
7 three programs showing matching acquisition programs,
8 sources of values.

9 So I am going to present just in red the
10 changes you're considering today, and showing there in
11 red in the newest position, the elevated position,
12 primary and nursing areas, which used to receive only 9
13 points, and now, it's proposed they receive 11 in
14 response to both agency comments and public comments
15 that this be done and some good research from our field
16 reps on this as well to include inland and primary
17 nursery areas. The agency felt very strongly those
18 were important, so those were in there as a change.

19 A little bit farther down, still in
20 section I, where it's just characterizing the resource
21 value to be protected or enhanced in this case in the
22 restoration area, two quick changes under 9 points.
23 One is the striking out, and Nancy mentioned this, of
24 other impaired waters not on the 303(d) list.

25 The committee agreed and also the

1 acquisition committee that there's just not enough
2 certainty in defining that to allow it to be considered
3 for scoring. We get some pretty strong lobbying that
4 they should be included even though they're not on the
5 303(d) list, and it's a very difficult thing for us to
6 make a hard actual call on, so striking that.

7 And then Nancy mentioned the surface --
8 drinking water stability rating to be dropped. It just
9 got 11 points. Simply since the previous action
10 elevated the water supply protection, we thought it was
11 unnecessary, and it was very a broad, general --
12 especially out west, a very broad portion of the
13 counties were included. It was hard to determine where
14 the most valuable ones were that would qualify for
15 higher points.

16 Section II is a little bit different than
17 we heard in acquisition committee, and in that -- in
18 the restoration project, you need to show some kind of
19 buffer. You needed to bring a project from its current
20 condition and improve it, and that's really the point
21 of restoration is to bring it back to its original
22 condition or something approximately to that, so these
23 changes are a little bit different than what we've
24 heard, but I think the intent was the same, which is to
25 really drive a difference between marginal projects and

1 really great ones.

2 A lot of the projects in restoration over
3 the last few years tend to fall around 65 points out of
4 100, and a great project that scores 69, and a pretty
5 lousy one, might be 61. There's not a lot of error in
6 there for misinterpreting or different parts of the
7 State gave points that are a huge determination to
8 those projects that were valuable.

9 So the first change is really an overall
10 project before -- and it's a little hard to see with
11 the strikeouts. We used to have four categories where
12 you could have true stream restoration where you really
13 rebuilt the stream back into what it used to be.

14 Two levels of enhancement, and this sort
15 of made it more like it used to be, and then just
16 stabilization. We just sort of hang on to it, keep it
17 from getting worse, and we've moved to drop those just
18 three categories now, so it's true restoration,
19 enhancement in general, rather than level one, level
20 two. Just simplify it down the middle, and a simple
21 definition of stream bank stability being the least
22 valuable but also an important part of the process, so
23 that's why some of those cross-outs are there.

24 And then if you look, a couple of the
25 points are changed, so that for example under part A --

1 Ai, severely degraded stream restoration would receive
2 a maximum points of 10. Well, it used to be that
3 moderately degraded streams would receive 8, and again,
4 this was just -- we felt it wasn't enough of a
5 difference, so those points are being dropped down to 6
6 for the moderately degraded, so you still get
7 significant contribution towards your overall score,
8 but there was a real -- more of a real difference
9 between a moderately degraded stream needing help and a
10 severely degraded. They're trying to differentiate
11 between those two.

12 The same with enhancement being the top
13 score of seven down to four so it used to be a
14 difference of two. Now, it's a difference of three.

15 And then something I know the acquisition
16 committee did in the large level that we didn't talk
17 about in the last section is that we also tried to
18 inject some zero points for clarity, so if your project
19 is -- if you have a stream that's generally in good
20 shape, it's stable, the field reps like it, there's
21 really not a problem with it, we're just telling you we
22 love it, but you're getting zero points, and it sounds
23 a little silly to award zero points, but it allows
24 people to know -- and I think especially a lot of
25 people that perhaps are communicating that as well, and

1 then you look at another agency, this is just coming
2 back to you at this point. There's a couple of those
3 throughout.

4 Again, the effectiveness in trying to
5 measure the value of the stream restoration project, in
6 the past, the cost wasn't taken into account, but it
7 was a very broad range, so the chart on the left here
8 describes scores from 10 down to 0, but you can still
9 have an incredibly expensive stream restoration project
10 over a 1,000 foot -- \$1,000 per linear foot, and
11 receive one point, and we almost never see those, and
12 if we do, they better be approaching the size of the
13 Mississippi River. That's an awful lot of money,
14 \$1,000 per linear foot is quite an expensive project
15 obviously.

16 So the proposed chart to the right limits
17 that so that it -- very few points even allowed for 3
18 or \$400 projects per linear foot. Sort of just
19 telescoping that process to reward again the high value
20 projects, and this is, like, even though your stream is
21 an expensive project, you're really not going to see
22 any reward here in this point system.

23 The same with habitat uplift, and I just
24 want to -- probably the largest change I'm going to
25 talk about today in a few minutes is here on this slide

1 where habitat uplift before did not have an option. It
2 was only -- now, that it is in red, it's listed as
3 option one. The next slide is option two, but to
4 describe the effectiveness of your habitat uplift or
5 stream restoration project, you had to demonstrate a
6 reduction in sediment below the stream, and we've had
7 both complaints from potential applicants about that
8 eliminating projects that they're interested in, and
9 also from your own decisions, the Board, where you have
10 funded projects such as Lake Waccamaw, a restoration
11 project last year, which addressed a weed infestation
12 and incredibly one of the resources.

13 It didn't do anything to the sediment.
14 They got zero points, but it really was a huge
15 ecological uplift to take something from a near
16 disaster to a true resource.

17 Option two is going to show that in a
18 second. I would hope to capture that, and also
19 eventually, we're going to move projects that will come
20 before you as well, but two things on the existing
21 option one, which is just showing you reducing a lot of
22 sediment, where it was going, and again, we are
23 telescoping it down, so that there's a larger
24 differentiation that the projects that save a lot of
25 sediment get more than the projects that you don't see

1 much sediment, get fewer points. And there is a
2 section later where the committee found 2 points they
3 no longer wanted to be in the scoring system, so we've
4 added those here. So now, instead of just having 8
5 points for your habitat uplift, they can have a maximum
6 score of 10.

7 And do interrupt me if I'm going through
8 this too fast. I believe we are towards the end of the
9 day, but I'm just flying through these, so please let
10 know if you have any questions.

11 The habitat uplift option two, which is
12 quite a departure from the last. Again, this would be
13 top 10 points, so if you have a project and you don't
14 feel it would demonstrate a major sediment reductions,
15 we could continue down that road. You can also propose
16 to make a case to the Clean Water Management Trust Fund
17 that you can show you have other measures of extreme
18 uplift, and luckily, because of the confirming system,
19 that's presently in place in North Carolina, they are
20 several metrics that are used, stream assessment tools,
21 wetlands assessment tools and other water quality
22 assessment tools that are generally acquired by
23 successful applicants later in the process anyway
24 confirming their project. To get permission to drive a
25 bulldozer in the stream, you need to really show you're

1 going to make it a lot better.

2 So we propose that they will not be able
3 to use those existing metrics potentially in line with
4 the consultant's help. Damon, Justin and I did
5 actually go and spend one day out with the SAM. The
6 SAM is called the Stream Assessment Model and practiced
7 ourselves. We had so much fun doing other things, we
8 only spent a couple hours actually working on it. I
9 think we felt it wasn't accessible to novices with some
10 kind of professional contacts to do this.

11 In other words, having uplift -- having
12 that uplift score that you can assess where you are
13 now, assess with that model that established protocol
14 in the State of North Carolina with this proposed
15 language to say how much better it's going to be, and
16 the change in that would be weighed against the 10
17 maximum points allowing you to do that.

18 A little more for our program, but I
19 think it really opens the door to some of the really
20 rewarding projects that you guys have had a lift up on
21 the project sheets before when it really scored very
22 poorly, and everybody knew there was a great value
23 there somewhere.

24 So I can go into more detail if you're
25 curious about that, and we do plan to go back out and

1 practice these again ourselves this fall, so if this
2 goes into place as policy next year, we actually have
3 some field experience to be able to not exactly help
4 people out, but sympathize with them and just suggest
5 to them that it is a real burden of proof.

6 Just very quickly, this is the area in
7 section III. The effectiveness is rare. In the past,
8 it was two points available for innovation, and it's
9 not in red. The red is just the correction to the
10 agency's name change and so catching those on the fly
11 as we go through and some other corrections that are
12 very small in there. The Board kind of hearing that as
13 important, but it is small.

14 But innovation, frankly, stream
15 restoration has been a component of the Clean Water
16 Management Trust Fund for the last 20 years. It's not
17 exactly innovative. People come up with different
18 approaches all the time, and engineers are always taxed
19 with a new stream and trying to figure it out, so the
20 committee felt it was probably best to take those two
21 points and sum them up to the general habitat uplift.

22 And then one tiny change that actually --
23 well, two changes on this. The readiness, and I think
24 even though this is a small number of points, my sense
25 was the Board felt quite strongly about this. That in

1 the past, people received a maximum of four points.

2 They're showing the project as ready by
3 having a hand on this and willing to participate with
4 conservation. For stream restoration, we don't pay for
5 them. It has to be donated or matched for the program,
6 and it's easy for people to sort of say they're waving
7 hand around and saying, hey, we'll do it, and of
8 course, it may or may not ever materialize, so this new
9 language, first of all, removes one point. You cannot
10 no longer receive a point for having everybody just
11 sign a letter or verbally -- excuse me -- verbally
12 agreeing to sign a letter to say they will do it in the
13 future because we just -- as we pointed out, there's
14 really no hold on that promise at all.

15 So we're removing that, and then again,
16 in the zero category, make it very clear that just
17 because people say they're going to do it, that you
18 actually need a letter of commitment or better yet, a
19 conservation easement in hand to get points in that
20 section.

21 Are there any quick questions about
22 restoration changes? I know I went through that very
23 fast.

24 And I forget, thanks to the Board for
25 paying -- the committee for paying attention so much

1 that -- all of the details. Renee just gave us the
2 restoration, innovative stormwater changes, which are
3 very small.

4 The section three of the application
5 rating system, that's a section where -- I apologize
6 this slide is almost a little bit off the edge of the
7 screen there. That -- it wasn't a just a comment from
8 our -- again, comes from our user survey. Applicants
9 who didn't --

10 MS. KUMOR: This is what we've already
11 acted on?

12 MR. BEVINGTON: Yes. Yes, this is all
13 under the motion, right.

14 The innovative stormwater, the only
15 substantive comment we got really was that since we are
16 trying to promote this, make sure that educational
17 signage should count to some of the points, and the
18 committee formed that, so that's the only change
19 related to those criteria, is that small bit in red
20 there. Educational signage should be included. It
21 still only gets one point, but it's better than
22 nothing. Of course, innovative stormwater,
23 dissemination of information is very important, but
24 this -- educational's not -- signage is just a small
25 part of that.

1 I probably will not go through these
2 unless you have exact questions. These are the
3 application rating systems for planning, which are
4 identical to the resource significance section in the
5 restoration scoring system. The only difference being
6 the exact number of points received for each one are
7 slightly different, but it is the same uplift, primary
8 and nursery areas, and the drop in the higher rating.
9 There is really no other strong difference.

10 So with that, that is the summary of the
11 four meetings for the Board as it relates to the three
12 documents described in this point system for the
13 restoration program.

14 CHAIRWOMAN CAWOOD: Okay. Questions for
15 Steve?

16 Again, this comes as a recommendation
17 from Chairman Kumor's committee, so then we need a
18 second.

19 MR. WILSON: Second.

20 CHAIRWOMAN CAWOOD: Thank you, Trustee
21 Wilson.

22 All in favor? Aye?

23 The Board: Aye.

24 CHAIRWOMAN CAWOOD: Any opposed?

25 (No response)

1 CHAIRWOMAN CAWOOD: Wonderful.

2 Thank you again for great work there, and
3 there's one other action item that came out of that
4 committee.

5 MS. KUMOR: Correct. We had a question
6 or request from Dr. Hunt, who does a lot of our
7 innovative stormwater applications, and he is asking us
8 to consider that we allow tuition to be part of the
9 grant application, and he pointed out to us that this
10 is not a request just coming to us, that the funds
11 would be in part of a tuition, but that it's done also
12 through DOT, who makes grant applications, and EEQ.

13 And what Dr. Hunt was requesting is that
14 he will recruit a graduate student to work on a project
15 in innovative stormwater, and he can offer a salary,
16 but he -- our rules don't allow him to offer tuition.
17 He could increase the salary, and then have an
18 understanding that the student would pay that tuition
19 through -- with the salary, but that means that he
20 would then have to tax the tuition.

21 It just got into something ugly, so we
22 found that the -- this has not been usual. It's done
23 by other departments. It's we would be following
24 something that's done by other people, that this
25 tuition option would, in fact, not increase the labor

1 costs of our -- any kind of our innovative proposals,
2 and we would recommend that if this is appropriate for
3 something that is done within Clean Water Management
4 Trust Fund, that this body consider this as an option.

5 And I don't know, Hank, are we -- is this
6 appropriate?

7 MR. FORDHAM: I think it's legal to
8 consider compensating an applicant for some of the
9 costs they have as part of their costs or tuition labor
10 so long as the total amount that you are allocating for
11 that labor is reasonably related to the value again, so
12 as long as you're paying fair value, then I think it's
13 okay.

14 MS. KUMOR: Well, if you've read the
15 proposal and the policy that we're proposing, we do set
16 a cap, and what shall -- it shall not exceed the
17 percentage of the labor cost nor shall it exceed -- it
18 exceed \$15,000 annually within our project.

19 MR. FORDHAM: If I understand, there was
20 -- our Clean Water wouldn't be paying the tuition
21 directly. It would just be paying a little additional
22 for labor?

23 MS. KUMOR: But --

24 MR. FORDHAM: And that's allocated
25 towards tuition waiver by State?

1 MS. KUMOR: Well, we don't want to call
2 it labor because it's going to be taxed, and then the
3 student's not receiving it.

4 If you all want to --

5 MR. BEVINGTON: It would be a loss. The
6 cost is incurred because NC State does not receive the
7 tuition. The tuition would actually never be paid. We
8 would pay an hourly rate for the student. It would
9 include the value of that tuition in the rate. It
10 isn't actually going into the purser's office as
11 tuition. It is going to the same place that any other
12 invoice is paid at NC State for that project.

13 In other words -- Terry might be able to
14 help me out with this.

15 MR. SUMMER: Terry can clarify.

16 MR. BEVINGTON: Yeah.

17 MS. MURRAY: Something told me to bring
18 this with me today. This is an actual invoice for one
19 where they put it on, and we have to have it removed,
20 so it actually comes in as a line item. It's a student
21 aid, and goes into -- we pay NC State directly, so --
22 and it's considered -- they consider it a cost of doing
23 business, and that's how DOT is looking at it, and so
24 it's part of the compensation package that's awarded to
25 the student to entice them to come to NC State and then

1 work on our project.

2 MR. FORDHAM: Yeah, I don't think there's
3 a legal problem with it, because our role in it is
4 reimbursing the State for their failure to meet a
5 certain amount of tuition. All the tax consequences
6 and all that and the State's responsibility is to each
7 of these students, the responsibility to know whether
8 or not somehow it's a taxable benefit, but I don't
9 think there's -- under our authority, I think it's okay
10 to reimburse State so long as the total amount you're
11 paying is reasonably related to the service remitted.

12 MR. BEVINGTON: If I could just -- and I
13 did have an aside on that. Renee touched on this, but
14 at present, our average value's been paying 11 to 14
15 bucks an hour to the grad students, and given -- you
16 know, I think that's more than reasonable. I think
17 we'd be higher because obviously we have that other
18 value to be compensated for, but we've been asking the
19 applicants in this innovative stormwater program to
20 provide us rigorous scientific proof that what they're
21 calling innovative works or that it doesn't work,
22 because if it doesn't work, we don't want to have
23 anybody else be a part of it, and we've seen the State
24 stormwater programs have no luck.

25 At our February meeting, the 28th of

1 February, she showed how their policies have actually
2 changed, they have to have proof, so this February,
3 obviously, wasn't there. It really is -- I think
4 completely within the range of what I would consider
5 reasonable considering the other people who do it are
6 consultants who are probably business model 3X
7 multiplier --

8 MR. KICKLER: Are they receiving any type
9 of graduate level credits for the work that they do
10 with the Clean Water?

11 MS. KUMOR: Yes.

12 MR. KICKLER: Like, the projects that --

13 MS. KUMOR: Yes.

14 MR. BEVINGTON: They would be courses
15 that are related that they would take, which in some
16 way, we might subsidize this. Also, I imagine some
17 independent study, so it would probably be a better
18 call, yes, the project credit is their major. I think
19 they would call it -- it's master's level students
20 generally. Yes, it would be part of that -- their
21 project would certainly -- may certainly in some cases
22 be part of their credited program.

23 MR. KICKLER: They're receiving credits?

24 MR. BEVINGTON: I think --

25 MR. KICKLER: You know, a lot of these

1 TTA's, too, are they -- it's different if you learn
2 they are teaching assistants as well?

3 MR. BEVINGTON: I do not know whether --

4 MS. MURRAY: No.

5 MR. BEVINGTON: Their work for us would
6 have to be related to analysis or actual field work on
7 the project, so the TA work stipend would not be
8 reimbursable for that work, so in other words, they had
9 a TA position, then they couldn't be full-time towards
10 us, and we are proposing --- one of the language we
11 worked out is it's going to be based on how they are
12 rated, so if they work for us for a month out of the
13 year -- so it's based on that.

14 MR. KICKLER: Then other -- I know there
15 are other continental divisions that are like DOT, but
16 other schools, institutions --

17 MR. BEVINGTON: We --

18 MR. KICKLER: -- I guess within this
19 field?

20 MR. BEVINGTON: Right. So we have an
21 innovative stormwater project with UNC on their campus
22 in Chapel Hill. It's presently being run by staff
23 rather than being managed by the students.

24 Terry, do you know -- the way it's
25 worded, we would generally consider any -- as I said,

1 the accredited educational institution safely consider
2 the same policy applied to them. Generally, stormwater
3 work because generally NC STATE would see the most
4 activity, but I don't see why we wouldn't necessarily
5 see some of those questions at other institutions.

6 MR. MERCER: ECU is involved in a current
7 grant in Greenville.

8 MR. BEVINGTON: Right. Thank you.

9 MR. CLARK: I don't think that -- we
10 hadn't really addressed the question, right? We just
11 assumed that this would be course credit for graduate
12 students?

13 MR. KICKLER: I'm just trying to figure
14 it out. I mean, a lot of times your TA -- part of
15 being a TA, you get a stipend, but then part of that
16 being a TA is your tuition is in-state. If you're out
17 of state, you only pay in-state. It kind of depends on
18 things. That's why I'm asking these questions.

19 MR. BEVINGTON: Um-hmm.

20 MS. MURRAY: Let me just add -- if this
21 will help clarify, they're considered principal
22 investigators, PIs, for us, and that's the way I
23 understand it when I'm dealing with them, and I'm right
24 now dealing with three. That's all they do is our
25 projects.

1 MR. KICKLER: Sounds like they're doing
2 -- well, innovative work, but what I mean, I mean
3 adding something new to the research, which is what one
4 has to do in graduate school to earn a degree, to test
5 all of your hypotheses. The work does not.

6 MS. KUMOR: Well, that's exactly --
7 that's the point that we have always talked about is
8 this truly innovative, and at our last meeting, we
9 learned that some of the work that we have been funding
10 is becoming very -- it is innovative work and is paying
11 off in the long term as requested.

12 MR. KICKLER: I just --

13 MR. BEVINGTON: I think --

14 MR. KICKLER: I don't know what the
15 credits -- that's what was -- like the ones that are
16 receiving credit for their work and they've already
17 posted, is that -- that's what's going through my mind.

18 MR. BEVINGTON: I think in the case of
19 the slides that Dr. Hunt presented are a very accurate
20 package, and his argument that he was trying to make
21 was that he can only offer several qualified positions
22 to do this kind of work, and he will not -- he can't
23 offer them free tuition. He will not get qualified
24 people at all. They will go elsewhere.

25 So he didn't see this essential in hiring

1 essentially people he thought who were not qualified to
2 do it, and given the pay rates, that -- otherwise, you
3 know, the only way to do it. Of course, there are
4 other values to the university than being a degree --
5 getting a degree, but he just -- he really felt the
6 minimum offer he could make to these -- who I think at
7 the moment are employees -- was offer them the full
8 tuition package waiver with the maximum salary that we
9 could give them, which is that.

10 MR. TOOLE: Wouldn't one of the other
11 additional components be that by direct pay of tuition
12 the university would not charge overhead and some of
13 the other indirect costs they charge to stipends, so we
14 got more bang for our buck?

15 MR. BEVINGTON: Right. That's correct.
16 He did show the math, and it's in the slide show
17 towards the back. I forget which slide it's on, but he
18 shows his income, which I don't think he was
19 threatening it as a direct stick, but he was saying
20 because there's of members that have been funded, and
21 Renee mentioned this at the beginning of her
22 presentation, which is to have the student pay their
23 own tuition but give them more money.

24 In that case, we pay fringe costs on top
25 of that and have an added charge to that same -- and

1 it's also, it's a loss to the student as well in terms
2 of their value, so it just seemed like a little bit of
3 a efficiency to do this. I know that is not the whole
4 story, but that's -- because it's a complicated -- it's
5 a reimbursement system that he is proposing one way or
6 the other, but he does have a slide in there that makes
7 the argument that it would be more expensive for us in
8 the long run not to consider this option.

9 CHAIRWOMAN CAWOOD: Steve, would you mind
10 getting back with Dr. Hunt to get an answer to Trustee
11 Kickler's specific question about --

12 MR. BEVINGTON: Yes.

13 MR. HEARNE: The question about whether
14 or not they were getting credit for the
15 teaching-assistant ship versus research-assistant ship?

16 MR. KICKLER: Or like the graduate
17 student, you have to sign up for dissertation credit,
18 master's credit, and if this is what you're doing for
19 your dissertation, are you getting paid to write -- I
20 mean, who is paying for you to write the dissertation?
21 Or is that part of the assistant ship, if they had it,
22 or is it us doing that?

23 MR. HEARNE: I thought he talked about it
24 briefly and broke it down into they get paid some
25 amount and then they get somewhat -- they either have

1 to pay their own tuition or he has to find sources for
2 their tuition to recruit the good students, so they
3 maybe getting paid some small hourly amount any way on
4 top of wherever their tuition comes from, and his point
5 was that if they are not -- so I think that's -- you
6 know, whether or not they're getting paid to do certain
7 work, in addition to the tuition, it was if they're
8 paying their own tuition, they're not going to come
9 here, and he needs to cover their tuition to get
10 quality grad students.

11 And there may be other compensations
12 where their hourly work along the way, but, you know,
13 it's -- I just kind of think of it more or less as a
14 research-assistant ship where they're -- you know, they
15 do this research, and as part of that compensation is
16 getting their tuition covered.

17 MR. BEVINGTON: That's my recommendation,
18 too, but I will ask that exact question to make sure we
19 are clear. My assumption is since they are getting the
20 best students, they need a full ride from NC State,
21 that any credits required to take would be required,
22 and if they're working on our projects, I'm assuming --
23 Walter's likely to hold me back on that assumption a
24 little bit. I will double check, and I think that
25 research credits for work on this project, that would

1 be part of it, but I will double check that.

2 CHAIRWOMAN CAWOOD: Okay. Great.

3 MR. TOOLE: I would like to say that
4 initially when this was presented to the committee, and
5 Trustee Kumor can correct me, but I think there was
6 some skepticism. Certainly, I shared it, on this
7 notion, but as we looked into it, we caught first of
8 all that we weren't the first to do this, and I became
9 convinced that there were compelling reasons to adopt
10 this approach.

11 One, the Clean Water Management Trust
12 Fund has gotten over the years some really good work
13 out of these students. They're getting paid between 10
14 and 14 bucks an hour, so it's not like they're
15 overpaid, if they get a stipend only, so it's not like
16 even if we were adding tuition, it would be excessive.
17 It allows North Carolina to recruit very good
18 candidates to our stormwater programs, and that's good
19 for the State.

20 And then I became ultimately pushed over
21 into the campus support when I realized it was a
22 deficiency by direct pay of tuition as opposed to
23 bumping the hourly rate, which, you know, it's
24 theoretically possible, but not something that is being
25 proposed. So I look at it and became convinced that

1 this wasn't a risk, if you will, but it was a real --
2 it was a thoughtful, innovative way to attract the
3 kinds of folks to work on projects that do and have
4 made a good and powerful impact on the State and in the
5 fields and topics that we have a lot of interest in.

6 CHAIRWOMAN CAWOOD: Thank you, Trustee
7 Toole.

8 Any other discussions?

9 (No response)

10 CHAIRWOMAN CAWOOD: None?

11 Again, this is a recommendation from the
12 committee so --

13 MS. KUMOR: Did you want us to wait until
14 the next meeting to get answers to Dr. Kickler's
15 questions, or did you want us to act on this?

16 I don't know how you feel about it, Troy.
17 Do you want -- are you uncomfortable yet with this
18 concept?

19 MR. KICKLER: I'm not settled on it, but
20 number one, I'm -- I have a few questions I would have
21 liked to be answered. I don't know what other -- well,
22 I do know what other committee members feel. I don't
23 what other board members feel like, and I don't want to
24 unnecessarily hold up --

25 MS. KUMOR: But I think if you have some

1 concerns, I would -- I think we can probably get -- you
2 should get those answers first because I don't want
3 there to be some cautions moving forward with this and
4 disturbing some --

5 MR. KICKLER: We can make it a -- if
6 someone from the outside is looking at this, it's
7 abundantly clear.

8 MS. KUMOR: But it's not clear to you, so
9 can't we --

10 MR. KICKLER: Well, that's what I'm
11 saying is the concern, so -- so I think that's my --

12 MS. KUMOR: So is your reservation --
13 excuse me?

14 MR. KICKLER: I still have some
15 reservations.

16 MS. KUMOR: Okay. Can we --

17 MR. VINES: Okay. I have a question.
18 Make sure that I'm understanding this right, you say
19 there's no money going to change hands from our funds
20 to the student that's going to be doing the work?

21 MS. MURRAY: That's correct.

22 MR. VINES: It's going to be a contract
23 with UNC or NC State to do the work?

24 MR. BEVINGTON: That's correct.

25 MS. MURRAY: That's correct.

1 MR. VINES: Okay. And that's why it
2 would be -- so is she going to credited against her
3 tuition for a year or during that period of time?

4 MR. BEVINGTON: That would be up to the
5 university to arrange a scholarship arrangement for the
6 student. We would simply -- if people had such an
7 arrangement, when we saw an invoice, we would be able
8 to take the value of that tuition waiver into account
9 and do an hourly wage estimate.

10 MR. VINES: And so we're entered into a
11 contract with NC State, not with that student, but that
12 department. It would be up to that department if that
13 child were to do this process to compensate her to her
14 tuition, right?

15 MR. BEVINGTON: Yes, sir.

16 MR. WILSON: So how is that reflected on
17 the invoice or other paperwork? Does it --

18 MS. MURRAY: Do you want to pass that up?

19 MR. BEVINGTON: Well --

20 MS. MURRAY: That's an actual invoice.

21 MR. BEVINGTON: We'll pass this around.

22 I will say that this is a proposed unpaid invoice,
23 which we have been not fully reimbursed.

24 So in the past, it was a, here's my
25 salary. I also have some student aid. We would strike

1 the student aid request and pay all of it.

2 MS. MURRAY: Like, that's what's going to
3 happen on that one. That one came in with student aid
4 on it, and it's being removed, and we will only pay
5 everything else, because at this time, we don't --

6 MR. VINES: There's no reference to the
7 student whatsoever when they receive this invoice?

8 MR. BEVINGTON: That's correct.

9 MS. MURRAY: But you know who the student
10 is because the student is the principal investigator,
11 so they are the primary person working on that grant,
12 and each grant has --

13 MR. VINES: That's up to that professor
14 who he assigns to do that work --

15 MS. MURRAY: Exactly.

16 MR. VINES: -- though, right?

17 I think it's good.

18 MR. FORDHAM: Number represents the
19 student aid that's State rendered to the student by
20 waiving tuition?

21 MS. MURRAY: Say that again.

22 MR. BEVINGTON: All we know is what they
23 sent. We get several of these a year. Whether we've
24 gotten a contract with them or not, they send them
25 anyway, and that's typical of what we see sometimes.

1 So the aid could have -- whatever arrangement the
2 university has, they call it aid. It certainly
3 includes the tuition and maybe other things. We would
4 only credit the tuition portion.

5 MR. WILSON: So how do we execute this
6 new policy? Do we -- is there a modification of the
7 contract that says this is permissible, or is it just
8 our own accounting practices.

9 MS. MURRAY: We would -- you got it?

10 MR. BEVINGTON: Well, I think it would be
11 in our accounting practices because the contract
12 doesn't -- does not forbid this. It's just been our
13 practice over the last at least five years to not pay
14 this, and universities in other communities are
15 familiar with this. That doesn't stop them from
16 asking, but they don't expect it to be paid.

17 MR. WILSON: Would it --

18 MR. VINES: Sir?

19 MR. BEVINGTON: Yeah. So it really would
20 be our internal practice would allow within these
21 balances, whatever balances, that any final resolution
22 develops policy for us, we would follow that in
23 practice.

24 MS. MURRAY: But you would also see it in
25 the application as a line item stating that this -- for

1 this project, it's going to be this amount, and it
2 would then follow into the contract, and then it would
3 be tracked through our system that way.

4 MR. VINES: Which contract's going to
5 only be NC State?

6 MS. MURRAY: Yeah. Or any other
7 accredited university?

8 MR. VINES: Or any other accredited
9 agency, right? They can provide anybody to do the
10 work.

11 MR. BEVINGTON: I think there are several
12 ways we can clean up that line item, and that's -- some
13 will just say labor. Some will say labor and tuition.
14 There's one in front of us now in the current -- in the
15 2018 cycle that does say tuition as a separate line
16 item, so I know different institutions will bill it
17 differently to us, but Terry routinely gets down to the
18 weeds of what is cost and is it an acceptable cost to
19 the program from our side of the contract, and that's
20 where the decision would be made. Essentially, at her
21 desk and then with approval up to the program.

22 MS. KUMOR: So we have two issues --

23 MR. VINES: Mr. Fordham, could you look
24 and see, make sure that that wouldn't be a conflict of
25 any kind of practice that we would have to deal with in

1 entering into a contract with this. I don't know.

2 What do you think on it?

3 MR. FORDHAM: I think it's okay to do
4 that. In other words, I think the statute gives you
5 the authority to finance innovative stormwater efforts.
6 If you have a contract with universities, if you spell
7 out the basis on which you're going to pay them and the
8 amount you're paying and the total's reasonable and
9 more in relation to the project and the services that
10 Clean Water is going to get, I think it's legal.

11 MR. VINES: But also keep in mind is they
12 didn't have to tell us who was going to be doing the
13 job because of being contracted with that department.
14 They can send anyone to do that job, and we wouldn't
15 know whether it was a student or a grad student.

16 MR. FORDHAM: I do think you need to have
17 some detail about how you implement it in terms of on
18 the front end, how you're going to use the student that
19 is going to, you know, fit this policy, if this policy
20 is adopted, and the basis upon which the charges are
21 going to be charged and where.

22 MS. KUMOR: So what I'm hearing both
23 sides of this issue are on the front end when the
24 request for payment comes in and -- and requests for
25 this grant, we want to make certain that we understand

1 who's receiving the money and how it's going to be
2 identified in our billing process so that we all
3 understand where our money went on -- well, the issue
4 that Troy's raising is he wants to know how this -- but
5 the student is being measured or receiving any --

6 MR. KICKLER: I was just -- I had similar
7 concerns as what Trustee Vines expressed as well.
8 They're not mutually exclusive, but basically, I was
9 just wondering where -- more explanation on where the
10 money is going and get rid of perception of that
11 there's a professor who has a -- maybe this is wrong,
12 but a professor that has "X" amount of money to make
13 clean water, and they just give it out to selected
14 students. We need -- is as best as possible, we need
15 to know where the money is going, how it was used and
16 then also just curious to see whether they were
17 receiving credit -- whether they're receiving credit
18 for the work they're doing for Clean Water as well.

19 It would be like me writing a
20 dissertation, a history dissertation, when I already
21 have a book on that same -- similar thing. Somebody
22 needs to write it, too. That's typically accurate.

23 MS. KUMOR: So do you all want to have
24 this come back to you with those kinds of explanations
25 lined out or do you want to vote on this policy and --

1 with the understanding that you will receive those
2 recommendations or the policy lined out, or you don't
3 want to vote yes on this recommendation at all I guess
4 is --

5 I'm sorry, Chairman. I'm just --

6 CHAIRWOMAN CAWOOD: No.

7 MS. KUMOR: Okay. Because I'm lost.

8 MR. VINES: I know one thing to keep in
9 mind is that if NC State pays this child a stipend,
10 then it's going to be taxed by NC State. It would have
11 to be. If the State -- if the school did that. If
12 they gave her, you know, a few dollars or whatever they
13 want to do based off of what the cost is going to be,
14 she would ultimately end up having a W-2 issued for
15 taxes and stuff on money that she's been -- that she
16 makes.

17 I don't know. I think -- I think what's
18 here -- I think what's here and what we're saying is
19 legal. We just need to make a way that we cover
20 ourselves as to where it goes and to what line item
21 it's going to go to and how it's going to be accounted
22 for in the future.

23 MS. KUMOR: So we need a better tracking
24 system for the moneys before we determine that we like
25 this policy?

1 MR. TOOLE: Well, I do want to make clear
2 that, you know, just because a applicant submits a cost
3 line item for a proposal, does not obligate the Clean
4 Water Management Trust Fund to accept either the
5 application or a single line item. I mean, we still
6 have that right and that duty to make sure we agree
7 with proposals and the cost proposed.

8 So what the proposal before us today is,
9 and it will be deferred I think, is only to give us the
10 -- an amendment to our internal policy to allow that to
11 be a proposed line item, which for reasons that may be,
12 you know, extraneous to this discussion, the trustees
13 decide not to fund, but this at least gives an option.

14 We currently by policy don't allow it.

15 MR. BEVINGTON: By practice, I would add
16 to that. There is no more policy. By practice, that's
17 correct, but -- but I did --

18 MR. VINES: We are heading into a
19 contract for a service. It's up to them how they
20 provide that service. As long they provide what we're
21 asking to be given to us, that should be up to them
22 whether it's done by a student, whether it's done by a
23 grad student or whether it's done by a professor. It
24 shouldn't make any difference.

25 MR. WILSON: Sort of like --

1 MR. VINES: We are entering into an
2 agreement to do a study or whatever on innovative
3 stormwater or acquisition, whatever it is, we entered
4 into a service agreement for that purpose or whatever
5 that purpose is. It's up to them to provide that
6 service to us and satisfy us by the response back to
7 what we've asked them to do, and it shouldn't matter
8 who does it.

9 MR. WILSON: For example, do we engage
10 contractors? How much do we get into are they going to
11 be using employees versus independent contractors
12 versus Susan versus Fred?

13 MR. BEVINGTON: Those are often --

14 MR. VINES: It's whatever the definition
15 that we gave them of what we want, that's the purpose
16 of what they're doing, whatever we are asking them to
17 do. It shouldn't matter how we go about getting it
18 done as long as they do it.

19 MR. BEVINGTON: Terry is right on this
20 one. We do collect hours of employees and time spent.
21 The documentation required to get reimbursement is
22 rigorous and complete, but it is at the discretion of
23 the employer to provide, you know, someone who is -- so
24 we really don't obviously manage that and --

25 MR. FORDHAM: Are past contracts for a

1 specific dollar amount or are they -- the contract
2 provides a method by which NC State would be paid so
3 that you don't know exactly how much you're going to
4 spend, you find out the total amount later and you
5 computed it according to the contract method?

6 MR. BEVINGTON: We have line items which
7 they need to stay within for labor for example, so they
8 cannot exceed labor without sufficient permission from
9 us to exceed.

10 MR. FORDHAM: So it's a not-to-exceed
11 amount?

12 MR. BEVINGTON: Not to exceed.

13 MR. FORDHAM: And then it's based on
14 actual cost as per the contract not to exceed?

15 MR. BEVINGTON: Yes.

16 MR. VINES: And they justify that by
17 giving you their number of hours that they are worked
18 based off that?

19 Fine. I think it's good.

20 MS. MURRAY: Yeah, we have a form that
21 they fill out, and they tell us, one, the job title
22 because we don't require names, because that's kind of
23 intrusive, and they tell us what they did, how many
24 hours they did and what their pay per hour is with
25 fringe added, and it's a form that they can use for

1 either -- and including volunteers if they're going
2 match credits. We get the same information whether
3 it's a paid employee or a volunteer.

4 MR. WILSON: So, Troy, to your concern,
5 how would a project like this, Clean Water Management
6 project, raise issues that are different from a faculty
7 member at a research university getting a research
8 grant and then hiring grad students to work on that
9 research grant, and of course, grad students are often
10 listed as co-authors of research studies, so they're
11 getting compensation often or tuition credits, often
12 author credits and economic credits and stuff like
13 that?

14 MR. KICKLER: One -- I wanted -- Hank has
15 answered the question.

16 One, I wanted to know can we do this, and
17 apparently, we can, and then I was also thinking --
18 because this is unprecedented for Clean Water, correct?
19 So I was just thinking maybe -- I was just thinking
20 that -- a concern of mine was that I wanted to make
21 sure because it was unprecedented for us that, that it
22 was kind of spelled out maybe general guidelines. I
23 don't know how to do that, but -- or spell it out, but
24 I think people would know from the outside looking in
25 sort of a general idea of how things are going, and

1 we're just not indiscriminately handing the money over
2 to professors to do. And then, you know, I mean,
3 teachers have pets. I know some people can say that,
4 and we just want to make sure -- maybe I'm being overly
5 cautious with thinking that way.

6 MR. BEVINGTON: Troy, just let me read
7 this because --

8 MR. KICKLER: I'm not against it.

9 MR. BEVINGTON: I'm just trying to narrow
10 that -- this part of your question, trying to answer
11 that by saying, that the committee did come up with
12 some recommendations whether this would be in place, so
13 it was for innovative stormwater projects only, for
14 graduate students only. There's been an accredited
15 institution to identify as the principal employee
16 responsible for studies done.

17 It's really identified as one, as Terry
18 is saying, PI of the project, then saying in that case,
19 we will consider a compensation package for labor to
20 include the waiver of tuition, so it would be one
21 student per project, and the principal student for that
22 project.

23 I know that doesn't answer all of your
24 questions about how the money's distributed in that
25 statement, but I think it was some thought in putting a

1 balance on this so that it really is to achieve that
2 research focus that's necessary.

3 MR. KICKLER: I know there's just -- so
4 it's clear and then also -- my one concern that's been
5 answered is I just didn't want someone to look at this
6 and -- but again, that question has been answered --
7 look at this and think that we are showing favoritism
8 to one institution over another, but they just have to
9 be the first one to ask.

10 CHAIRWOMAN CAWOOD: Well, Trustee
11 Kickler, would you feel comfortable if we moved forward
12 with the motion with the recommendation that the
13 restoration and stormwater committee ask staff to work
14 on guidelines surrounding this new policy?

15 MR. KICKLER: I would be comfortable with
16 that.

17 CHAIRWOMAN CAWOOD: Okay. So is that
18 good with you?

19 MS. KUMOR: That's fine with me. I think
20 it would make everybody feel more comfortable.

21 CHAIRWOMAN CAWOOD: That's correct.

22 Very, very good discussion.

23 MR. BEVINGTON: Can I just ask the staff,
24 the more people involved following it up, it might be
25 helpful too if we could develop sort of a case study of

1 -- instead of just passing around one page, to have for
2 example how payments actually are going out.

3 CHAIRWOMAN CAWOOD: Great discussion.

4 Great. So this comes from the committee,
5 so we only need a second.

6 MR. VINES: I'll second the motion.

7 CHAIRWOMAN CAWOOD: All right. All in
8 favor say aye.

9 The Board: Aye.

10 CHAIRWOMAN CAWOOD: Any opposed?

11 (No response)

12 CHAIRWOMAN CAWOOD: Wonderful.

13 Thank you, Trustee Kumor.

14 MS. KUMOR: Thank you, Bill.

15 CHAIRWOMAN CAWOOD: And just a quick
16 thank you. I know we heard from Will and Nancy and
17 Steve and their very good reports, but in the
18 background, very, very much involved, were Justin and
19 Damon. You will be speaking more in September, but I
20 wanted to make sure that everyone knew that this was
21 truly a team effort of the Clean Water Management
22 staff, and we greatly appreciate your input in helping
23 us get to at least some good answers.

24 Also we'll be circulating for you all a
25 resolution to honor Frank Bragg, which I mentioned at

1 the beginning of the meeting. So we'll get something
2 out written so that people can see that.

3 MR. CLARK: Sounds like a good idea.

4 I know there's another member of the
5 public who has joined us from the very beginning.

6 MEMBER OF THE PUBLIC: Good afternoon.

7 MR. CLARK: Thank you for joining us.

8 CHAIRWOMAN CAWOOD: Appreciate you for
9 being here.

10 And as you'll note from the schedule that
11 Sydney had sent out, we now have a tour -- a walking
12 tour. It might be a shortened walking tour, but they
13 are -- I think a couple of the gentlemen from the
14 historic commission I saw are going to figure out.
15 They're downstairs waiting for us, and then after that,
16 we'll got to two private homes where they'd like to
17 welcome you to Edenton and show off their beautiful
18 historic homes, and so we'll do that before dinner, and
19 then we'll gather again in the morning.

20 MR. CLARK: Thank you, Madam Chair, for
21 arranging things for us.

22 CHAIRWOMAN CAWOOD: Sure.

23 MR. CLARK: Appreciate that very much.

24 And I think for tomorrow, we are meeting
25 the coastal land people at 9 o'clock?

1 MR. SUMMER: That is correct.

2 It's about a 15-minute ride. I don't
3 know what the Inn looks like, but I presume there is a
4 lobby or a common area perhaps we can rally in the
5 morning between 8:30 and 8:45, and once everybody gets
6 there, we all drive over together and park and eat
7 lunch onsite, and then after lunch, everyone is free to
8 go on their way.

9 CHAIRWOMAN CAWOOD: And so everyone
10 knows, site X is west over the river, so it's on your
11 way home, 15 minutes, so you don't want to get --

12 MR. WILSON: Tennis shoes or hiking
13 boots?

14 MR. SUMMER: I think it's tennis.
15 Justin's been on the site and most of it is just
16 manicured grass.

17 MR. MERCER: It's not manicured grass.
18 It's field and things like that, but --

19 MR. SUMMER: I'm wearing tennis shoes.

20 CHAIRWOMAN CAWOOD: Great. Well. Thank
21 you.

22 I will motion to adjourn.

23 (Whereupon, the proceedings were
24 adjourned at 4:10 p.m.)

25

CERTIFICATE OF COURT REPORTER

I, Bria L. Pintado, do hereby certify that I reported verbatim this transcript of proceedings in the Clean Water Management Trust Fund Board of Trustees Meeting and do hereby certify that said proceedings, pages 1 through 140 inclusive, is a true, correct, and verbatim transcript of said proceedings to the best of my ability

Given under my hand this 17th day of June, 2018.

Bria L. Pintado