

BOARD OF TRUSTEES
CLEAN WATER MANAGEMENT TRUST FUND

MINUTES OF MEETING
MONDAY, MARCH 13, 2006
8:30 a.m.

Lexington Municipal Club
200 Country Club Boulevard
Lexington, North Carolina

APPEARANCES

LEGAL COUNSEL

FRANK CRAWLEY, Assistant Attorney General

TRUSTEES

Jerry Wright	Robert Howard
Claudette Weston	Karen Cragnoia
Yevonne Brannon	John McMillan
John Crumpler	Ron Beane
Charles Johnson	Bill Hollan
Tony Lathrop	Peter Rascoe
Nick Garrett	Rick Coleman
Phil Baddour	Stan Vaughan
Dickson McLean	Johnnie Mosley

STAFF

Bill Holman, Executive Director
Damon Tatum
Leland M. Heath III
Nancy Guthrie
Bern Schumak
Tom Massie
Beth McGee
Tom Jones
Lisa Schell
David Keely

Robin Hammond

AGENDA

	<u>PAGE</u>
A. Call to Order, Chairman Howard	8
Welcome	
Honorable Fred McClure	8
Honorable Mayor Richard L. Thomas	9
Representative Hugh Homer	11
Senator Stan Bingham	12
Roll Call - Gina Weaver	12
Report of the Awards Committee	18
Report of the Contract Committee	19
Report of the CWMTF Office Space Committee	20
Report of the CWMTF Fiscal Management Committee	21
February 23, 2006, Water 2030 Conference	23
March 2-3, 2006, Strategic Visioning for Conservation in North Carolina	24
March 11, 2006 NC Wildlife Federation's Governor's Conservation Achievement Award	25
March 19-20, 2006 Coastal Policy Conference at UNC-Wilmington	25

AGENDA (CONTINUING)

	<u>PAGE</u>
June 2, 2006 State Conservation Farm Family of the Year at Bovender Farm in Rutherford County.....	26
Recognize CWMTF Advisory Committee Members.....	27
B. Public Comments	
The Honorable Roy Maness, Mayor, Town of Troy.....	27
Jason Walser, Executive Director, Land Trust for Central North Carolina.....	30
Ron Hargrove, Deputy Utilities Director, City of Winston-Salem.....	33
Edgar Miller, Conservation Trust of North Carolina.....	35
Bill Holman, Resolutions from Strategic Business Session.....	38
C. Personnel Committee Report, Jerry Wright.....	39
D. Personnel Committee Report, Dickson McLean.....	40
E. Joint Ad Hoc Appraisal Committee and Acquisition Committee Report, Bill Hollan.....	48
F. Budget Committee Report, Stan Vaughan.....	53

AGENDA (CONTINUING)

	<u>PAGE</u>
G. Legislative Committee Report,	
John McMillan	54
March 14, 2006, Legislative Environmental	
Review Commission Meeting	54
Land for Tomorrow Initiative	55
One-Time Appropriations for Land & Water	
Conservation	54
Clean Water Bond	55
Other 2006 Legislative Issues	55
June 14, 2006, Land & Water Conservation	
Lobby Day	56
H. Executive Director's Report, Bill Holman	57
Presentation of Staff Positions	
to the Board	57
February 2006 Cash Flow and FY 2005-2006	
Projected Budget, Francine Durso	58
Status of Recently Approved Grants,	
Robin Hammond	59
Communications, Lisa Schell	60
Tree Cutting in CWMTF Conservation	
Easement of City of Morganton's	
Catawba River Greenway, Tom Massie	

and Robin Hammond..... 64

AGENDA (CONTINUING)

	<u>PAGE</u>
November 17, 2005, Resolution of NC Marine Fisheries Commission on Public Access to the State's Estuarine and Marine Waters and Fisheries, Damon Tatum	69
February 28, 2006, City of Kannapolis and Land Trust for Central NC Property Purchase Contract Signing, Bern Schumak	70
2006 Water Quality Assessment & Impaired Waters List, Tom Jones	71
CWMTF Investments in Davidson County, Bern Schumak	72
J. Attorney General's Report, Frank Crawley	80
Executive Order Number one and CWMTF's Ethical Guidelines	80
Enabling Legislation Research Request	82
K. Update on the NC Rural Economic Development Water 2030 Initiative, Jean Crews-Klein	83
L. Infrastructure/Wastewater Committee Report, Johnnie Mosley	105

AGENDA (CONTINUING)

	<u>PAGE</u>
O. Blue Ridge Rural Land Trust's Tobin Farm on South Beaver Creek, Bern Schumak.....	123
P. Mountain Valleys RC&D's Ebbs Chapel School Foundation Tract, Tom Massie.....	124
N. Division of Soil & Water Conservation's Conservation Enhancement Program, Bill Hollman.....	125
Adjourned.....	138

CHAIRMAN HOWARD: Good morning and welcome to Lexington. It's been an enjoyable time for all of us to be in Lexington. The crucial part is when Bill and I said we were going to come to Lexington for this meeting back this year, quite honestly I didn't realize we'd be on a golf course and the weather would be as pretty as it is today. To have been in a meeting Sunday afternoon surrounded around by a golf course, it's been a real pleasure for us to be in Lexington.

First I'd like to call on the Honorable Fred McClure, who is Chairman of the Davidson County Board of Commissioners.

MR. McCLURE: I appreciate that. We do welcome you here to Lexington and Davidson County. We ordered the weather up special because we knew you folks were going to be here, so we wanted to make sure that we had appropriate weather for you to come.

The only thing that distracted, I guess, this weekend was the AAC Tournament. Most people were inside looking at the TV yesterday.

We want to really thank you folks. I was in Raleigh yesterday for a hockey tournament for my grandson, so I couldn't make it back for the meeting

last night, but I understand that folks met all day

yesterday. We really appreciate what you do. We know you work hard. We really appreciate the grant that you folks have given to Davidson County and the Lexington area. It'll take a lot of pressure off of our systems that we have here, and improve the water quality of our streams and our rivers and our lakes, and that's so important for quality of life and the environment. We really appreciate what you're doing. Again, thank you very much.

Hopefully you'll get a break and some good barbecue before you leave our area. Thank you very much.

CHAIRMAN HOWARD: The barbecue last night was great.

Next we have Mayor Richard Thomas who joined us last night. We appreciate your hospitality then and today.

MAYOR RICHARD THOMAS: Thank you. As I think back over that, I believe it's the nicest occasion that I've been to in the way of a dinner. To be honest, the Timberlake Gallery can't be copied anywhere else. I noticed when I left a lot of people still sitting around looking or walking around tables. It was a real treat for me, and I'm real

glad you-all came here and enjoyed it.

But on behalf of the Lexington City Council and the City Staff, I want to welcome this Board of Trustees, staff and guests to Lexington and Davidson County. We certainly appreciate your participation here. Without your help in the project we had here in Lexington, the Municipal Golf Course, we use water--the water reuse project that's underway, it wouldn't have been possible. The 1.2 million dollars was the key to the whole situation. We look upon this as something very positive not only from an environmental protection standpoint but also to relieve the stress we're beginning to feel with our water resources here because it adds to our capacity and through the years economic development and other things. So we're very confident that our city staff and contractors will get the project properly installed and in operation, and when you come back again you'll see the effect of it.

Again I want to thank you for your confidence in our city. I appreciate you coming here and being with us, and we hope you enjoy the city. I want to say enjoy your two-day meeting, but I don't know. I think about some of the meetings I've been to, one of the first ones down at Pinehurst one time.

It was a day like this. We were sitting in a room

fortunately closed off, but we had big picture windows all the way around the room, and the lawyers in particular were very restless. They felt they ought to be out on the golf course. The rest of us were there to work. But thanks again for coming, and I hope your meeting will be very successful.

CHAIRMAN HOWARD: Without the funding from the legislators, we would not be in these two-day meetings and we would not be able to help the counties and municipalities and land trusts and others that we award grants to.

This morning we have two gentlemen with us. First Senator Stan Bingham and then Representative Hugh Homer that are with us today, and we want to just take this opportunity to thank you for your support of the Clear Water Management Trust Fund and to let you know how much we appreciate your efforts on behalf of the State of North Carolina.

REPRESENTATIVE HOMER: Thank you very much. Like everyone else, we want to welcome you here again. I'm just really delighted that you're here in Lexington and Davidson County. This year when we go back to the legislature--I know a lot of you have heard that the budget situation is better. We have

some \$200,000,000 in excess at this point. That was

the last estimate we had. But, you know, when we get back there, we always have state pay raises and we have teacher raises and we have medicare funding for the counties, so it will be used up quickly. But I want to tell you that I'm going to dedicate myself, and I feel like a lot of my colleagues will be with me in saying that we need to do our fair share for the Clean Water Management Trust Fund and we'll be there to support you. I know you-all have more problems than you have money and you always will, but we're certainly going to do all we can to help you. I appreciate you being here today.

CHAIRMAN HOWARD: Thank you for being with us.

SENATOR BINGHAM: It's a pleasure to be here. You know, when we had our budget negotiations, et cetera, I didn't realize exactly what this was all about, but being involved in two of these now--the original one we did in Troy--I now know the impact that it's going to have in the number of projects that have failed and dumped sewage into High Rock area, and with this project it's just wonderful to see what you do here. Now that I understand I'll be much more receptive to funding.

You've got several members on this board

that I have recognized. Mr. McMillan, I've known him a long time. He's very influential, very competent. And Bill Hollan, I don't know if you know, but he's hiked the Appalachian Trail and he's been a big friend in the legislature and a lot of people think a lot of him. He's very competent. Bill, we appreciate what you've done here. I thank all of you for being here.

At least I can honestly say I'd like to stay a while, but when I found out this was going to be a two-day meeting I do have a lot of confidence in you because you're certainly dedicated, and we appreciate that very much. Thank you again.

CHAIRMAN HOWARD: Gina, could we have the roll call, please.

MS. WEAVER: Robert Howard.

CHAIRMAN HOWARD: Here.

MS. WEAVER: Phil Baddour.

TRUSTEE BADDOUR: Here.

MS. WEAVER: Ron Beane.

TRUSTEE BEANE: Here.

MS. WEAVER: Yevonne Brannon.

MS. BRANNON: Here.

MS. WEAVER: Rick Coleman.

TRUSTEE COLEMAN: Here.

MS. WEAVER: Karen Cragolin.

MS. CRAGNOLIN: Here.

MS. WEAVER: John Crumpler.

TRUSTEE CRUMPLER: Here.

MS. WEAVER: Nick Garrett.

(No response.)

MS. WEAVER: Doug Hester.

(No response.)

MS. WEAVER: Bill Hollan.

TRUSTEE HOLLAN: Here.

MS. WEAVER: Charles Johnson.

TRUSTEE JOHNSON: Here.

MS. WEAVER: Tony Lathrop.

(No response.)

MS. WEAVER: Kevin Markham.

(No response.)

MS. WEAVER: Dickson McLean.

TRUSTEE McLEAN: Here.

MS. WEAVER: John McMillan.

TRUSTEE McMILLAN: Here.

MS. WEAVER: Johnnie Mosley.

TRUSTEE MOSLEY: Here.

MS. WEAVER: Peter Rascoe.

TRUSTEE RASCOE: Here.

MS. WEAVER: Stan Vaughan.

TRUSTEE VAUGHAN: Here.

MS. WEAVER: Claudette Weston.

MS. WESTON: Here.

MS. WEAVER: Jerry Wright.

TRUSTEE WRIGHT: Present.

CHAIRMAN HOWARD: Thank you. We do have a quorum.

Let me remind the trustees of Executive Order Number One. If you have a conflict of interest or even a perceived conflict of interest with regard to any matter on the agenda, we request that you identify that now and recuse yourself from participation in the session today and any vote, and in addition that you recuse yourself from participation or conversations with regard to this project throughout the process with Clear Water Management Trust Fund. Is there anyone?

TRUSTEE COLEMAN: Thank you, Mr. Chairman. I'd like to recuse from discussion or vote on 2006A-532, Town of Tabor City.

CHAIRMAN HOWARD: Okay. Thank you. Anyone else?

TRUSTEE RASCOE: Mr. Chairman.

CHAIRMAN HOWARD: Yes.

TRUSTEE RASCOE: I'd like to recuse under

the Wastewater Grant, Town of Ahoskie, Nucor Steel. I'm searching for the number and I just can't put my eyes on it right now.

CHAIRMAN HOWARD: We can identify it as we get to it.

TRUSTEE RASCOE: Oh, here it is. 2006A-501.

CHAIRMAN HOWARD: Thank you. Anyone else?

(No response.)

CHAIRMAN HOWARD: Hearing none--and again as we go through the meeting, if something comes up that you determine would be a conflict, just let us know and we'll make sure that it's recorded in the minutes.

We have with us today Ms. Sandra Jones that's our court reporter. Ms. Jones, thank you for being here, and we look forward to today. Let us know if we're not clear enough for you and if you need something repeated.

You have been presented an agenda package, and I trust that you've had the opportunity to review that package in the agenda. Is there any revision or additions or questions with regard to the agenda?

(No response.)

CHAIRMAN HOWARD: Hearing none, I would

entertain a motion.

TRUSTEE BEANE: Move that it be adopted.

TRUSTEE WRIGHT: Second.

CHAIRMAN HOWARD: A motion by Mr. Beane and
a second by Mr. Wright. Discussion?

(No response.)

CHAIRMAN HOWARD: All in favor of the
motion, please signify by saying aye.

(Trustees respond.)

CHAIRMAN HOWARD: So ordered. Thank you.

A few housekeeping matters. We'll go
through the agenda and take a break if time permits;
however, we do have some refreshments just behind me
and the restrooms are over to my left. I caution you
that the acoustics in this room--although they're
great, it is a large room. Use the microphones. And
also to be cautious with regard to side bar
conversations because of bouncing around in respect
to those who will be speaking.

You have been provided a copy of the
transcript of our February 13th, 2006 meeting of the
Board of Trustees in Tabor City. Are there any
corrections or questions with regard to that
transcript? Yes, sir.

TRUSTEE HOLLAN: Did we just get this in the

package this morning? I do not recall getting one

prior to the meeting.

TRUSTEE HOLMAN: You're correct. The court reporter just got the transcript back to us and it was actually in your packet today. If you want more time, we can put it on the agenda now.

TRUSTEE HOLLAN: I would move that we postpone the consideration of that transcript until we've had a chance to read it.

CHAIRMAN HOWARD: We have a motion. Is there a second?

TRUSTEE WRIGHT: Second.

CHAIRMAN HOWARD: We have a motion by Hollan, a second by Wright to postpone the approval of the February 13th transcript. Is there discussion?

(No response.)

CHAIRMAN HOWARD: All in favor please say aye.

(Trustees respond.)

CHAIRMAN HOWARD: Opposed by a like sign.

(No response.)

CHAIRMAN HOWARD: So ordered.

The next item on our agenda is a report from the Awards Committee, Trustee Wright.

TRUSTEE WRIGHT: Mister Chairman, the Awards

Committee continues to meet and consult about the awards that we are giving. We have not yet completely that and we continue to work to do that so we can set a schedule about presenting that.

CHAIRMAN HOWARD: Thank you. Any questions about that report?

(No response.)

CHAIRMAN HOWARD: Hearing none, agenda item A9 on our agenda is report from the Contract Committee Trustee, Peter Rascoe.

TRUSTEE RASCOE: Thank you, Mister Chairman. I'd like to report that the committee members and legal counsel have met and have discussed a plan and an outline for addressing the concerns of the board and staff on this matter. And as directed by you, Mister Chairman, we will meet with appropriate individual staff members over the next few weeks to study the action in particular. So we'll continue with this.

CHAIRMAN HOWARD: Thank you. This committee's work is a very important undertaking. We have Peter, John McMillan and Bill Hollan on this committee, and this is an effort to resolve some of the issues that relates to the timeliness of getting

contracts out and getting contracts signed. So we're

looking forward to your successful conclusion to this effort. Thank you very much for your willingness to serve.

This item A10 is a report of Clean Water Management Trust Fund Office Space Committee. Trustee Coleman.

TRUSTEE COLEMAN: Thank you, Mister Chairman. Last week the Council of State approved a lease agreement between the North Carolina State Board of Certified Public Accountant Examiners and the Clean Water Management Trust Fund. Our new office space is to be located at Village Office Center, 1101 Oberlin Road, Raleigh, Suite 102.

I don't know if Gina is going to take her squirrel with her or not, but we look forward to this move. I understand that within the next thirty days this move should be either begun or processed. That concludes the business of this ad hoc committee.

CHAIRMAN HOWARD: Thank you very much. Our rent starts April 1st, and Bill tells me that he and his staff are working towards moving sometime in early April.

MR. HOLMAN: That's correct.

CHAIRMAN HOWARD: Anything else that we need

to address?

(No response.)

CHAIRMAN HOWARD: We thank this committee for their successful work in getting this accomplished. We appreciate the work that that has involved.

The next item, agenda item A11, is a report of the Clean Water Management Trust Fund Fiscal Management Committee. I'd call on the chairman of that committee Mr. Vaughan.

TRUSTEE VAUGHAN: Thank you, Mister Chairman. We met yesterday morning, and as a little background, Fiscal Management encompasses a lot of things, so we were primarily focused on the cash balance as presented to the Clean Water Management Trust Fund. What appears to be legitimate concern to members of the legislature is when they see the cash balance without seeing clearly what's behind that number. In fact most of that cash is encumbered and it just plays out over a long-term contract. So we've got sort of a three-step plan.

One, we want to go and have a discussion with the state treasurer and/or the controller's office to see if we can separate in two accounts, one, the encumbered cash, which at that point in time

you have the balance sheet and you show the cash and

then you show the liability. It's the same amount and you have equity in that. We think that can be done, and that will be one way of separating out cash that we have encumbered.

I'm also working with Francine on revising the current monthly cash balance sheet we get, the yellow sheet that you-all will see in a minute, to see if we can't better reflect the terminology of what the actual situation is. We may start on that statement with \$150,000,000, say, in cash balance, but when you get down to the bottom line at the end of the year we might have \$1,000,000. So rather than using a blank terminology, we made terminology so that it further explains what actually is on that statement.

Finally, we went through a variety of issues. We think one of the solutions we've got to look to is how we can shorten the time frame from the time we make an award until the time those funds are spent. So we're going to meet again and talk about some options that we will present to the committee about that process to see if they can't take a look at that process as far as the time we make a grant until the contract is placed, and what they can do

towards that time frame. It's really a big issue.

You know, our contracts are anywhere from three to five years in many cases, and so the cash balance is going to sit there until such time as we complete the contract. That's not all bad because we earn interest on the money while it is sitting there. So that's the third approach we're going to take, and get some recommendations back to the three major committees on things they might do to tighten up the process of their contracts.

And that's my report at this time, Mister Chairman.

CHAIRMAN HOWARD: Any questions for this committee?

(No response.)

CHAIRMAN HOWARD: We are thankful that you have undertaken this process, and we look forward to your work.

The next item, agenda item A12, the February 23rd water 2030 Conference, and I believe Trustee John Crumpler attended that. John.

TRUSTEE CRUMPLER: John McMillan, I didn't think you'd be alive for that conference 2030. Actually it was a couple of months ago.

I think we're going to give a report on that

later, so I won't say much, but let me just say one

thing that sort of just came right out at me, a study that we partly funded.

The Rural Center has identified at least \$7,000,000 in infrastructure needs in North Carolina, to cover both the growth that's anticipated over the coming years and decaying systems that were mostly built when FDR was president. So there's a looming crisis that's out there in his area. We have great confidence lots of folks will pull together, and we'll give a report on it later today. I'm happy to be a representative of this great organization.

CHAIRMAN HOWARD: Thank you. Any questions?

(No response.)

CHAIRMAN HOWARD: On March 2nd and 3rd we had a Strategic Visioning for Conservation in North Carolina. We hosted jointly with the other trust funds to--other trust funds within state government. We had excellent attendance across the board for this conference and many good comments. I think that it was something that we had worked on that we felt would be at best a mediocre situation, but it actually turned out to be something that will be very beneficial for us not only in the next several months but for the next several years. Hopefully we can do

this again and more often and maybe even on an annual

basis.

We had good attendance from our board, and I appreciate those of you who were able to attend being there. Bill and Francine from staff was there, and Lisa came back. So we had good visibility and good effort on our part. Bill, do you care to add anything?

MR. HOLMAN: I'll just say that I was proud we had good participation from the board, and I appreciate the extra time the Trustees committed this month.

CHAIRMAN HOWARD: Thank you.

On Saturday evening Jerry Wright and Bill Holman and I went to the North Carolina Wildlife Federation Committee and received an award on behalf of you, the Governor's Award as Conservationist Organization of the Year of 2005. This award was presented Saturday night. Jerry wanted to put this on the hood of his car, but we insisted that we would find the proper place in our new office to locate it. We have this award and we have a certificate also. We appreciate it and we will be acknowledging that back to the Wildlife Federation.

On March 19th through the 21st is the

Coastal Policy Conference at UNCW. Doug Hester has been leading that for us, and he's not here. Do you have any information?

MR. HOLMAN: Dave has also been involved with this conference. It's at UNC-Wilmington starting this coming Sunday, and we're a co-sponsor. I don't know if any trustees are signed up, but let us know if you're interested or if you plan to attend.

CHAIRMAN HOWARD: Thank you. On June the 2nd, 2006, the State Conservation Farm Family of the Year at the Bovendar Farm in Rutherford County. Bill?

TRUSTEE HOLMAN: This is just kind of a report item. This is a farm that we have worked with the Rutherford Soil and Water Conservation District on best management practices. It's a century farm that has been in the same family for over a hundred years. In fact this is an initial land grant farm. It's been in the family hundreds of years. It has been selected by the Association of Soil and Water Districts as the farm family of the year.

We'll have a major event there on June 2nd. We were asked to make a contribution to that effort,

and I consulted with the chairman of the Restoration
and Stormwater Committee, the chairman of the Budget

Committee and Chairman Howard, and so we made a \$1000 contribution towards that event. I'm going to try to attend. Mr. Bingham, I don't know if you'll be able to get there or not, but it's a wonderful family.

CHAIRMAN HOWARD: Okay. Thank you.

Mr. Chuck Bennett is with us to advise the board, and we appreciate your being here and we appreciate your guidance and graciousness in your area of expertise. Thank you, Chuck.

Also I wanted to introduce Ms. Mandy Wilder, Director of the Division of Soil and Water Conservation. Thank you for being here.

We reserved time on our agenda for public comments, and we are very interested in what the public has to say and get input and advice from them. We have several who have asked to speak today, and we're going to ask them to come over to this end. Francine has a portable mike and we will be able to hear a little bit better, I believe.

First on our agenda is again the Honorable Roy Maness, Mayor of the Town of Troy.

MAYOR MANESS: Thank you very much for letting me speak to you. I don't have time to tell you all the excitement we have in our community for

what we've been able to do working with this trust

fund and for all that you do. We have protected over seventeen miles of shoreline along Jensen's Creek, which is one of the prettiest creeks in the state of North Carolina. We now have cut a trail down it that you can observe the water falls. There's many water falls in it. It's so thick that when we were marking it we had to get on our knees sometimes to get through there. So you're in a canopy when you go down to look at it. I would invite any of you that can come to Troy and see what we have been able to accomplish with that.

We're in a forest area. There's lots of forest there, but people are beginning to want to build--cut roads and build on the streams, and we've been able to protect that for the future for many years, for forever, I hope. We have a nature preserve that we intend to leave so that people a hundred years from now can see what our forefathers founded. All of this is around streams.

Also exciting, we have coming--I hope that Bill Holman is coming this afternoon and in the morning to walk some of the trails.

We also have tomorrow--yes, tomorrow we have the Environmental Review Committee to walk a part of

it. They're meeting in Asheboro and then they're

coming to Troy. Representative Gibson came by Friday to look and see what we had, and all he could say is "I love it." So he was excited about bringing them there.

We also have a reporter from the National Wildlife magazine that's coming tomorrow too, to do a story about the cooperation between local governments and Clean Water Management Trust Fund and how we are acting to preserve the streams. So there's a lot of interest, and there will be more as we move on. We're not through, we hope. We're going to continue to work. We think this is one of the greatest programs, and you can come to Troy and see that. This is one of the great programs that the legislature has seen fit to fund the work that you do. So I can't tell you how great it is. You've just got to come to Troy. We are going to feed everybody tomorrow night, so all of you that want to can come and walk the trail tomorrow and eat with us tomorrow night. So we just thank you so much for what you do. It makes a difference in our state, and certainly come to Troy to see how we're going to preserve something for the future generations. Thank you very much.

CHAIRMAN HOWARD: Our next speaker is

Mr. Jason Walker, Executive Director for Land Trust for Central North Carolina. Welcome, sir.

MR. WALSER: Thank you. Thank you guys a lot for allowing me at this time to address you.

I was thinking this morning on the way over here, without being able to show you lot of maps and really get into detail, how I could give you a snapshot of what you've done for our community and what you've done for my land trust.

My land trust is a land trust based out of Salisbury, North Carolina, Land Trust for Central North Carolina. We work in ten counties in the lower Yadkin Pee-Dee basin, and I know you're well familiar with our projects.

I thought back to a meeting I had with Dave McNaully at Lexington Barbecue back in 1999 when we were working on the Grant's Creek project, and one of the things that he told us was to focus, and of course that was reiterated over and over and over again.

I'm here today to tell you, just to give you a snapshot of where we are, by the time this year is over we will have protected about ninety miles of steam basin and fifteen miles of confluence of the

South Yadkin and Yadkin Rivers. That includes

twenty-eight hundred acres that you guys are helping us protect from the city of Kannapolis in western Rowan County, the Second Creek Watershed. It includes a twenty-four-hundred-acre tract that we're protecting on the South Yadkin River on the Rowan and Iredell County lines. Dr. Richard Adams you-all may have heard about. It includes the Grant's Creek project. It includes over nine hundred acres of the land trust owned outright, which is mostly used right now by Catawba College as an outdoor laboratory. It includes some properties we've gotten from EEP. But actually most of the properties, believe it or not, have been donated, including a large portion of Dr. Adams' conservation easement donation. We still have about ten or twelve of those major projects, including Cooleemee Plantation, which were outright easement donations. So we continue to focus on that area.

We do have land owners coming to us from various counties and Iredell County, and we tell them we'll work with them, but right now we're just trying to work in this two-rivers area--that's what we call it--and I think it's been quite a success. We look forward to more successes there.

I want to briefly tell you about two other

projects that's we've been intimately involved with. One is the Uwharrie Mountain region. You guys have been involved there. You heard Roy Maness's comments about what's going on in Troy. There are actually three or four outstanding resource waters in that area. It is probably the cleanest series of streams and watersheds in the Piedmont of North Carolina. Of course we've got natural forests there. It's very fragmented. The Land Trust is taking an active role in trying to piece some of those tracts back together and expand the Uwharrie trail. We have now about twelve hundred and fifty acres under contract, that we will close this summer, connecting two huge pieces of forest service land on the Uwharrie River. We're real excited about that.

And our last major component of what we're doing, we're doing the two rivers, the Uwharrie, and we've been active for the last three and a half years in the Federal Land Deregulatory Commission's relicensing, including six dams, six reservoirs in the Yadkin Pee-Dee River. We're the only land conservation organization being represented in those licensing discussions. The Nature Conservancy of South Carolina is present and American Rivers is

present, but their main focus is downstream flows to

South Carolina. We're the only ones representing North Carolina's interests and we're very proud of that. I think in the next few months you're going to see some really good exciting things coming through. They're licensing through April 30th, the license applications. We do have some serious conservation on the table, and we'll probably be coming back to you guys at some point. We hope to have an agreement in principle reached in the next month, and you'll be hearing all this. I'm sure it'll be advertised well in the media.

But thank you for all that you allow us to do. We're really proud of the work we're doing. We welcome you to our neck of the woods. Any time you want to come visit we'd love to show you the projects that you-all made possible. Thank you.

CHAIRMAN HOWARD: Thank you.

Our next speaker is Mr. Ron Hargrove, who is the Deputy Utilities Director for the City of Winston-Salem, and he's here today representing the Yadkin Pee-Dee River basin. Mr. Hargrove.

MR. HARGROVE: Thank you. Good morning. I'm just here on behalf of our association to again thank this group for your support in the past. We

have already been named in a couple of projects

already talked about this morning. Grant's Creek, we've been involved with the Land Trust in protecting the creek banks. We've been in the Iredell area of North Carolina.

As you well know, the Yadkin Pee-Dee basin is the second largest basin in the state, and I'm just here to ask for your support on future projects that come along. We have, through our participation, learned how to be a better participant in these projects. We know there is a right scope for our association, and we are more than willing to do that. And so we may see some applications here in the near future that have our association as a participant, and I just want you to know that we're willing to do all that we can to make sure those projects are a success. We just ask you for your support. Thank you.

TRUSTEE McLEAN: Mister Chairman, might I ask a question of Mr. Hargrove?

CHAIRMAN HOWARD: Sure.

TRUSTEE McLEAN: Mr. Hargrove, I'd just like to get a feel for what is the size of your planning department? About how many people do you have there?

MR. HARGROVE: I'm sorry. Did you say

planning?

TRUSTEE McLEAN: About how many people do you have in your planning department?

MR. HARGROVE: In the City of Winston-Salem Planning Department it's probably a staff--I'm not exactly sure, but probably a dozen, fifteen or so in our planning department. Our association has a membership of about thirty-two members, virtually all of them being utilities. There are various planning staff among that group that would range from probably the size of a one-person staff up to Winston-Salem who is probably the largest.

CHAIRMAN HOWARD: Thank you.

Our next speaker is Mr. Edgar Miller, Conservation Trust of North Carolina. Mr. Miller.

MR. MILLER: Thank you, Mr. Chairman.

I'm the Director of Public Relations for the Conservation Trust of North Carolina, but I'm also a Davidson County resident, live on the south side of Lexington. I want to add my welcome and appreciation for you being here and for all that you do towards clean water and land conservation statewide. I'm also a member of our county tourism and recreation investment partnership, and we have developed a comprehensive mass of land to use tourism and

recreation and conservation opportunities as an

economic development tool for our community. It's a continuing thing, and we will hopefully be submitting applications in the future for some of those projects perhaps in conjunction with the previous two speakers.

I did want to just briefly mention a couple of things that the land trust community is doing to step up our efforts. We have established this year what we call the Land Conservation Advocates Network, and that is a effort to recruit a hundred individuals statewide to develop and continue developing a relationship with their legislators and local officials. We feel that it takes people out on key projects, going on site. It's a wonderful way, as we've heard already this morning, for people to learn more about what the Clean Water Management Trust Fund does. Of course our ultimate goal here is to use this network to push our legislative priorities, which, of course, our number one priority--Jason Walker is the chairman of the Land Trust Council on Government Affairs Committee, and we continue to pass full funding through the Clean Water Management Trust Fund as our number one priority, but as Bill said we also are working on amending conservation tax credits

to make it more user friendly, and also the state

property tax laws to make them more conservation friendly. As Bill said, there have been some real incentives out there in the way some of the counties have implemented those laws.

The last thing I wanted to mention is about the major priority for us this year. It will be the passage of the Land for Tomorrow referendum initiative. Your legislative committee spoke about that this morning. We will be working very hard to get that on the ballot in '06, and that is a very important initiative for the land trust community as we want to increase the funding for not only the Clean Water Management Trust Fund but all different trust funds. Thank you.

CHAIRMAN HOWARD: Do we have others that would care to address the board at this time?

(No response.)

CHAIRMAN HOWARD: Hearing none, Bill, I believe we have the opportunity, if any of the trustees desire to have a copy of this Governor's Conservation Achievement Award certificate, to get you copies of this. The original is actually signed. So if you care to have one, if you would let Bill know sometime during the meeting, he'll be glad to

coordinate that and get it to you.

Also, Bill, let me ask you, on the agenda-- are the resolutions you wanted to make on the agenda?

MR. HOLMAN: No, sir. That should have been covered back on the business session, but do you want to do that now?

CHAIRMAN HOWARD: Yes.

MR. HOLMAN: At the March 2nd and 3rd meeting of the three conservation trust funds and the Wildlife Commission, with no real authority but with a lot of real support, passed two resolutions. One honoring the contributions of Hugh Morton up at Grandfather Mountain, who has cancer, and the other honoring the contribution of Senator Hamp Horton who recently passed away also from cancer. Senator Horton was the chairman of the Natural Heritage Trust Fund for many years before he was reelected to the senate. In one of your handouts today are copies of the resolutions. Actually it's on the back of the minutes of the Strategic Business Session, and on the back the two pages are the two resolutions. It was just, I thought, a great gesture from the trustees who were present honoring those two gentlemen.

CHAIRMAN HOWARD: Our next agenda item is

the Personnel Committee Report, and I call on the

chairman of that committee, Jerry Wright.

TRUSTEE WRIGHT: Thank you, Mr. Chairman. The Personnel Review Committee met yesterday morning at ten a.m. and again this morning at seven-thirty. We went through our agenda. I'd like to personally thank everyone that took part in the recent survey that we mailed out to you having to do with the performance review. We received sixteen responses back. For those that didn't have time or could not do those, we are still interested in your comments about those.

I would like to announce that this morning the Personnel Committee adopted unanimously a letter that will be shared with our director and put into his file. I'd ask for comments. The chairman and I will be doing that soon, sitting down with our director. I will say that we would be more than happy to share that letter and a computed basically analysis of what the survey said, with any member of the board who is interested in doing that, and we also plan to share that with our director.

This morning we had four members present at our meeting. We unanimously adopted that. Our two members that were not present also approved of the

letter. And so we hope that we shortly basically

finish the work, this review. We appreciate all your help and comments toward completing this. Mister Chairman.

CHAIRMAN HOWARD: Questions or comments?

(No response.)

CHAIRMAN HOWARD: Okay. Our next agenda item is Grant Criteria Committee Report. I'd call on Chairman Dickson McLean. Mr. McLean.

TRUSTEE McLEAN: Mister Chairman, the Criteria Committee met on March 3, Friday a week ago, at one o'clock, and we had a lengthy and informative discussion running from one o'clock until about three o'clock in the afternoon. We did reach some decisions on certain points then. We met again yesterday morning at ten-thirty, and I think for the most part we sort of ratified the decisions that we'd made at the Friday, March 3, meeting.

I want to thank the committee members, all of whom had obviously studied new questions presented to us by House Bill 1095 and were well informed on the subject when we got in the meeting. All committee members were present with the exception of only one, and after a vote of the committee, the committee voted to give committee member John

Crumpler a special excuse because he was on the West

Coast and had quite a distance to get back. We do appreciate his input as well.

The main subject of our discussions has been the new criteria which this board will have to follow in making grants, and those new criteria are set out in House Bill 1095. There are what is called common criteria. There are eight of those, and they are given priority by the General Assembly over whatever criteria we had worked with in the past.

In addition, there is the specification that we address economic distress in an application by the governmental unit, and economic distress of a governmental unit was also given priority. I won't try to discuss all the eight new criteria. They have been given some thought and consideration to--some considerable thought and consideration by Frank Crawley, Special Counsel. Frank has a written analysis of our previous criteria and the new priority criteria, and I'm sure would be glad to furnish that comparison and analysis to all members of the board upon a request. All members of the Criteria Committee did have this analysis before us during our session. The attorney general has pointed but to us that those eight new coming criteria are

now in effect, and have been in effect since

January 1, and that they apply to wastewater and stormwater applications now being considered as required by the General Assembly.

As to the economic distress aspect, that applies only to wastewater projects, and the committee has made some suggestions as to how points be allotted for economic distress among tier one and tier five counties.

Yesterday we were presented and adopted a proposal for working new criteria into previous criteria and coming up with a total evaluation for determination of grants of these two types, wastewater and stormwater. 1095 does not say anything about acquisitions.

There was a very good motion made by Dr. Brannon that we try to simplify this and simply assign zero to five points for each of the eight criteria. That was adopted unanimously and that will be in the criteria that we follow from this point forward. Yesterday it was decided that the economic distress would be allocated zero to nine points. So the total points which will be considered first, which have priority, amount to forty-nine points. Senior Advisor Jones will follow that process of

going through the new 1095 criteria and allocating

zero to forty-five--zero to forty-nine points to each of those criteria. He will then make a report on his recommendations as to scoring under the old--previous criteria; I guess we're in the habit of calling it the old criteria--and coming up with a final grant evaluation and recommendation for the various committees, acquisition, wastewater and stormwater.

I think that should any board members desire to learn about this more in depth, it would be well for them to read Frank Crawley's legal analysis and the notes taken by Ms. Durso at our Friday afternoon meeting. That pretty well spells out our give-and-take session.

Now these being reconstituted, new information that was not required of the applicants for the 200(b) applications, soil and wastewater projects, it was decided that after the option of those new criteria, applicants for those types of projects would be given thirty days within which to supply additional information, so as to have a fair chance to meet the new criteria. The field representatives would be urged to keep track of what's done by the applicants, and try to make sure that they are fully aware of the new criteria and

have a full opportunity to present new information.

So when you go back tonight, you might pass along the information that wastewater and stormwater projects do have new criteria as given priority by the General Assembly and will be scored accordingly.

There are certain requirements as to unit cost projects, applications for wastewater projects only, but, here again, I think the applicants will be fully informed of the new requirements and have an opportunity to address those new requirements. The attorney general advises that if a--for example, a town is not meeting the high end cost-of-project level, and wishes to bring themselves up above the threshold of high end cost, that it'll be required that they put that requirement into their budget for the forthcoming year July 1, '06, to June 30, '07, and that it cannot be prolonged into the distance future by promises.

That's pretty much the substance of what we talked about on two different occasions. We had a lot of new things that we had not considered before. I would again point you board members to the summary of our March meetings, the analysis of the new criteria if you want to look into this. Thank you, Mister Chairman.

CHAIRMAN HOWARD: Thank you. I assume

you're going to work with staff to get a draft because if the grant criteria is going to change the board will need to adopt that change, and we can present that at the next meeting.

TRUSTEE McLEAN: The recommendations were given to staff yesterday morning.

CHAIRMAN HOWARD: But it needs to be adopted by the board, so we'll do that at the next morning.

TRUSTEE MOSLEY: I was thinking yesterday we adopted the new standards to present to the board. I would make a motion to adopt the new common criteria.

TRUSTEE BRANNON: Second.

CHAIRMAN HOWARD: Okay. We have a motion by Mr. Mosley, a second by Yevonne.

TRUSTEE McLEAN: One thing. I'm not sure every member of the board has got that draft in front of them. Could we wait until Senior Advisor Jones gets that draft to each member of the board before a vote is taken, unless you've already done so.

MR. JONES: I believe that everyone should have that in their board packet. It was brought here. The committee adopted it yesterday. If you don't have it in your packet, we have some earlier drafts.

CHAIRMAN HOWARD: That was the reason,

Mr. Mosley, that--I knew that the board did not have this. That's the reason I was suggesting that the board be provided with it before they vote. I'd be most happy to follow your recommendation.

TRUSTEE McLEAN: Mister Chair, I will add that the committee itself adopts and recommends the draft, but I think the board members should have it in front of them before they vote.

TRUSTEE MOSLEY: The reason that I thought that we were going to adopt this policy today, the opportunity for the staff to notify is thirty days in writing. If we wait another thirty days to adopt it, then the staff will be notified based on our discussion. If we adopt it thirty days later, it's going to make it that much more difficult to obtain the information that we need to go forward with these applications.

TRUSTEE McLEAN: Mister Chairman, that is correct. My concern was only that before taking a vote that the draft be passed around and all of us have a chance to look at it and vote this morning.

TRUSTEE WRIGHT: Mister Chairman, I suggest that maybe we wait until after the break, and that would give us all time to at least have a chance to

look at this and--maybe a chance to look it over and

at least talk to other members prior to us taking a vote because some of us do not have that information.

TRUSTEE MOSLEY: I don't oppose that, but I think that we subsequently need to adopt it or not adopt on behalf of the committee. At the trustee's last meeting I assigned the staff to the criteria committee, but you have all eight of the common criteria before you. We added one from the committee, but the eight the trustees should already have.

CHAIRMAN HOWARD: I understand, but we're not in the habit of voting on things that we don't have before us. The staff is making copies of that now, and I would entertain a motion to--

MR. MOSLEY: I'll withdraw the motion.

CHAIRMAN HOWARD: Okay. We will bring it back up before we adjourn today. The motion is withdrawn. Thank you. Any other questions? And we will bring this back up before the meeting.
Mr. Hollan.

TRUSTEE HOLLAN: I just want to be clear. These new points that are going to be assigned are for the purpose only of ranking wastewater and stormwater projects within those categories? We

won't be adding points that will create a

disadvantage for acquisition projects? We're not going to be adding nine additional points, and when we get to the rankings at the end of the cycle we'll see projects that have additional points based on these common criteria that they otherwise would not have had, am I correct in that?

CHAIRMAN HOWARD: You're correct. We would never do anything to disadvantage the acquisition process.

TRUSTEE HOLLAN: Well, I'm ready to call the question.

CHAIRMAN HOWARD: Further questions for this committee at this time?

(No response.)

CHAIRMAN HOWARD: Okay. Our next committee is item E, the joint ad hoc committee on appraisals, and it's speared by Mr. Hollan and Ms. Cragnolia. Mr. Hollan, we'll call on you.

TRUSTEE HOLLAN: Thank you, Mister Chairman.

Our committee met yesterday afternoon. We had two significant items on our agenda, and I think you can see our agenda at item--let me see where it is. It's on page seventeen of nineteen under E.

We took items B, E-D and E-C out of order.

We reviewed our current appraisal policy briefly, and

I'll outline that. You have an agenda item attachment E-C, which shows both our current appraisal policy and some suggestions that the state property office thought we might want to consider.

Currently our policy--this is a policy that's in our rules, so we do have the opportunity to address this on a special occasion, but this will provide some guidance as to what we have thought we wanted to do in the past.

For non-profit acquisitions, our first policy prohibits our making any contribution to those funds for those purchases, and that's because even the Land Trust was willing to pay the difference between the appraised value and the cost. We've determined that we don't want to encourage acquisitions at above appraised value and run up the cost of land. However, we have in the past determined that municipalities and counties ought to be given a little more deference since they're in their own areas and making acquisitions for which they have a specific purpose, and it's often more than a elected kind of acquisition. It's either more to acquire a right-of-way for a sewer line or a piece of property or an easement for a greenway, and

situations where a number of acquisitions may be

required in order to accomplish the purpose. In those cases our previous policy had been that we would be prepared to reimburse up to the cost of the--up to the appraised value, and that we would prevent the county or municipality to pay additional funds over the face value, but by no more than \$5000 or or twenty percent of the appraised value.

Then we had another provision that had to do specifically with greenway acquisitions where we would approve funding in excess of the appraised value if the purpose were to avoid litigation or additional evaluation expenditures.

After a good deal of discussion, I think the committee decided that our current policy has worked well, and there are reasons for it, so we determined that we would stay with the existing policy until we get additional information that it's not working to accomplish our objectives.

Having settled all that, we then went to look at two specific requests from the City of Goldsboro, which are consistent with our current policy but which would not have been consistent with the suggested revised policy. If you recall, the City of Goldsboro is acquired property as a part of

the military protection and clean water reinitiative.

These are properties that are within the approach flight path of the runways at Seymour Johnson Air Force Base. We had two requests from the City of Goldsboro with properties for which appraisals have been obtained. The State Property Office has reviewed the appraisals and had determined that the appraisals are accurate and suitable, but in each case the owners of these properties have recently had to pay a sewer assessment to the City of Goldsboro for which they now obtain no benefit. Whether or not that is--should have been reflected in the appraisal or not, I don't know, but I think psychologically these owners feel that they paid for sewer service and they'll never be able to make use of that.

Incidentally, we got some additional information that there's a little bit of heartburn among some of the owners that the City of Goldsboro, in a very pro active action, down zoned these particular properties in order to protect the air force base, and then the appraisals came in based on the new down zoning prior to the city's attempt to acquire them.

Given those facts and circumstances, our committee would recommend that we--and this is

consistent with our existing policy--that we agree to

reimburse the City of Goldsboro for up to the appraised fair market value of these properties as determined by the appraisals and reviewed by the State Property Office; that we not reimburse them for the additional cost, in one case \$3500, in the other case \$4500, representing the sewer assessment charges against those properties; but that we permit the City of Goldsboro to make those additional payments to those property owners in order to acquire these properties.

CHAIRMAN HOWARD: You've heard the motion by the committee. Is there discussion?

TRUSTEE McLEAN: Second.

(No response.)

CHAIRMAN HOWARD: Okay. Hearing none, all in favor of the motion, please let it be known by saying aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by a like sign.

(No response.)

CHAIRMAN HOWARD: So ordered.

Anything else, Mr. Hollan?

MR. HOLLAN: No, sir. That concludes the committee report.

CHAIRMAN HOWARD: Thank you. Next, agenda

item F, Budget Committee Report. I'll call on Chairman Stan Vaughan.

TRUSTEE VAUGHAN: Thank you, Mister Chairman.

We met briefly yesterday afternoon to consider an adjustment to the administrative budget. It appears that the amount we have in the budget for paralegal services is not what we estimated. We'll need to spend--through the end of the fiscal year, we've approved an additional \$19,200 for paralegal services.

CHAIRMAN HOWARD: Okay. You've heard the motion by the committee. It needs no second. Is there discussion?

(No response)

CHAIRMAN HOWARD: Hearing none, all in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed.

(No response.)

CHAIRMAN HOWARD: Anything else, Stan?

TRUSTEE VAUGHAN: No, sir.

CHAIRMAN HOWARD: The next agenda item is the Legislative Committee Report. I'll call on

Chairman McMillan. John.

TRUSTEE McMILLAN: Thank you, Mister
Chairman.

The Legislative Committee met this morning,
took action on one item and heard information on
several other items.

The first item for information was the
meeting of the Environmental Review Commission
tomorrow at the North Carolina Zoological Park. Bill
Hollan will make a presentation on behalf of Clean
Water. In that presentation he will let them know
that we are seeking a one-year delay on the impact of
House Bill 1095 with respect to the criteria, in that
it was not known by our applicants at the time they
made their applications. We will also talk with the
leadership prior to that time so it will not come as
a surprise.

We talked about one-time appropriations for
land and water conservation. The Department of
Environment and Natural Resources is requesting the
governor to put in the budget dealing with
opportunities available for the international paper
lands that are available for purchase and the
utilization of one-time money to allow some of those
lands to be purchased by various state agencies as

those opportunities have presented themselves.

We heard about a clean water bond initiative being pushed by the Rural Center, monies up to a billion dollars in bonds to fund drinking and wastewater projects in the state, which will compete somewhat with the Land for Tomorrow initiative that we'll talk about in a minute.

We talked 2006 legislative issues. We think that our hundred million dollar appropriation is relatively safe because of the budget situation with the state. Revenues are actually ahead of schedule. There are always pressures, but there's no undue pressures and we're optimistic that nobody is going to try and take part of our funds that are in the budget. Those monies have been appropriated, and absent some change will be available to us.

Other legislative issues: Conservation tax credits have been applied to the detriment of some property owners, and there will be some efforts to try to clarify that so that taxpayers will get credit for those as intended.

The action item was the endorsement of the resolution for Land for Tomorrow, which will be in your packet as item G-C. We had a fairly lengthy discussion about that resolution. It did not have

any real opposition from anyone. It is really--the

Land for Tomorrow initiative is not controversial as such. It is going to add some additional competition for the bond of indebtedness, and there will be a discussion of that when the legislature comes together. I think it's the general feeling of the committee that those land trusts and conservation groups and trusts funds who would benefit from that, we need to put our weight behind that resolution. And so the recommendation of the committee, Mister Chairman, was for the board to endorse the Land for Tomorrow resolution as contained in the packet.

CHAIRMAN HOWARD: We have a motion from the committee. Is there a discussion?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed?

(No response.)

CHAIRMAN HOWARD: So ordered.

MR. McMILLAN: The last thing would be to remind you of June 14, the Land and Water Conservation Lobby Day at the General Assembly. We'd ask that everyone put that on their calendars. We

need to go up to the General Assembly and ask the

legislators for their continued support. We will have a support group there, and the trust fund will all be there. It'll be good for us to be present at that. That is the end of my report.

CHAIRMAN HOWARD: Thank you. On June the 14th I will remind you that hopefully we will not have a meeting during June with the good work of the committee, so that would be a good opportunity for you to stay active and not to become disengaged during the month of June.

Any questions for the committee?

(No response.)

CHAIRMAN HOWARD: Okay. Our next agenda item is the Executive Director's Report. Mr. Holman.

MR. HOLMAN: Thank you. Let me explain this first item. We've gotten some feedback from trustees about wanting to hear the full range of staff opinions on projects. The way the staff works is, we try to stay about a month ahead of these meetings. For example, March 16th we'll be looking at the Restoration Stormwater project. As a staff, we work hard to reach a consensus on staff recommendations, but it won't surprise you that sometimes we fail. Sometimes in a staff position or the executive

director's position--some of you said you wanted to

hear if there was a disagreement between the staff and you'll hear more about that. If there's a disagreement the field reps will give them an opportunity--or whoever on the staff disagrees, give them an opportunity in writing to provide that additional to you.

There's two projects in the wastewater group at this time that came up. In the future we will work hard to reach a consensus, understanding we don't always achieve that. We'll work hard to put these matters in writing so you'll see them in advance and be prepared to ask questions and make your decisions.

Any questions?

(No response.)

MR. HOLMAN: I'll turn it over to Francine.

MS. DURSO: Thank you, Bill. The next item on the agenda the February 2005 Cash Flow and projected budget for the rest of this fiscal year and it was in your folders this morning, the yellow spread sheet.

If you'll turn to the short side of the spread sheet, it give your our cash flow for February of this year. You will note on line item six that

the first payment has been made on the specific

participation that you-all approved last year. The first payment has been made, principal and interest on that. If you'll turn over to the other side of the spread sheet, starting with cash balance, you can see the dollars of grants that are under contract. You can see the remaining additions to the budget this year, which is the rest of allotment and estimated interest, and then all the subtractions are all of the projects and other expenditures that you-all have already approved for the rest of this fiscal year. You can see at the bottom, line twenty-seven, projected balance at the end of the fiscal year is just under one and a half million dollars. This is similar to the report I do each month. I'd ask if there are any questions on that?

(No response.)

MR. HOLMAN: The next item, also at your place today, is just the status of recently approved grants. Is there anything you want to add to that, Robin?

MS. HAMMOND: Just that we continue to work real hard and we're about halfway through the 2005 cycle, so we should have a list of those out shortly.

MR. HOLMAN: Thank you for your hard work.

Any questions for Robin?

(No response.)

MR. HOLMAN: Lisa, Communications. There's a hot sheet in your packet. You can refer to that.

MS. SCHELL: I'll do this quickly. There's been a fair amount of media attention in various papers since our last meeting. I want to point out those first three clips there, coverage of NC State's report on hog lagoons and technology did mention the Clean Water Management Trust Fund as a possible source in the future for funding for some of those technologies. That's just kind of an FYI there.

Also at the very bottom, "Why were pines felled," the Charlotte Observer, the issue that Tom and Robin are going to talk to you about when I finish about the easement. The trees being cut in that easement in Morganton received a lot of attention from the Charlotte media, the Observer and one of the television stations in Charlotte.

Media contacts. Since our last meeting there have been many. I'd also like to mention Wildlife magazine. The edition this month has a nice piece on urban trails featuring our project at Sugar Creek.

We've also been getting a lot of attention

from state government radio, which is a statewide

media network owned by the Curtis Media Group, which owns WTTF radio, my alma mater in Raleigh. It seems like every time I send out a news release they call and want a comment. That's good publicity for us.

These are some of the news releases in the last month. Requests for information, mostly again from the engineers and folks from the general public, runs about fifteen to twenty-five every month.

Events. We had the Handy Sanitary check presentation or dedication, the symbolic large check there, last Friday at Badin Lake. We received a nice front page, full banner headline story on that event in the Lexington Dispatch on Saturday, which some of you may have seen. Also the Montgomery Herald was there as well as the Denton Orator. Nice coverage for a small event like that in a relatively small community, so I was very pleased with that. We also had great attendance from our local legislators.

Coming up for your calendar. On the 23rd of March in Mount Airy at Riverside Park at one-thirty. The IP Lands Announcement is allegedly scheduled for the 28th at the Wildlife Resources Commission Building in Raleigh at eleven a.m. Excuse me. Eleven a.m., that time is subject to change. That's

likely to be a national announcement with the head of

the Nature Conservancy coming down for that, and we're expecting the governor to be there. It's not really Clean Water's event per se, but we will be represented there. We expect that the media will be asking lots of questions about how we and the other trust fund members participate in that opportunity. Catawba Headwaters on April 7th at eleven a.m. That's in Creston near Black Mountain and Old Fort. If you have not received an invitation on Mount Airy and Catawba--excuse me--two events in Catawba, they will be coming soon. Coming up again is Jones Island planned for the week of April 17th, Carteret County Mound, Muddy Creek in McDowell County and then Springer's Point. So again just for your calendars, and official invitations are forthcoming.

Presentations and meetings that I've been working on or assisting with Bill's presentation to the ERC. Also, if you want to keep tabs on what's happening with the Coast Policy Conference, Bill has a Rotary Club presentation in Raleigh coming up and he'll also be making a presentation in Georgia in April that I'll be assisting with.

The annual report, most you have seen it by now. It came to us a week and a half early. Thanks

to Theo Davis for getting that to us earlier than

planned. We have three thousand of them. We have already begun distributing them to other constituents.

Major projects coming up: Continuing to work on the electronic newsletter and events planning. That's taking up most of our time right now especially now that the weather is getting good. Web site maintenance. I worked on the Tri Trust Fund meeting as I called it. Also, as you know, this is our tenth anniversary year, and I asked Susan Roemer, the designer who put together our annual report, to do a little updated logo. We're not going to change the logo. This is just for me to sort of use right now on the web site and in presentations and news releases, just to kind of increase the awareness that the trust fund has been doing its good work for the last ten years. We'll use it this year and then not use it next year. It's just sort of a temporary triangle sort of thing. Susan did a really nice job retaining the look of the old one but making sure that the tenth anniversary aspect is emphasized.

New fact sheets: I just put them on the web site. It's a new design and new look. It's easily custom tailored to the particular constituencies or

groups. We don't print these per se. I keep them on

our server and run them off on the computer or the Xerox machine. It's very cost effective and easily changed.

And that's it. If you have any questions, I'll be happy to answer them.

MR. HOLMAN: Thank you, Lisa. Any questions for Lisa?

(No response.)

MR. HOLMAN: Thank you. Let me ask Robin and Tom to report to you on the tree cutting on one of our easements.

MR. MASSIE: Thank you, Bill.

As Lisa had alluded to, I received a call in my office on the 20th of February telling us there were some trees being cut on Morganton Greenway on a piece of property that we had purchased on behalf of the town, which was formerly maintained by the North Carolina Division of Forest Resources. I received a couple of calls on Tuesday from private citizens. We went down on Wednesday, actually did a site visit, spoke with the town planning director about what was going on, asked him to cease and desist until we could investigate the situation. In the meantime a private individual had also called the Charlotte

Observer, the local television station and the local

paper there in Morganton. I referred those calls on to Raleigh with the comment that it was a preliminary investigation and we had no comment at this time until we followed up on it.

What I found on Wednesday when I actually visited the site was there had been trees cut, in the range of approximately ninety trees. They looked to be fifty- to seventy-year-old pine trees that had been planted as a buffer along the edge of the flood plain by the Division of Parks Resources. Some of the trees were obviously diseased, had been removed because of that, and then the other reason the trees were primarily being dropped was the simply fact that they were crowded close together. White pine, as they get older, they tend to drop their lower limbs. So there was a liability problem and a question for the town.

Unfortunately what Robin and I found when we investigated and looked into the documentation and whatnot was the simple fact that it did not require on the early conservation--this was a grant that we gave back in 1997 to the Town of Morganton. We do not require them to notify us prior to doing any damage or tree removal or anything else on there. So

we realized a problem with our conservation easement;

that the county probably exceeded their authority; that they probably had some legitimate excuses for doing the actions that they did. We wanted to make you aware of it, and we have a proposal of how to rectify that problem. Robin, if you would.

MS. HAMMOND: Yes. We think we should use this as an opportunity to strengthen the easement, so it should be amended to require a notice requirement before they can exercise a right to cut. Also, the easement does require a replanting of ten to one, so we'd like for them to do that. To the extent that they can do it in-house, we have the planting plan that we can look at to make sure that what they do plant are not white pines so they won't continue to have this problem. And there are some areas that aren't very well buffered, so we can use this opportunity to get those buffers picked up and have a better easement and a better continuing relationship.

They've been real nice. I've talked to the city manager and the planning manager and the Division of Forestry who gave us some advice. They've been real cooperative, very apologetic. We think that this is a very win-win, if you will, solution.

TRUSTEE McLEAN: Can you say about how many

acres were cut?

MR. MASSIE: It's not really a situation where you can estimate the acreage, Dick, because it's basically a linear cut. The trees were planted as a buffer along the top of the flood plain over the length of the property. They have removed approximately ninety trees. In some cases it'll be one tree, then there will be three or four before they pick another tree out, and in some cases they would take out three or four in a row. But they were all planted fairly close together, and I'm sure it was a liability problem for them when the limbs fell off and stuff from high winds and things like that.

The other problem that is fairly obvious if you go down there and look, because it was a nursery operation, is that there's lots of small seedlings just right across the greenway. It looks very much like a clear-cut, five years after it's been clear-cut. You can't hardly walk through it without the briars and brambles and shrubs nearly tearing your clothes off of you. So they're so closely packed together that you're not going to have a good buffer or grow-up that's going to be mature, that's going to be healthy, that's not going to be

overcrowded. So we look at it also as an opportunity

to transplant some of the existing plant materials they had in the nursery to areas that are much more thinly populated as well as an opportunity to thin some of that buffer that is at the farthest point away from the river itself so as to have a healthy stand of trees in the future.

MR. HOLMAN: Thank you. I want to note that Robin and Tom have spent substantial time responding to this. I don't know how many hours you've put in.

MS. HAMMOND: You did ask me to address that, and I have about ten hours of time. I'm sure Tom has more because he has traveled.

MR. HOLMAN: I guess this is the first time this has come up. When it comes up, you've got to respond. The public is asking questions. Thank you.

Any questions or comments or thoughts from the staff? We're looking for any feedback you have.

MR. RASCOE: I'll have the staff take a look at it. I had one idea that I've been thinking about for a while, in addition to what Robin's ideas were. On the occasion where there's a grantor, a private grantor, unless they have negotiated back a simple management plan, they're either getting value for the timber in the form of cash or a tax deduction also.

Can we think about the idea of liquidated damages as

a fine/penalty for cutting as well? Because, think about it, if they go and willfully cut, I mean they've got value for that, and I'm just wondering if there's any way we can think about imposing something like that as well?

MS. HAMMOND: Yes, we could look at that as part of the revision to the contract in the appropriate grant, and then put that language in.

MR. MASSIE: That is a good point to address, Mr. Rascoe. We actually asked the Town of Morganton if they had sold the trees and made any profit whatsoever off of those, and they indicated to us that they had not.

MR. HOLMAN: Any other questions or comments?

(No response.)

MR. HOLMAN: Damon, do you want to say a quick word about the Marine Fisheries?

MR. TATUM: Yes. The Commission passed a resolution in November urging the State to recognize the importance of preserving public access areas and stream and marine fisheries resources and waters. The resolution actually requested that the North Carolina General Assembly identify ways to ensure

public access for the benefit and enjoyment of the

people of North Carolina. They presented it to the Seafood and Agriculture Joint Legislative Commission on January 31st of '06. It's kind of wrapped around piers and access to commercial fishing and so forth. Thank you.

MR. HOLMAN: Thank you, Damon. Any questions for Damon?

(No response.)

MR. HOLMAN: The next several items are just information items that I thought you might be interested in. Next I'd call on Bern Schumak. Bern has been getting his picture in the paper a lot lately.

MR. SCHUMAK: Thank you, Bill.

On February 28th the City of Kannapolis and the Land Trust of Central North Carolina had a dedication on the two thousand fifty-acre tract that we helped purchase for conservation needs. It came together quite quickly because the city desired to officially sign the contract at their board meeting. Actually the press covered very well. We had four newspapers and two TV crews out there, and in the articles that I saw we got very good recognition for the project. The Land Trust did a good job putting

it together. Thank you.

MR. HOLMAN: Thank you. Just a preview of coming attractions. The Wildlife Commission has been working with the Land Trust. We'll have a proposal to you in the next acquisition meeting, to kind of split the funding of it like we did at the John's River, and go ahead and close out part of it while they're doing the fund raising for the rest.

Tom, anything you want to say about the impaired waters list?

MR. JONES: Well, just since it's on here, just so everyone knows that the impaired waters list, we know that as the 303(d) list. The 303(d) list is something that is adopted by the EPA. How the process works is that the-- That's not in here. Sorry.

The states, in their monitoring process, they go through the streams and upgrade their recommendations to the EPA for their impaired waters. What we use--what we have now is a proposed 303(d) list to the EPA by the state, and this is the list that I use in scoring because--just because a stream is not on the 303(d) list does not mean that it's not been proven to be impaired. So we keep an updated list. Water Quality has their 2006 impaired waters

list on their web site. Thank you.

MR. HOLMAN: Thank you. That's one of many of the tools that we use to evaluate a project. The source water protection information is just that, information.

Bern, do you want to say anything about our investments in Davidson County?

MR. SCHUMAK: Yes, just a quick word.

We have about three projects here in Davidson County, and one of them is the reuse project that you heard discussed a little bit this morning. It's actually only a couple of hundred yards down the road here. The rationale at the meeting here was that we might be able to show you the project, not just tempt you about wanting to play golf on such a nice day.

Essentially what the town is looking at doing is diverting some of the waste water and applying it out to the golf course, and as a second phase may look at it as being a good time to use some of this and route it towards some of the nearby homes as irrigation water. So the City of Lexington is real proud of that, and if you get an opportunity to come back, they expect to have it on line about November. Thank you.

MR. HOLMAN: Any questions of Bern?

(No response.)

MR. HOLMAN: Mister Chairman, that concludes my report. I'll be happy to answer any questions.

CHAIRMAN HOWARD: Thank you. Any questions?

(No response.)

MR. HOLMAN: Mister Chairman, I wonder if we can go back for a minute to that violation on conservation.

CHAIRMAN HOWARD: Yes, sir.

MR. HOLMAN: I'm thinking that maybe the board ought to take some action to direct the staff to enter into a mitigation agreement with the Town of Morganton and to bring it back to the board for approval. I think we ought to express our concern about this, and also indicate a willingness or a need to see something done to mitigate this. It sounds like our staff is doing that, but I'm thinking that maybe the board ought to take a direct action. So I would move that we direct the staff to enter into an appropriate mitigation agreement with the Town of Morganton with respect to this easement violation and to bring it back to us for review and approval.

TRUSTEE McLEAN: Second.

CHAIRMAN HOWARD: I have a motion by

Mr. Holman, a second by Mr. McLean. Discussion?

(No response.)

CHAIRMAN HOWARD: All in favor, let it be known by saying aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by a like sign.

(No response.)

CHAIRMAN HOWARD: In that regard, since any change to our contract requires board approval, I would suggest that any recommended changes with regard to this situation, to try to shore it up or be referred to the Contract Committee, since they are in the process of reviewing those.

Any other comments or questions?

(No response.)

CHAIRMAN HOWARD: Hearing none, Mrs. Jones looks like she needs a break, so we'll take a ten-minute break.

(Whereupon, a brief recess was taken.)

CHAIRMAN HOWARD: Yevonne, you are on this committee, and I think everyone has this. In the absence of the chairman of that committee, could you maybe just answer any questions that anyone might have after having reviewed this or any comments you care to make.

TRUSTEE BRANNON: The only comment I would

make is just to say that the total number of scores that one sees on the back here--I think it was pointed out yesterday--the possible scores that you can see would be zero to forty-nine for the wastewater and zero to forty points for stormwater. As you can see, everything is very simplistic. Zero to five points and zero to nine points. The projects would be ranked and scored according to need eight or nine criteria, and then they would have a second score or ranking using the current criteria that the board uses.

CHAIRMAN HOWARD: Thank you. There is motion from the committee and it needs no second. Is there discussion?

MR. JONES: Mister Chair.

CHAIRMAN HOWARD: Yes, sir.

MR. JONES: I was just talking with the committee chairman Dickson McLean at the break, and he asked me to bring up something on the bottom of the third page under capital improvement plan. House Bill 1095 discusses a ten-year capital improvement plan. It seems that there are also a significant number of counties and municipalities that may have a five-year plan, especially the coastal counties that

are not under the CAMA Act. Now there's no place on

here--I guess if we had a project that has a five-year capital improvement plan, you would give them five points for a five-year plan, but you shouldn't give them zero points either. So would it be simply to add one in the middle here, just like you've done on the others. You've got five points at the top and zero for the bottom and no points are indicated for the in between, but if we could have an in between, we'd end up giving them three points or something like that for a five-year plan. Would that be all right to add that?

CHAIRMAN HOWARD: I guess our committee--

TRUSTEE BRANNON: I would make a suggestion or a motion that we do add that as a third option under capital improvement, number seven.

TRUSTEE MOSLEY: I'm not sure we can add it because we're following the criteria.

MR. CRAWLEY: The capital improvement plan criteria for tier number seven, projects that implement capital improvement plans for wastewater system or public water systems, it has priority over a project that doesn't implement a capital improvement plan. To receive a priority capital improvement must set out the applicant's prospective

water and infrastructure needs for at least ten

years.

TRUSTEE BRANNON: Oh. So we can't make that change?

CHAIRMAN HOWARD: We can't make that change. Further discussion? Yes, sir, Mr. Vaughan.

TRUSTEE VAUGHAN: I hesitate to make this comment, but with all the effort put forth by this committee, but being a number's guy, why not make number nine a ten-point item and then reverse it down to where they can get one point--in other words they get one point under that no matter what. All the other criteria are either five or ten, so it sort of mirrors some of the numbers. That's my comment of the day.

CHAIRMAN HOWARD: Any other comments or questions?

MR. MOSLEY: I would like to respond to Stan.

CHAIRMAN HOWARD: Yes, sir.

MR. MOSLEY: We had originally had zero to ten. The staff looked at it and they backed up the recommendation of zero to nine because the number spread [inaudible].

CHAIRMAN HOWARD: Okay. Further comments or

questions?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor--

TRUSTEE HOLLMAN: Mister Chairman.

CHAIRMAN HOWARD: Sure.

TRUSTEE HOLLMAN: I'm a little concerned at how this is going to end up working in practice. I guess I'm seen enough unintended consequences to be skeptical of something like this. I know we've got one, the City of Wilson, which scored a hundred and eight by our method, probably as high a wastewater project as we've ever had. Is there any possibility that when we rank these things forty-nine to one that that's going to fall out and not be funded at all, our highest water quality projects might end up not being funded because it's not in the right kind of county or because of the way we've done these numbers?

CHAIRMAN HOWARD: That could be, and that's another fallacy of House Bill 1095 and another problem it's created for us, but we're having to follow the law. But if the committee would like to respond to that.

TRUSTEE McLEAN: In response to the

question, except for the sewer systems and the

wastewater systems, it appears to be having problems.

TRUSTEE MOSLEY: Bill, I think the way the criteria was submitted, the common criterias of 1095, is just one guideline that we have to follow, but once the common criteria has been displayed we're going back to our criteria to work with contractors.

TRUSTEE HOLLAN: You know more about it than I do. It looks to me like somebody could come out real low on the common criteria and be a very good project and never be available to be considered. We can come down the list of those rated by the common criteria, and we have some projects we rank very low that end up ahead of the ones that we rank high. If the common criteria has to govern--

TRUSTEE McLEAN: Bill, I do not know of any permanent answers to that except to ask the General Assembly to revisit that.

CHAIRMAN HOWARD: The other thing is, we need to view the score--our scoring as only one component of a grant award. Further comments or questions?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor of the recommendation and motion by the committee,

please signify by saying aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed.

TRUSTEE HOLLAN: No.

CHAIRMAN HOWARD: It passes. Mr. Hollan is in opposition.

The next item on our agenda is agenda item J, the attorney general's report. Mr. Crawley.

MR. CRAWLEY: Thank you, Mr. Chairman.

I believe it was at the last meeting there was a short discussion with respect to Executive Order Number One, the governor's ethics award, and the board's in-house ethical guidelines. I have undertaken further review and have attempted to reconcile the governor's ethics award with the guidelines, and you'll have to bear with me because I don't have printed copies. But at the last meeting I was asked to look at and recommend any amendments to your ethical guidelines that would also reconcile with Executive Order Number One.

The policy of the board in its own guidelines is consistent with the governor's ethics award to avoid the appearance of conflicts of interest and conflicts of interest. After stating those two principles directed to the guidelines set

out for situations with respect to the trustees

disclosure of the appearance of conflict of interests and disclosure of conflict of interests, with respect to these four I'll briefly state my comments.

To make them consistent, the board might entertain in paragraph one and two and four of your ethics guidelines referencing the executive order of the governor, and instead of having in parentheses disclose to the executive director the appearance of conflict or an actual conflict, that that be disclosed to the chairman because under Executive Order Number One the chairman is charged with overseeing the ethics and application of Executive Order Number One to the board. That same recommendation would apply to actual conflicts in paragraph number one and paragraph number two, the appearance of a conflict, and then number four where there is a question by the trustees when there's a need for a meeting or matter coming before the board for action that the trustee may inquire of the chairman or legal representative from the attorney general's office with respect to actions that need to be taken and whether or not the person has an actual conflict of interests or the appearance of a conflict.

What I would suggest is that before the next

meeting I can work with staff and we can use strike throughs and underlines and boldness to go through the existing ethical guidelines of the board and incorporate my recommendations for amendments so that you can read it and see what would be deleted by amendment and the words that would be added. I could get that to you prior to the next meeting so at the next meeting at your pleasure you could take action with respect to amending the guidelines.

The other matter considered was the request that the chairman had made with respect to an opinion by my office on the legislation creating a trust fund in relationship with the Department of Environment and Natural Resources. We're working on that right now, working through the AG's procedures. Hopefully we'll have that--we're in the in-house process--and provide it to the chairman prior to the next meeting. That's my report.

CHAIRMAN HOWARD: Okay. Does anyone have any questions or comments? We would like to--I would direct that you work with staff and get changes made to the policies--our policies to coincide with Executive Order Number One so that we don't have that conflict for consideration by this board during the

April meeting.

MR. CRAWLEY: I'll certain get that done and we'll get it to you prior to the meeting.

CHAIRMAN HOWARD: Other questions?

(No response.)

CHAIRMAN HOWARD: Hearing none, the next item on the agenda, agenda item K, is up to a thirty-minute presentation on the North Carolina Rural Economic Development Center's Water 2030 Initiative, and I'll ask Ms. Jean Crews-Klein, Vice President of Business and Natural Resource Development at the Rural Center to come forward.

MS. CREWS-KLEIN: Good morning, everyone. Thanks for the opportunity to be here and present you with information on one of the projects that you-all funded several years ago with an amount up to \$500,000. That project has come to completion, and I'm here to give you a summary of the findings on that project and the recommendations about that.

As you all know, North Carolina is a water rich state. From the mountains to the coast we have plenty of water. How we manage it is another question entirely, but we are, on a relative scale, a water rich state. In fact we're ranked fourth in terms of our total available water. But there are a

number of questions coming to bear on the water

resources which you-all deal with constantly: population growth, population concentration, the increase of density of population. Our water use itself is increasing, and our continued vulnerability to natural resource disasters, hurricanes and flooding in particular, that affect our water resources infrastructure system.

This is a graphic of North Carolina's population distribution at the year 1900, and you can see it was fairly evenly distributed. That's the population at 2004 concentration (indicating), so our population concentration is really phenomenal, and it's increasing at a pace that it was during the '90s. We added over a million people and we're continuing at that rate.

Our water use is increasing, and this is a chart that's done by the USGS. It's available on the internet. They're a fabulous resource for information on water resources nationally. What this summarizes in general is a breakout of different sectors and their water use, and what I would point out is that because of the size of house that we are building, because of the landscaping that we like to see in our office parks, because of the irrigation in

our yards, and just because we're not a conservation

minded population yet, our water use is increasing. So it's not just because of the number of people in North Carolina, it's also the individuals that are also increasing our needs.

That's a graphic of North Carolina at the height of the drought in 2002 which you all remember. This area of the state in particular was hard hit (indicating), but every portion of the state was under one of the more severe drought ratings.

This is Shelby, which was kind of an example--a poster child during that time. Shelby's water in their system came from a run-off river intake, and that's the river (indicating). It just simply didn't exist. Shelby had run two emergency connections. It was an incredible amount of creative, quick work on the part of local government officials to get water back into the Shelby system, but it is not the way that we would prefer to have to manage and meet our water demands. One of the methods they used was to use pumper trucks in order to put enough pressure on it to boost it back into the Shelby system.

Water 2030 is an effort that we undertook at the Rural Center with an advisory committee. Bill

Hollman sat on the advisory committee. The goal of

the commission is to simply put more information on the table. We recognize and you recognize and most of the conservation trusts in the state recognize that we're coming up on a point where our water resources are being stressed. With the prediction that North Carolina's population is going to grow by another four million people into 2030, the decisions we make today about how we use and manage water will influence our quality of life going forward. So that's what this is about, is putting a new piece of information on the table that we can draw from.

The effort is 2.5 million dollars. Congress and the EPA appropriated 1.2 million of that, Water Management five hundred thousand, North Carolina General Assembly three hundred thousand, and then the Rural Center five hundred thousand.

We have two parallel tracts in the project. On one we took a hard look at infrastructure, so we went statewide, all one hundred counties, and did an assessment of water, drinking water, wastewater and stormwater systems, to understand where their vulnerabilities were, where their problems were, where their successes were if they were doing something like practicing water reuse.

On the second tract, we looked at water

supply and demand, and we used a method that the technical committee for this project agreed was a reasonable method for projecting water availability. Then we projected demand scenarios against the availability out to 2030.

On February the 23rd we had a conference. There were several members of the Water Management Trust Fund board and staff there to hear it. We released four separate publications, and I brought several copies of each of those. They're on the table up there where Gina is sitting. So if you're interested in picking up a copy of the publications, you're certainly welcome to.

The first report was on the 1998 Clean Water Bond Act. Those of you that were here in North Carolina in 1998 know that a referendum was passed to put \$800,000,000 worth of funding into critical needed projects--critically needed projects, water and wastewater. And that amount has been exhausted. For the first time that we are aware of, we are--we took it upon ourselves to report back to the people of North Carolina on how that money was spent. We did, in fact, meet the intended objective. I'm pleased to say that we did it.

We also did a summary on eleven years' worth

of financing. We took a look at all the money that comes into North Carolina for water and sewer and stormwater work, and how it moved out, so we could look at trends, you know, the federal government's interest in funding infrastructure gaining. Well, now we know it's declining.

We also did what I just described as a one-hundred county survey of water, sewer and stormwater systems, and that number is in a third report.

Then the fourth is a series of fact sheets which we will work into a report in the next month that talks about water supply and demand.

So quickly on clean water bonds. At the time that we were working on the 1998 bond act there were ninety-two systems in the state. They were either under a moratorium or under special order of consent. So to a question of enforcement program which came into play, a very important piece of public policy, there was no funding behind it. So during the course of working on the bond project proceeds, we did things like this: We repaired failing land application systems; we connected many communities that did not have sewer before to public

sewer; and we did a lot to address sewer in-flow and

infiltration, which is the seeping into sewer collection system lines of ground water.

First and foremost, the major finding was the Clean Water Bond of 1998 was the right thing to do at the right time, and we made a particularly significant dent in rural communities problems with systems. We did a lot of improve water quality, and we eliminated a lot of drinking water quality problems, which most of us don't think about because most of us are connected to public systems. We just get up in the morning and turn the tap on and don't really think about what quality the water is that's coming into the tap because you know there are rules and regulations that the systems have to abide by; but if you look at a rural area when you're connected to a well, you really don't know what the water quality is unless you have it tested on a regular basis and most people don't do that.

This is a graph that shows the number of projects in each of the respective counties in the state, and in terms of geographic coverage there was at least one bond project in all but three of the state's one hundred counties.

Regionalization, regional projects, the

coming together of one or more units of local

government was a priority. There was significant additional funds because of that, and as a result about eighty-eight percent of the projects funded in the bond were regional in nature.

This is a quickie here. Fifty-one communities that did not have public sewer. They had documented problems with their septic tanks; they had outhouses; they had black water straight piping--not gray water but black water straight piping. There are no public sewers. There were ninety-one projects that eliminated failed septic, and in all about three hundred and eighty-four thousand people served.

These are just some pictures of sewer projects that we did. This is Swan Quarter. Engelhard Lagoon, which we're now having trouble with unfortunately because there is a problem, but it's not a problem into the lagoon. Someone was knocking the nozzle off the spray line. Go figure.

On this project you can see that the rocks are significant. This is a community outside of Salisbury that has a huge problem with rocks, but through the USGA and the Rural Center's sewer projects we were able to do it.

The second report on infrastructure funding,

we had eleven years' worth of data we analyzed.

That's a large amount of data longitudinally, so you can draw some pretty good conclusions from that. Water and sewer are about equal in terms of over that period. Thirty-eight percent of the money was spent on water and fifty-two percent on sewer.

This graphic is worth spending just a second on. The yellow line is the federal government's contribution in this state's infrastructure funding. Blue is the Rural Center, red is the state, and that light bluish gray is public and private market loans, so that's from private banking institutions. I'll say two things about that today. The federal government's commitment to infrastructure in the state has been on a steady decline. This is the first year that I can remember USGA's amount of grants that they had available, which in the heyday was about \$50,000,000 a year, is thirteen. And so communities that have relied on loan grant combinations from USGA to make significant improvements to their systems aren't going to have that availability anymore. The USGA is limiting their participation to a million dollars a project, so for those communities that have the bond rating and have the ability to go to the market, the public

market is the overwhelming funding for infrastructure

in North Carolina.

This is an allocation of again a pie chart that shows within that period about seventy percent of infrastructure work in North Carolina was done through private markets, nineteen percent by the states, nine by the Rural Center, which is segregated out because it's a nonprofit, and then only three percent in federal funds and that percentage is declining. So typical rural systems that either don't have a bond rating or could not get one are relying on an ever shrinking pie in order to fund their infrastructure needs.

The third report we did was an assessment of what we found in water, sewer and stormwater systems across the state. If you look at these reports as one building upon the other, this is the one where the findings, I think, may help us shape our public policy going forward, like the bond shaped public policy in '98.

In the data base that we built, this is a GIS data base and it is a model so it can be manipulated. So that if we wanted to look at, for instance, water demand, you can change the demand or change the consumption pattern, you can go in there

and reduce the consumption and see across the state

and across all sectors of use what that would mean for us.

We have five hundred and thirty-five water systems, we have fewer sewer systems, and we have information on four hundred and sixty-five stormwater systems. I know that stormwater was something the Clean Water Management Trust Fund was particularly interested in. I know I met several times with the board when we were designing the project. We have four hundred and sixty-five committees at work. We looked at the typography of the land, the flooding, what kind of land cover is persistent in this area. So we were gathering information not just on the communities that are regulated on phase one and phase two but communities that might be regulated one day or those communities that manage their stormwater in some way today generally through their power bill or street maintenance function.

This is a graphic of all the service area boundaries as of today of the public water systems. I think one of the things that's most obvious that pops out here is that east of 95 most of the water systems are regional, they're countywide. So when you get up to the Piedmont and certainly these

sections of the mountains not too much was prevalent.

These are storage systems, and as you can see there are far fewer of those, and they don't tend to be regional. I mean there are several regional wastewater systems in the state, but they don't have that countywide type coverage that water does.

We aggregated the total need, the need of all of the systems in one hundred of the state's counties, to meet current regulations, and then we projected that out to 2010, 2020 and 2030. What we found was the rural counties' need, the need we were able to concentrate on right now, the need between 2005 and 2010, is \$7,000,000,000. The need from that out to 2030 is almost seventy.

Most of our systems in the state are owned by municipalities. We have very few--we have more counties than those other states, but we are a heavily municipality oriented state in terms of delivery. Most of our water rate structures, we took a look at water sewer rates because that's the best communication that a system has on how it values its services and how it values water resources. What we found was that the predominance of our rates in North Carolina are uniform, which means it's a flat rate. Regardless of how much you consume, you pay the same

amount for it. There are only two systems in the

state which use what is called the seasonal adjusting rate, which means that you pay more for water in the summer when you use more of it and less in the fall and winter when you use less of it. We have a few in the state on a quarterly declining rate, which means the more you use the less you pay, which in terms of water conservation you've got some room to make change.

Most of our water and sewer systems serve less than twenty-five hundred people, and that is definitely worth noting. We are very distinct from most other states in the nation. We are a state of very small cities. We have a lot of very small water and sewer systems that are struggling on the margin, but are responsible legally for delivering safe drinking water and adequately treating waste. So regionalization may be something that we also need to look forward to as a policy priority.

Then we took a look at rates, at the percentage of median household income. When the state adopted the amendment to the EPA state revolving fund--that's money DENR allocates each year--they set into legislation that combined water and sewer bills should not be more than 1.5% of the

median household applicant unit. So if you look at

this chart, beginning with the yellow slice, the percentage that's less than 1% is very small, and they move around to one, one and a half. So those are the rates that are in the, quote/unquote, "accessible range." So that 64% of the rate structures in the state right now that, barring any change that we might make toward moving to a conservation rate structure, are already exceeding that 1.5% of median household income.

One of the other things we took a look at was what measures in this case were wastewater systems taking to understand where their own problems were. We looked at those that had an ordinance adopted, those that did load testing, those that had done water inspection and cleaning, those that had their systems mapped, those that had them mapped in GIS. What we found was that because of the concentrated effort of pollution prevention coming down from the federal government through the years and interpreted to the systems of the state, there were some significant gains made in prevention in our state. They're certainly worth noting. When we did this same sort of look at 1998, almost five percent of the state sewer systems had not done any kind of

line inspection or cleaning work. Today those that

have a line inspection and cleaning program are sixty-five percent, those that have done load testing sixty-five percent. So the point to remember is that when you do set up a piece of legislation and you have a piece of capital for that, it can happen.

We further focused attention on water as a resource in this effort, and this was because we have not had a parallel emphasis in the state on our drinking water systems. Our focus has been on pollution prevention, not how much water we lose or how much we use. What we found was phenomenal. There are an incredible number of systems in the state that lose more than half of the water that they produce. That means that they draw it out of the ground at no cost or draw it out of a stream or river. They pay to treat it; they pay the personnel to manage it; and then they put it in their distribution system and they use half of it. So that's lost revenue. But looking at the passage to ease the strain on the resource, too, if we were to make improvements in those distribution systems, we could regain that lost water.

Here's another graph of stormwater systems. The inventory, as you can see, includes four hundred

and sixty-five communities. The capital need that we

estimated is .57 billion through 2010, and we know that's an under estimate. What I can say to you with great surety is that our communities in North Carolina, with the exception of our metropolitan areas, do not have a grasp on what the state's stormwater--how to implement that or what that would mean for them in terms of costs. Now I understand regulations are being promulgated, but how--the next step that they will need to take, they're not real clear on that, and as a result it was very difficult to estimate capital needs. And yet, you know, there were plenty of reasons for them to pay attention to stormwater management. Half of them reported that they had a regular problem with flooding, and all but 5.6% operated their system as a utility. So we have tremendous ground to gain in stormwater.

Finally, we developed a methodology to look at estimating water supply, and the people on the technical committee represented the USGS, the Army Corps of Engineers, all the regular people that iat at the table to try to qualify something like that. We took into consideration North Carolina's temperature and precipitation, and we used stream gauges in order to capture flow. We used a

methodology called base flow separation, which is a

normal proven technique. There wasn't anything new or exciting about this, other than it allowed us to separate surface water quantities from ground water quantities, which is important if want to manage the resource. Now this is something that the state had not done before.

So the platform that we used, you can use any method that you want. You can do a river basin, you can do a watershed, you can do a council of governments district, you can do economic development districts, but for the purpose of the presentation and folks with the mind set of thinking along political lines, we represented it at a county level. What we found is basically what we already knew, and that is, that the place in North Carolina where we have the most water is in the far western part of the state west of the Appalachian. Anything east of the Appalachian mountains is available in decreasing quantities.

When you lay a population map on top of this, what you see immediately here is that the places in the state where we are growing are those that have water challenges. Greensboro sits on the head waters of the Cape Fear. Raleigh, even with

Jordan Lake, has a limited resource. And even worse

is the population increases.

The demand, we put that out in four sectors. Publicly supplied, that is your local government oriented system; domestic self-supply, people that are on wells that live out in rural areas; agriculture is looking at both livestock watering and crops; and industry and mining. We came up with a series of maps that support that. I think the thing we take away from this is unlike the states in the western part of the country of the U.S. where agricultural irrigation dominates use of water, North Carolina is totally antithetical. People drive use of it in the state, and will continue to do so. By our estimate seventy percent of the water demand today is driven by people and what we do, gardening, that type of thing. So the strategies for how you deal with managing our water going forward need to be focused on us and perception changes and practice changes in people.

Again, going back to the beginning, that's the population distribution in 2004, and watch Wake County. So where our population is concentrating will be continuing where our population concentrated areas are, along the coast, in Mecklenburg, heading

down into South Carolina and then Asheville gaining

tremendously.

This is a map of publicly supplied demand currently, and you can see pretty well the urban crescent there.

This is domestic self-supply, and again the counties in the west where we have the fewest number of public water systems folks tend to have private wells. But the fastest growing counties in terms of domestic self-supply are not in the mountains and they're not on the coast. Those fastest growing counties are Wake and Franklin and Durham and Brunswick and Pender. It's attributable almost singly to subdivision growth that is not connected to public systems.

This is livestock and irrigation with the dark--that magenta--dark magenta color being more than forty percent of the total demand in that county coming from agricultural use. You can see that's in eastern North Carolina.

And this is industry and mining. And this is a layover of all of those taken together, and the areas that are in that magenta color are the ones that pop out right now, today as the ones that have a challenge. We forecasted that to 2030, and notice

the magenta ones are the ones that have a challenge,

and, interestingly, those tend to be the areas outside or contiguous to the areas today that just show both the expanse of growth and demand that will occur.

So we arrived at a series of recommendations that we released on the 23rd. I want to go through those because I think they're important to you-all, having been a primary funder, to understand.

We believe there is a tremendous need to strengthen our environmental education programs in the state, and a concentration on elementary kids and middle school kids is absolutely where we need to invest. In order to do that, that means we're going to have to get EPI involved, and doing that is essential. Changing the science curriculum in elementary and middle schools is pretty important if we're going to start to change the paradigm that we need to change.

Second, we need to understand that we've got competing needs in North Carolina, and that competition is going to grow and become more fierce. We have no legal structure existing in our state right now that helps us to sort out competition for use, none. We had the Water Use Act in 1967,

promulgated in '67, has not been amended since, that

says this: When you have a problem, here is how you handle the problem. There's nothing proactive in that piece of legislation. That needs to be amended.

We need to examine our rate structures, and we're calling here for the government, together with the American Water Works Association, the AWWA, to increase the number of opportunities to make available to local governments and others folks to come to understand rate structure, because how we structure our rates and the amount we pay for water says a lot about how we value it.

Number four. We believe that there needs to be a permanent source of revenue established for water, sewer and stormwater investments in the state. We tried that. Bill Hollan worked with Billy Ray Hall, my supervisor. We didn't get very far. We got stopped by the Home Builders Association. We need to have a permanent source of revenue in North Carolina so that even though the bonds are a great investment, we need to have a continuous stream of revenue upon which to rely, and we can target as a state how our investments work clearly.

Fifth. There are a tremendous number of capital gains that can be achieved, and relief for

water resources can be achieved if we make

investments in operations and maintenance in our systems.

In House Bill 1095--I heard you-all discussing that earlier this morning--the State Water Infrastructure Commission was created with that piece of legislation, and we are calling for that Commission to become active and start deliberating some of these issues that need to be deliberated. We're calling for a one billion dollar bond to help fund stormwater, drinking water and wastewater needs in the state of North Carolina. If you'll remember graphic number four, there is a seven billion dollar need for the next five years, 2005--actually 2005 to 2010, so we're already a year into it. A billion dollars represents one-seventh of that.

The federal government interest proclivity to invest in infrastructure on a statewide basis is just about gone, and so that calls into question the state's role for investing in infrastructure, and it calls into question local government's role as well. So understanding what the needs are, that they can be brought to the table and how we can formulate public policy to address those is the business of the State Infrastructure Commission and the legislature

executive branch going forward.

I just want to say in closing, thank you very much for the investment that you've made. It's been a tremendous investment for the state. We have a great deal of printed material that's available. We also have it up on our web site. If you could look to our web site, that would be fabulous. That's it. I'll entertain any questions that you have.

CHAIRMAN HOWARD: Thank you. Do we have any questions?

(No response.)

CHAIRMAN HOWARD: Hearing none, thank you very much.

The next item on our agenda is the Infrastructure/Wastewater Committee Report. I'd call on Chairman Mosley.

TRUSTEE MOSLEY: Thank you, Mister Chair. I would like to welcome everyone and thank them for their participation in our Infrastructure/Wastewater Committee meeting yesterday, thank all the other trustees that also participated in the actual meeting.

Executive Order Number One is the ongoing function of our meeting, so if any trustee would like to excuse themselves from any projects or any

applications can do so at any time.

Our first item that was status--was L-B, status of active wastewater project contracts, which we have a spread sheet and Francine gave a summary of that.

Item L-C, Review of the standards of the Clean Water Management Trust Fund wastewater contracts she also went over with a Power Point presentation that gave us that information.

Item L-D, our Camden County wastewater land application project. That is an ongoing project that we have been updated over the last year several times, and we thank you for the update that you provided to the trustees.

Item L-E, 2003A-502, Town of Bridgeton wastewater land application project. Leland provided us with information that in order for Bridgeton to use a portion of the money that was scheduled to be used for design that they be permitted to use all of it to buy land for land application and extend their time period because the time period to utilize those funds ends, I believe, in September. But we did adopt the staff recommendation that before the disbursement of any grant funds, that the town have a soil analysis conducted to ensure that the site is

suitable for land application. The second was a

question of any grant funds, that the town obtain a long-term option on the property. Third, we added a third one to make sure that any transfer of this land--that the state of North Carolina would have some say on what happens to that land as a condition as we go forward.

So that's what we would like the trustees to vote on.

CHAIRMAN HOWARD: You've heard the motion from the committee which is on the board. Is there discussion? Yes, sir, Mr. Beane.

TRUSTEE BEANE: I'd like to make one correction, sir. That was not seconded by me.

TRUSTEE MOSLEY: It was seconded by John.

CHAIRMAN HOWARD: Further conversation?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by like sign.

(No response.)

CHAIRMAN HOWARD: The motion carries.

MR. MOSLEY: Item L-F, 2004B-506, Town of Ellerbe. This is an action item, and the motion is

to adopt the staff's recommendation.

CHAIRMAN HOWARD: The motion is to approve the staff recommendation of the town's request. Is there discussion or does anyone care to have additional information?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by like sign.

(No response.)

CHAIRMAN HOWARD: So ordered.

TRUSTEE MOSLEY: Item L-G, 2000A-516, impact on the Town of Scotland Neck sewer rehabilitation project on surface water. This was an information item that was presented by Francine. Do we have any trustees--or Francine do you have any comments? It was well presented yesterday. Do any trustees need any information? If not, that's an informational item.

(No response.)

TRUSTEE MOSLEY: Item L-H, consistency payment. This was presented as a potential action item. Last month we discussed how we could handle the consistency of funds, how could they be paid out,

and the staff recommends that we use the same

guidelines that the Rural Center uses, which requires a grantee to spend one hundred percent of the local matching funds and ninety percent of any matching grants or loan funds before paying any contingencies. That is a staff recommendation, and that's the motion that we had yesterday.

CHAIRMAN HOWARD: The motion is on the screen. Any comments or questions?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor of the committee's motion please signify by saying aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed.

(No response.)

CHAIRMAN HOWARD: The motion carries.

TRUSTEE MOSLEY: Item L-I. Wait a minute. Mister Chairman, there's a second motion.

CHAIRMAN HOWARD: It's a motion that was referred back. Discussion with regard to that?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by like sign.

(No response.)

CHAIRMAN HOWARD: So ordered.

TRUSTEE MOSLEY: Item L-I, consistency on reimbursement of administrative costs for the Clean Water Management Trust Fund's infrastructure/wastewater projects.

We had a lengthy discussion on this area, and we didn't come to any formal conclusion on what we need to do. But, anyway, I can't see the motion from here. Can we read that motion? Can you make it larger? The motion was made to defer this issue and meanwhile work with the staff to address inconsistencies. Mister Chair, that's the motion we would have that the committee recommends.

CHAIRMAN HOWARD: Thank you. Any questions or clarification needed with regard to the motion?

TRUSTEE WRIGHT: Mister Chairman, I'd just like to make a statement. There are some of us that are concerned that people are saying that they're putting in a certain match of water and being scored on that match, and then they're also requesting administrative support and reimbursement for that. We're just concerned that on the one hand they're basically giving us money, or saying they're

supplying money, and then asking for part of that

money back after they've been given credit in terms of scoring. We're just concerned about the possibility of that, and we hope that we come up with some way to address that in our scoring as these administrative allowances seem to continue to escalate. My sense is that if we allow it, when we turn around we're going to find everybody is going to request it. Because of that, we just want to make sure our scoring system does properly relate to that procedure going on.

CHAIRMAN HOWARD: Supposedly, I believe, this would become an information item for the board and we wouldn't need to take any action since your committee heard it and is not making a recommendation.

TRUSTEE MOSLEY: I agree.

CHAIRMAN HOWARD: Thank you.

TRUSTEE MOSLEY: Our next item is L-J, Management Construction Project relating to cost overruns. I'd ask Francine to briefly go over that for us.

MS. DURSO: Thank you, Mr. Mosley. This was also a fairly length discussion yesterday. This is also a two-part issue, and let me take the shorter

part first. As an agenda item, there was discussion

on construction costs overruns associated with construction projects. The staff needs to look at some other programs to be able to come back and discuss it with the board at a future time.

The other item was a discussion on managing--on actual management of the wastewater infrastructure projects. The writeup is pretty detailed, but in essence there are right now fifty-three active wastewater infrastructure projects that are under contract with the trust fund and local government. This supplies almost 41.4 million dollars in projects that are under contract.

In addition, in August and November of last year the board approved an additional twenty-five projects for over 28 million dollars. So once we get all of these under contract, it'll be somewhere around 70 million dollars in infrastructure wastewater projects under contract.

The point that we were discussing is that in fact the Clean Water Trust Fund does not really manage these infrastructure wastewater projects. The grantees pretty much proceed at their own pace. They are required to send quarterly reports to the Trust Fund. Some of them do, some of them do not. In fact

about a quarter of them do not even supply the

quarterly reports. So it's really very difficult for staff, and consequently for you-all, to be able to know what's happening on these projects because there really is no staff person dedicated to managing, following up and understanding what is going on with these allocated projects.

We had some examples of a several things that are on the agenda for today, Camden County and a number of projects that have come back to you-all for changes. This goes on, on many, many of the projects.

The other thing we looked at, when we looked at the spread sheets on the active contracts, was that almost half of the projects have not reported or they've spent very little money. They've been under contract for over a year. So the other issue is that there's a lot of money encumbered on projects that are just not moving forward.

The staff recommendation, after looking at a large number of projects that had been tracked by management, was a recommendation that the board establish a permanent full-time position that would basically contract and manage the infrastructure and wastewater projects. We felt this would provide

proper oversight of the project, more timeliness in

getting them under contract, and more timeliness in understanding the work in getting these projects done.

We also compared ourselves with the Rural Center who was just here speaking about their projects. By comparison, we wanted to note that the Rural Center has forty-nine large community projects under contract for one hundred and sixty million dollars. They have two dedicated full-time staff that manage these projects, and they have a number of smaller wastewater projects that have an additional two staff managing those projects. So they actually have four full-time staff managing projects.

TRUSTEE CRUMPLER: Do you mean managing or monitoring?

MS. DURSO: Well, that's a good question John asked, managing or monitoring. It's more monitoring. What they're doing is working with them to understand the progress, understand issues, time delays, money problems. It's not like they're managing getting the construction done, but they are monitoring the work.

So that was our staff recommendation.

TRUSTEE MOSLEY: The committee did not

have--did not approve the staff's recommendation, as

I understand it.

TRUSTEE CRUMPLER: We did suggest, I believe, that we were going to work with the staff and with other committees that have these same issues.

CHAIRMAN HOWARD: We're going to try to review the entire picture and look at the staff recommendations for staff increases by committee, so that we can see what the overall impact would be to the Clean Water Management Trust Fund. We do not want to create a bureaucracy, but we do want to provide assistance to our grantees, and it would be in that light, which I think we can do something creative in that regard. This is not the time and place to discuss that. Is there an alternative to adding staff? Is that the--if we had a person statewide, could they do some other things? So those are some of the issues that were discussed to help the staff along those lines.

TRUSTEE MOSLEY: The motion is on the floor.

CHAIRMAN HOWARD: And so you don't have a recommendation?

TRUSTEE MOSLEY: No, we did not approve the recommendation from the staff.

Our next item is L-K, review of the 2006

wastewater projects. Before you, you have a spread sheet, and the way we plan to proceed with this is that Tom has the spread sheet broken into segments.

MR. JONES: This spread sheet is labeled March 13, Committee Recommendations for March 13, 2006.

TRUSTEE MOSLEY: If you look at the first group, the 2006, these are recommended not funded. 2006A-514, Town of Holly Springs, 2006A--

CHAIRMAN HOWARD: Mr. Mosley, would you read the amounts?

TRUSTEE MOSLEY: These are not funded so do you really need the amounts?

CHAIRMAN HOWARD: Yes, sir.

MR. MOSLEY: Holly Springs, 2006A-514, amount requested \$1,187,000. 2006A-515, Town of Hookerton requested \$127,000 [sic]. 2006A-516, Town of Liberty requested \$953,680. 2006A-519, Moore County requested \$2,295,000. 2006A-523, Town of Ranlo requested \$336,000. There's a motion from the committee that we not fund those projects.

CHAIRMAN HOWARD: There's a motion on the floor. Are there questions?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor

of the committee's motion, please signify by saying aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed.

(No response.)

CHAIRMAN HOWARD: So ordered.

TRUSTEE MOSLEY: Projects deferred.

2004B-608--061, Bay River requests three million. Project 2006A-605, Town of Nags Head requests two hundred thousand. Those are the two projects that the committee recommends be deferred.

CHAIRMAN HOWARD: There is a motion by the committee to defer these two projects. Any discussion?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor of the motion, please say aye.

(Trustee respond aye.)

CHAIRMAN HOWARD: Opposed.

(No response.)

CHAIRMAN HOWARD: So ordered.

TRUSTEE MOSLEY: The committee recommends later review on the following projects: 2006A-522, North Carolina State University, \$1,406,400.

2006A-528, South Granville Water and Sewer Authority

requests \$7,503,000. 2006A-531, Town of Swansboro requests \$1,533,825. 2006A-603 requests \$2,204,488. 2006A-817 requests \$15,000. 2006A-606 requests \$2,982,289. These are applicants that we will--that it's recommended we review later.

CHAIRMAN HOWARD: You've heard the motion. Is there discussion?

TRUSTEE RASCOE: Mister Chair?

CHAIRMAN HOWARD: Yes, sir.

TRUSTEE RASCOE: I'm on the committee, but I want to make sure I understood that we were recommending these for later review due to waiting to see perhaps 1095?

CHAIRMAN HOWARD: The staff was not ready for the committee's review, so we'll have to schedule a meeting. Other discussion?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by a like sign.

(No response.)

CHAIRMAN HOWARD: The motion carries.

TRUSTEE MOSLEY: The following applications

the committee recommends retaining eligibility:

2006A-535 requested \$1,322,694. 2006A-529 requested six million. 2006A-537 requested \$1,207,345.

I have been advised that I should use the committee recommendations versus what's been requested, so we'll start with the recommendation that we retain eligibility from the beginning.

2006A-535 recommend \$1,322,000. 2006A-529, it's recommended three million--no, the committee's recommendation is six million. 2006A-537, \$1,208,000. 2006A-533, \$1,455,000. 2006A-509, \$2,000,000. 2006A-501, \$4,202,000. 2006A-803, \$24,000. 2006A-510, \$923,000. 2006A-504, three million. 2006A-521, \$55,000. 2006A-602, \$2,982,000. 2006A-601, \$1,989,000. 2006A-512, \$1,400,000. 2006A-520, three million. 2006A-502, \$300,000. 2006A-536, \$1,798,000. 2006A-517, \$285,000. 2006A-530, \$400,000. 2006A-527, \$500,000. 2006A-503, \$418,000. 2006A-524, \$1,850,000. 2006A-604, \$246,000. 2006A-508, \$855,000. 2006A-513, \$2,324,000. 2006A-505, \$1,069,000. 2006A-526, \$385,000. 2006A-534, \$524,000.

CHAIRMAN HOWARD: You skipped one.

TRUSTEE MOSLEY: I gave you the amount for it, but I don't know whether I skipped it. Okay.

We'll go back.

2006A-507, \$2,995,000. 2006A-526, \$385,000.
2006A-534, \$524,000. 2006A-810, \$330,000. 2006A-518,
\$576,000. 2006A-511, \$1,680,000. 2006A-506,
\$1,903,000. 2006A-525, \$403,000. 2006A-532,
\$420,000.

This is the recommendation of the committee.

CHAIRMAN HOWARD: Okay. You've got the recommendation of the committee for those projects to remain eligible for later consideration. We're going to pull out a couple because we had some trustees to recuse themselves from those. I'm going to ask the board to vote on 2006A-501, Town of Ahoskie, in the recommended amount of \$4,202,000. Is there discussion on that particular project?

(No response.)

CHAIRMAN HOWARD: Mr. Rascoe recused himself from discussing that project. Further discussion?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by a like sign.

(No response.)

CHAIRMAN HOWARD: It passes without

opposition. And then I'd like to pull out 2006A-532,

Tabor City, Regional Sewer Initiative. Mr. Rick Coleman has recused himself from that--discussion of that item for \$420,000. The committee recommends--or the motion is to remain eligible. Discussion?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by like sign?

(No response.)

CHAIRMAN HOWARD: The motion carries.

With regard to the other projects, we will vote on them as a group. Does anyone have any questions?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by like sign.

(No response.)

CHAIRMAN HOWARD: So ordered. Mr. Mosley.

TRUSTEE MOSLEY: Mister Chairman, that concludes our report.

MR. RASCOE: Mister Chair?

CHAIRMAN HOWARD: Yes, sir.

MR. RASCOE: I just want to--with Mr. Mosley's indulgence, I just wanted to bring up something that was discussed yesterday in the committee meeting, and I really feel like the board needs to be aware of if they are not.

Despite being printed on page seven of the Clean Water Management Trust Fund 2005 Annual Report, that the Rural Economic Development Center is also subject to restrictive granting criteria of enacted House Bill 1095, the wastewater grants, the fact is that the Rural Center is not subject to this law like we are for our grants. And, Mister Chairman, I would just like to add for the board's knowledge that the Rural Center's exclusion from the restrictions of House Bill 1095 certainly could not have been due to the fact that that entity did not receive any funding from the 2005 session. Chapter 276 of the 2005 Session Laws clearly showed that the Rural Center was appropriated current funds of two million for fiscal year '05-06 and two million for fiscal '06-07, and likewise is obligated to make job creating for wastewater grants during each of those two fiscal years of amounts of fifteen million for each of those respective years. I just wanted to make sure that

the board understood that.

CHAIRMAN HOWARD: Thank you, Mr. Rascoe.
Yes, sir.

MR. HOLMAN: I'd like to respond. The annual report was written in December, from what I believe. I thought the Rural Center was covered by the statute. They did receive a fifteen-million-dollar current appropriation for economic development for water and sewer projects. They did not receive appropriations for sewer supplemental grants through clean water programs covered by House Bill 1095.

CHAIRMAN HOWARD: Thank you. Anyone else?
(No response.)

CHAIRMAN HOWARD: Hearing none, if there's nothing else, thank you, Mr. Mosley. We will go to--let's go to agenda item O, 2005D-017. Ms. Cragolin who chairs the acquisition committee and I, it's our request to allow these two projects to be placed on the agenda. I think Bern is going to speak to agenda item O.

MR. SCHUMAK: Thank you, Mister Chairman. We have a request from the Blue Ridge Rural Land Trust. It's a sixty-acre donated easement on the New River. Staff has looked at it and reviewed it, and

it does meet our criteria for a donated easement.

The staff does recommend that the board approve it.

TRUSTEE McLEAN: I make a motion we accept it.

TRUSTEE MOSLEY: Second.

CHAIRMAN HOWARD: We have a motion by Mr. McLean, a second by Mr. Mosley, to approve the staff recommendation. Is there discussion?

(No response.)

CHAIRMAN HOWARD: Hearing none, all in favor of the motion, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by like sign.

(No response.)

CHAIRMAN HOWARD: So ordered. Agenda item P, Mountain Valleys RC&D's Ebbs Chapel School Foundation Tract. Mr. Tom Massie.

MR. MASSIE: Thank you, Mister Chairman.

We did receive a request, received the support package on February 21st, for a mini-grant from Mountain Valleys RC&D to look at doing some work at the Ebbs Chapel School Tract in the Laurel Valley in Madison County. It does meet mini-grant criteria, and we suggest a recommendation of funding on this project. However, there are no funds available at

the current time, and so the staff would recommend

just waiting till our July meeting before funding.

TRUSTEE McLEAN: I make a motion that we accept it.

CHAIRMAN HOWARD: We have a motion that it be accepted. Second?

TRUSTEE COLEMAN: Second.

CHAIRMAN HOWARD: Second by Mr. Coleman, motion by Mr. McLean. Any discussion?

(No response.)

CHAIRMAN HOWARD: All in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by like sign.

(No response.)

CHAIRMAN HOWARD: We are going to take a three- to five-minute break because agenda item O--excuse me--agenda item N is a work in process. We'll take a three- to five-minute break.

(Whereupon, a brief recess was taken.)

CHAIRMAN HOWARD: The next item on our agenda is agenda item N that deals with the Division of Soil and Water Conservation, the CREP program, and I'm going to ask Trustee Bill Hollan to start that discussion.

TRUSTEE HOLLAN: All right. Mister

Chairman, if you recall, we approved a grant to DENR for the CREP program conditioned on several things occurring. We had a list of milestones. We had some dates that--in our conditions that we had hoped would allow a reasonable amount of time to accomplish these various conditions. I think it turned out at the last meeting that we probably didn't allow quite enough time for some of the items, so we put off the consideration until this meeting when we would have a chance to see exactly what progress had been made.

If you'll look at your agenda, you'll see that they were to have submitted a revised agreement to FSA for the new CREP by January 1st, 2006, and they have done that. This is a federal agency. They submitted it and the federal agency took some time to review it and came back with what we think are simply some technical suggestions about changes. Those have been made. It's been resubmitted to FSA. So we believe that we can temporarily--with a pencil we're going to check that one off and say it's done subject to getting that final information back.

They were to present a pilot project with a land trust. We had tentatively put in about \$250,000 for a pilot project, which we were to review at our

February meeting. The information with respect to

that proposed pilot project came in after the deadline for getting into our package for February, so we proposed to talk about it today. In the meantime there has been another draft of that pilot project, which our committee has reviewed. We just met with the CREPs folks prior to coming back in here, and I think we all agree that the proposal that's come up between February and March was headed in the wrong direction. It proposed a turnkey operation by the land trust, had them doing all the surveys, all the legal work, all the easement recording fees, the title work and so on, when those are procedures that DENR had set up to provide. They have experience, they could probably do a better job for cheaper money in accomplishing these survey and the legal and title work. If the land trust were to do the legal and title work, it would have to be reviewed by the State Property Office anyway because there are state funds involved. So we have--we will propose that we go back to the proposal that came out in February. Rather than \$250,000, it's a proposal for \$182,000 to be paid through DENR on a reimbursable basis to the land trust for their efforts to seek out appropriate properties. We want

to use them as a bird dog to get out in the counties

where we've had no enrollment, and to attempt to improve the quality of the properties that are enrolled and not to use them as transaction--the people doing the survey or the legal work. So it's been agreed between us and Mr. Wilder that DENR will continue to do the survey work and will continue to do the title insurance and the legal work, and will continue to reimburse them on a schedule to be approved for those functions, and the land trust will simply be doing the landowner contact, project delineation and then they'll assist with the implementation. The level of the pilot project will be at the hundred-and-eighty-two-thousand-dollar level rather than the two-hundred-and-fifty-thousand-dollar level. So DENR is going to work with them to get the final details about how they will be reimbursed.

Our committee recommends that all of these reimbursements go through DENR instead of being directed by our staff, which is something that DENR had suggested as an alternative. DENR will need to determine exactly how these reimbursements are to be made. They will meet with the land trust. They would prefer to have our committee bless the final

determination of how the reimbursements will be made,

and we'll propose to have the board do that as well at the April meeting. But I think we are on track now with item two, which is the pilot project.

It was--presented minimal enrollment criteria. They've been reviewed and approved by the CREP Advisory Committee. Then we would review and approve those. And in your package you have their minimum criteria. They set up some--these have been reviewed by the fellow at North Carolina State, who is somewhat critical as to the quality of our previous enrollment. He has indicated that these point system--this point system that has been set up will result, or should result, in better quality projects. It's a step in the right direction, so I think we can check that off. We would suggest that the board approve those criteria if you think the board needs to do that. But our committee has reviewed and approved those criteria for the board.

They were to have done district and land trust training for the new CREP by April 1st, 2006. They have two training meetings scheduled for later in this month, so they will have met that criteria. They may have to do some other training, but at least they've got training scheduled as we had requested

that they do.

They've also developed a process for an open enrollment, which will allow for the conversion of the thirty-year enrollment to permanent, and they'll have that in place and accomplished by our July 1, 2006, deadline. They hope to do that. We'll end up reviewing it when we review the overall progress through July.

They've got a proposed implementation date for the new CREP as of April 1, 2006. This is pending approval by USDA, which we hope to have by that time. Again it's still at FSA. When it comes back, they are prepared to put the new CREP into place.

As additional information, we understand that the department has, as a part of his request to the governor for funding, it has requested that some or all of the positions--let me just say some of the positions that we are currently funding at CREP be picked up in the DENR budget and be taken off of our budget. We had asked them to do--they have communicated to us that they believe that that information needs to be confidential. It's not information that they're comfortable having in the public record at this time. I think that I'm willing

to accept their good faith representation that they

are attempting to resolve this problem of staffing, which has been something that we've been concerned about.

I will say that I think our committee is appreciative of the focus that Mr. Wilder has brought to this problem. He has assured us that he's interested in seeing the thing succeed. We agree that it's important enough to the state of North Carolina that we have all got to make a maximum effort to get it back on track. We've told him that we don't hold him accountable for any of the problems--him personally accountable for any of the problems in the past, but that we want to be--we wanted to be guided by experience. We will point out occasions when we think that we're going back into our bad habits from the past. We all agree, and we want to quit talking about the past and talk about the successes we're going to have in the future.

At our last meeting, I think I reported that the glass was half full. I think that the glass, as of what we've asked them to do, is almost entirely full at this point. They are engaged in attempting to get this thing on the right track. I'd also like to, I guess, officially commend Leland for his

tireless effort in keeping me and the other members

of our committee up to speed on what's going on with some of the jargon and letting us understand the areas in which we're making progress and the areas where we need to make progress.

But in any event, Mister Chairman, our committee reports that I believe DENR has done the things that we have asked them to do, and I think pending only the--hearing back from the FSA in Washington and getting our approval of their final reimbursable schedule with the Tar River Land Conservancy that everything is on track.

CHAIRMAN HOWARD: Thank you for that information and that report. Are there any questions or comments?

(No response.)

CHAIRMAN HOWARD: We've come a long way. Mr. Wilder and Tom, we appreciate your work in that regard.

TRUSTEE WRIGHT: Mister Chairman.

CHAIRMAN HOWARD: Yes.

TRUSTEE WRIGHT: I'd like to just say this: As a former and a member of the landowners rural community, I think we've come a long ways in the last three or four months. I would also like to echo

Bill's comments. Leland has put a lot of time and

effort into this process and tried to keep us all informed about what is happening and what's going on.

I'd like to say this: The Land Trust pilot program in terms of landowners and farmers out there, what we're trying to do is target specific areas that have a high likelihood of having--areas where we have real water quality benefits and implement this program. Generally in the past Soil and Water has offered the programs out into the districts in a very equitable manner. I'm not sure they really actually targeted areas. We're trying to get more emphasis on the areas that we think will provide the greatest water quality benefits that qualify. It just means farmers like me, that might not be in a target area, are still going to have the availability of signing up for the program. We're going to try to get the best out there that we can get.

I would like to--Tom is getting ready to retire, and I would like to thank him for his efforts over the years in trying to get things straight.

I think the one thing that we talked about this morning is that they have developed some efficiencies in doing these things that we need to utilize in our efforts with the Land Trust, and we

need to let the Land Trust do the things that they're

good at doing, and continue to rely on them for the programs that they have that at this point are working efficiently and getting things done on a month-by-month basis. Thank you.

CHAIRMAN HOWARD: Thank you, sir. Anyone else with regard to this item?

(No response.)

CHAIRMAN HOWARD: Hearing none--

TRUSTEE HOLLAN: Two other things. We do have another meeting of our committee with the representative of DENR in Raleigh on April 25th, by which time we hope that there's a--they may have had an opportunity to get a replacement for Tom. Like Jerry, I think that they might have worn Tom out and driven him out of government service. I'm not sure, but he'll never have to come to another one of these meetings. He has--he cares about the program and he's passionate about it, and I'm sure it's been as difficult for him as it has for us to try to get--to reach this point, and it couldn't have been done without him.

Secondly, I also want to report that Mr. Wilder has told us that they are--that their production is meeting the levels that they had

projected. They closed thirty-three projects in

January and February, which is a shorter month. I think the highest one is twenty-eight projects. So we're hoping to get to the thirty-three level, and they're achieving a sufficient level of production. Thank you, Mister Chairman.

CHAIRMAN HOWARD: Thank you, sir. Anyone else? Leland.

MR. HEATH: Mr. Hollan--

TRUSTEE HOLLAN: Yes, sir.

MR. HEATH: --there was one other thing.

Robin is in the process of redoing the CREP contract for this last award. There was one other item in there that the board had not approved, that the CREP's Advisory Committee had talked about as to the one-one ratio on the existing forested buffers. That needs to be supported before Robin can put the contract together.

TRUSTEE HOLLAN: I'm having to put that to the board. I can't explain it. If anyone wants to understand this, we'll have to get somebody else to explain what that issue is because it's not something that I have looked at or focused on.

CHAIRMAN HOWARD: If the committee is not ready, I would just defer it until the next meeting.

TRUSTEE HOLLAN: We'll be reporting in

April, and maybe the committee can meet with Robin and find out what that is.

TRUSTEE WRIGHT: I have a question. In terms of that contract, is there any concerns basically that that contract should be approved prior to the next meeting because of impacts in terms of monies that are needed in the next thirty days? Because remember at our last meeting there was some talk that some of those line items were getting down real small, less than a thousand bucks over there. We didn't address it then, and we've gone another month. My sense is that Leland very quickly, Mister Chairman, could address the one-to-one ratio.

CHAIRMAN HOWARD: Let me suggest or say that I would entertain a motion from the board to delegate the authorization to this committee to approve that on behalf of the board--in this particular instance on behalf of the board once they get it to a point that they're comfortable with it.

TRUSTEE McLEAN: So moved.

CHAIRMAN HOWARD: I have a motion by Mr. McLean.

TRUSTEE McMILLAN: Second.

CHAIRMAN HOWARD: A second by Mr. McMillan.

Discussion?

(No response.)

CHAIRMAN HOWARD: All in favor, please say aye.

(Trustees respond aye.)

CHAIRMAN HOWARD: Opposed by like sign.

(No response.)

CHAIRMAN HOWARD: So ordered. And if you would report back to us at the next meeting as to what actions that you take on behalf of the board.

TRUSTEE HOLLAN: Mister Chairman, I wonder if we could get Robin and Leland and our committee right now to see if we can--while we're all here together, to see if we can get together.

CHAIRMAN HOWARD: Immediately following the adjournment I'll ask that committee to meet.

TRUSTEE HOLLAN: Okay.

CHAIRMAN HOWARD: Our next meeting will be May 7th and 8th in Haywood County. Any words of wisdom?

TRUSTEE HOLLAN: April.

CHAIRMAN HOWARD: I'm sorry. April. I apologize for that.

MR. HOLMAN: We'll meet at the Lake Logan Episcopal Conference Center. Before my time at the

Clean Water Management Trust Fund the board approved

a grant to the Wildlife Resource Commission to buy a lot of the property around there, so you'll get to see some of your good work. Our focus in April will be restoration of stormwater projects.

CHAIRMAN HOWARD: Okay. One other item on the agenda is discussion. This is the time for any trustee to bring any matter to the board that they would care to.

(No response.)

CHAIRMAN HOWARD: Hearing none, I would entertain a motion.

TRUSTEE McMILLAN: So moved.

CHAIRMAN HOWARD: Needing no second. Hold on one second.

TRUSTEE HOLLAN: One last announcement. Jason Walker with the Land Trust of Central North Carolina has offered to lead a hike on Bald Mountain after the meeting. Robin plans to go, so see her. She's got the directions to Bald Mountain. It's not really a mountain, but it's down near High Rock Lake.

CHAIRMAN HOWARD: We're adjourned.

(Meeting is adjourned at 12:17 p.m.)

- - - - -

NORTH CAROLINA

ROCKINGHAM COUNTY

CERTIFICATE

I, CASSANDRA L. JONES, do hereby certify that the foregoing 138 pages constitute a true and correct transcript of the meeting of the Board of Trustees of the Clean Water Management Trust Fund held in Lexington, North Carolina, on Monday, March 13, 2006.

In witness whereof, I have hereunto set my hand this the 30th day of March 2006.

Cassandra L. Jones, CVR

