

**HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT**  
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**MINUTES**  
**COMMISSION MEETING**  
**APRIL 28, 2015**

**I. Meeting called to order by the Committee Chairperson, Mr. Bob Manne, at 9:00 a.m.**

**II. Those in attendance were:**

Mr. Bob Manne	Chairperson
Mr. Bob Gentzler	Vice-Chairperson
Mr. Gary Kratz	Treasurer
Mr. John Geisler	Secretary
Mr. Frank Drehwing	Commissioner
Mr. David McCoy	Commissioner
Mr. Herbert Ford	Commissioner

Present by request:

Mr. Pete Nardi	General Manager
Mr. Larry Sapp	Chief Financial Officer
Mr. Bill Davis	Operations Manager
Mr. Richard Cyr	Special Projects Manager
Mr. Arnold Ellison	Special Projects Manager
Mr. Ryan Lewis	IT/GIS Manager
Mr. Brian Cronin	Senior Accountant
Ms. Connie Whitehead	Commission Recording Secretary

**III. Pledge of Allegiance**

The Pledge of Allegiance was led by Ms. Connie Whitehead.

**IV. Draft Minutes of the March 24, 2015**

Action

- Mr. Drehwing moved to adopt the minutes of the March 24, 2015, regular meeting as presented. Mr. McCoy seconded. The motion passed unanimously.

**V. Public Comment on Non-Agenda Items**

None

## **VI. Gumtree Road Repayment Agreement**

### Key Discussion Points

- The PSD and Town of Hilton Head have undertaken a joint project to install sewer service along the majority of Gumtree Road area.
- The cost of the total project, which will provide immediate sewer access to 28 properties, is \$484,820.
- The Town has agreed to reimburse the PSD for project expenses, but requires the PSD to have approved the Repayment Agreement prior to Town Council approval. Town Council plans to vote on the agreement at its May 5 meeting.
- Staff recommends the Commission approve the resolution authorizing the General Manager to execute the Repayment Agreement.

### Action

- Mr. Drehwing moved to adopt the resolution as presented. Mr. McCoy seconded. The motion passed unanimously.

## **VII. Series 2006 Bond Refinancing**

### Key Discussion Points

- This year, the PSD has an opportunity to refinance its Series 2006 Revenue Bonds that mature on December 1, 2016. Details of the refinancing are as follows:
  - The Potential savings from the refinancing is estimated at \$1.4 million at an interest rate of 2.19%.
  - The current bond issuance costs are estimated at \$285,000.
  - The potential date for refunding is September 2015.
  - Bond holders must be given 30 days' notice of the refinancing.
  - The PSD's debt coverage is projected to be 125% of annual debt service on June 30, 2015. The PSD's master bond covenants require it to maintain debt Service.
- The PSD this year is engaged in the revision of its Master Sewer Plan and is reviewing financing options for the remaining backbone sewer projects called for in the Master Sewer Plan. The refinancing provides an opportunity for the PSD to consider rolling new monies into the refinancing.
- The MSP revision calls for \$2.4 million to complete the PSD's backbone sewer infrastructure.
- The reasons to consider including new monies are:
  - The new monies can be structured with interest-only payments and would have an optional redemption date 10 years out. This gives the PSD the opportunity to refinance the new debt if it chooses.
  - Borrowing the new monies through the refinancing provides the quickest route possible to finance and begin construction in 2016.
- Staff recommends the PSD pursue the refinancing opportunity and requests Commission authorization to engage bond counsel and financial advisor services for the refinancing. In addition, staff recommends the PSD add new monies into the refinancing to complete the PSD's backbone sewer infrastructure.

#### Action

- Mr. Geisler moved to pursue the refinancing of the Series 2006 Revenue Bonds. Mr. Drehwing seconded. The motion passed unanimously.
- Mr. Geisler moved to add new monies into the refinancing to finance the remaining PSD sewer backbone infrastructure. Mr. Gentzler seconded. The motion passed unanimously.

### **VIII. BJWSA Purchased Water Agreement**

#### Key Discussion Points

- Mr. Cyr presented an update on the BJWSA purchased water agreement.
- Staff has been working with BJWSA since last year to revise the current agreement.
- Among the draft revisions:
  - Rates will be reviewed annually instead of on a three year basis, and 90-day notice will be given prior to a rate change
  - The new dispute resolution clause allows for a third party to arbitrate any dispute that may arise in the execution of the contract.
  - The Off-Peak Water Agreement is now part of the contract and the entire agreement.
  - A capacity transfer mechanism is now in place that allows the PSD the right to transfer existing capacity to other Island PSDs and first right of refusal if anyone should approach BJWSA directly. If both parties mutually agree, BJWSA may repurchase surplus capacity.
  - The PSD may discontinue service from BJWSA without a minimum daily purchase requirement when BJWSA's water quality does not meet EPA/DHEC or aesthetic standards.
  - By mutual agreement, the contract can be terminated. The previous contract was written to commit the PSD to purchase from BJWSA for as long as BJWSA had the equipment in place to serve the island.
  - The District now has an annual rate review and appeal process in place.
  - Staff recommends the Commission authorize the General Manager to sign the revised contract with BJWSA on behalf of the District.
  - The contract will be reviewed by the Water Supply Planning Committee at its next meeting prior to a vote by the full board.

### **IX. FY'16 O&M and Capital Budget – First Draft**

#### Key Discussion Points

- Staff included the Draft FY'16 O&M and Capital Budgets in the agenda packet.
- The Finance Committee will meet in May to review the budget package.
- The draft budgets call for no rate increase.
- Discussion was held to move forward with budget adoption in May.

#### Action

- Mr. Geisler moved to advertise May 26, 2015, as the date of the public hearing for the draft FY'16 budget. Mr. McCoy seconded. The motion passed unanimously.

## **X. FY'15 Third Quarter Financial Report**

### Key Discussion Points

- Mr. Sapp presented the FY'15 Third Quarter Financial Report.
- Total Operating Revenues are 4.2% below budget due to decreased water revenues.
- Total Departmental Expenses are 2.5% over budget.
- Total Non-operating Revenues are 6.6% above budget due mainly to higher GO Debt Levy collections.
- Total Water Service EDUs have increased by 77 since June 30. Sewer Service EDUs have increased by 108.
- Restricted cash in banks for capital activity and debt service has decreased \$299,345 from \$2,779,248 in June 2014 to \$2,479,903.
- The PSD's financial condition is stable.

## **XI. FY'15 Third Quarter Management Report**

### Key Discussion Points

- Mr. Nardi presented the FY'15 Third Quarter Management Report.
- Among the highlights are:
  - RO Skid #4 is in full production.
  - The on-site sodium hypochlorite generator at Fire Station Well is complete.
  - The installation of variable frequency drive motors for Port Royal Recycled Water Pumps is complete.
  - The PSD was awarded the Certificate of Excellence in Financial Reporting from GFOA for the 2014 CAFR.
  - Bi-annual water system and wastewater system audits are complete.
  - The 5-year RO plant NPDES permit has been approved and received. The reduced monitoring requirements will save the PSD over \$14,000 per year.
  - The Series 2004B front foot assessment loan pay-off is complete, saving the PSD over \$61,000 in future interest payments.
- Major Projects underway to be completed in FY'15 are:
  - Automated Meter Information System installation
  - RO plant expansion
  - Windmill Harbour Booster Installation
  - FY'16 Operating & Capital Budgets
  - Energy Savings Projects

## **XII. Commissioner and Committee Reports**

### **A. Finance Committee**

#### Key Discussion Points

- The Committee has not met since the last board meeting, but will meet soon to discuss the budget.

## **B. Long Range Water Supply Planning Committee**

### Key Discussion Points

- The Committee has not met since the last board meeting but will meet soon to discuss the purchased water agreement and ASR II.

## **C. Community Relations and Personnel Committee**

### Key Discussion Points

- Mr. Manne met with Mr. Cyr to review Mr. Cyr's evaluation.
- The full board will hold an executive session in May to finalize the financial aspects of the evaluation.

## **D. Planning and Operations Committee**

### Key Discussion Points

- The Committee met on April 15 to discuss the Master Sewer Plan Review, Sewer Summit IV, the Gumtree Sewer Project Repayment Resolution and IT Audit Projects.
- PSD consultant Phil Waters has reviewed the Master Sewer Plan to calculate cost estimates for completing sewer availability to all unserved parcels of the District. Richard Cyr has prepared an executive summary.
- The Town is interested in holding Sewer Summit IV in mid-May. Environmental expert, Dr. Steve Borgianini of the University of South Carolina Beaufort will speak on septic systems in the lowcountry.
- The bids for the Gumtree Road Sewer Project came in \$200,000 over the Town's budget. To bring the project under budget, the plans were revised to exclude the area near the traffic circle which has other sewer options available.

## **XIII. General Manager's Report**

### Key Discussion Points

- Mr. Nardi spoke to Native Islander POAs on Saturday, April 25, regarding the Master Sewer Plan revision and the Gumtree Road Sewer Project.
- The PSD is assisting the Palmetto Hall golf courses to achieve certification as Audubon International Cooperative Sanctuary golf courses by providing detailed information about the PSD's recycled water wetlands in Palmetto Hall.
- Mr. Davis attended the Beaufort County Hurricane Meeting on the PSD's behalf. Among the highlights are:
  - The Sheriff's Office is managing the County's hurricane operations.
  - Reentry passes will be issued for a 4-year period starting this year
  - A reentry pass must accompany all personnel, not just each vehicle
- *Island Packet* reporter Dan Burley is working on a story about the sewer extension progress. Pete Nardi has been working with him.
- Water Quality Technician Scott Moffatt attended an AWWA conference in Savannah on emerging pathogen issues and related practices.
- AMI meter conversions are approximately 75% complete.

- House Bill 3579 (State Infrastructure Plan) passed the House with a vote of 87-20. The \$427 million infrastructure plan reduces the state's 16.75 cents per gallon tax by 6 cents, reinstates the 6% state's sales tax on wholesale gasoline and increases the cap on state vehicle taxes from \$300 to \$500. The bill is now in Senate Finance Committee.
- Senate Bill 512 (Water System Damage) which would require that penalties for willful damage to a water system be based upon the amount of property damage was amended on the Senate floor to make all violations misdemeanors. S.C. Water Utility Council will try to have the House version amended to return penalties back to felonies.

#### **XIV. New Business**

None

#### **XV. Adjournment**

##### Action

- The meeting adjourned at 11:54 a.m.