

HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT
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HILTON HEAD ISLAND, SOUTH CAROLINA 29925
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MINUTES
COMMISSION MEETING
FEBRUARY 23, 2016

I. Meeting called to order by the Commission Chairman, 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. Herbert Ford	Commissioner
Mr. David McCoy	Commissioner

Present by request:

Mr. Pete Nardi	General Manager
Mr. Larry Sapp	Finance Manager
Mr. Arnold Ellison	Special Projects Manager
Ms. Connie Whitehead	Commission Recording Secretary

III. Pledge of Allegiance

The Pledge of Allegiance was led by Mr. Frank Drehwing.

IV. Adoption of the Draft Minutes of the January 26, 2016, Regular Meeting

Key Discussion Points

- In the third bullet of the Financial Report, the first sentence was revised to state that the Total Non-Operating Revenues are \$306,938 below budget.

Action

- Mr. Geisler moved to adopt the minutes as revised. Mr. Gentzler seconded. The motion passed unanimously.

V. Public Comment on Non-Agenda Items

None

VI. Employee Recognition – Vermell Scott

Key Discussion Points

- The board recognized Ms. Vermell Scott for her work on the South Carolina American Waterworks Association’s Customer Service Committee.
- Ms. Scott has served on the committee for approximately 10 years and is currently serving her first year as chair.
- Ms. Scott organized the committee’s 2016 annual conference, entitled “H2O Reality Hour”. The focus of the conference was responding to natural disasters, water quality testing and basic lab information, general water meter education, employee communication, and teamwork. The conference was well-attended and the feedback has been overwhelmingly positive.
- Mr. Manne commended Ms. Scott on her positive attitude and excellent customer service skills.

VII. Master Water Supply Plan

Key Discussion Points

- Mr. Ellison presented the updated Master Water Supply Plan.
- The plan looks at three options to meet the PSD’s future water supply needs when the two remaining UFA wells are lost to saltwater intrusion:
 - Option 1: ASR – 2
 - Option 2: 1.0 mgd RO Plant Expansion + Water Purchase
 - Option 3: Purchase Water From BJWSA
- The report concludes that:
 - In 2018, the cost to purchase BJWSA water to replace 1 UFA well is \$62,000
 - In 2020, the cost to purchase BJWSA water to replace 2 UFA wells is \$176,000
 - In either of the above scenarios, the cost of purchasing water from BJWSA is presently less than the cost for expanding the RO plant or adding ASR-2.
 - By 2027, the inflation rate of BJWSA water and the amount needed to purchase could make the fifth RO train or ASR-2 viable.
 - The timing of the loss of the two remaining full-production UFA wells will help determine the need for the fifth RO train or ASR-2.
- Staff recommends:
 - Install VFDs at ground-level tanks for demand-based operations.
 - Secure site for ASR-2.
 - Investigate expansion of capacity at RO Plant.
 - Investigate life expectancy of existing RO membranes.
 - Participate in Island wide saltwater intrusion study with other PSDs.

Action

- Mr. Geisler moved to adopt the updated Master Water Supply Plan as presented. Mr. Gentzler seconded. The motion passed unanimously.

VIII. Resolution Initiating the Gibson Drive Front-Foot Assessment Sewer Project

Key Discussion Points

- The Planning and Operations Committee this month approved the initiation of a front-foot assessment project for the Master Sewer Plan's Gibson Drive project.
- A letter will be mailed to all property owners in the Gibson Drive project area informing them of the project and inviting them to an open house. Project SAFE information will be included.
- PSD bond counsel recommends the board approve a resolution initiating the assessment project. The resolution does not approve the assessment roll. That will take place after the project is completed and the PSD is ready to finance the project.

Action

- Mr. Gentzler moved to adopt the resolution initiating the Gibson Drive Front-Foot Assessment Project. Mr. Ford seconded. The motion passed 6-0. Mr. Kratz was not present for the vote.

IX. Commissioner and Committee Reports

A. Finance Committee

Key Discussion Points

- The Committee met this month to discuss benchmarks and ratios, budget assumptions and the Sewer Capacity Fees.
- Mr. Lyman Wray, PSD financial advisor, believes the PSD should focus on two, key ratios: Debt Coverage Ratio and Days Cash on Hand. He also suggested a possible goal for the District would be annual debt service coverage of 1.5x and a minimum Days Cash of Hand of 200 days.
- The Committee recommends the PSD remove the Days of Revenue ratio and replace it with Debt Coverage, and looking at trailing 12 months rather than prior fiscal year end when comparing current period with prior fiscal year.
- The format of the budget assumptions are the same as prior year. Adoption of the budget is scheduled for June 2016.

B. Planning and Operations Committee

Key Discussion Points

- The Committee met this month to discuss the Master Sewer Plan update as well as a new committee assignment, to look for possible sewer policy gaps that may need to be addressed as the PSD implements the Master Sewer Plan. The two gaps identified were:
 - When easements are needed, what should be the criteria for scrapping or rescheduling a street if easements are not obtained in a timely manner for optimal construction?
 - When a front foot assessment roll must be created, what is the criteria for moving forward (such as a certain threshold of owner support)?
- Mr. Nardi has authorized surveying for the entire Master Sewer Plan.

- The PSD's SRF application for pump station and project management services funding is being processed. The current SRF interest rate is 1.8%.
- The Oakview and Dillon Roads area will require 71 easement acquisitions. Mr. Ford will be instrumental in reaching out to residents to achieve that goal.
- Mr. Nardi presented a copy of the Town of Bluffton's ordinance regarding mandatory sewer connection. The Committee feels that an ordinance of this nature would be best coming from the Town of Hilton Head for the island as a whole rather than from the PSD.
- Mr. Nardi pointed out that new construction is proposed for Gibson Drive, a currently unsewered area of the District, and that the PSD should consider moving forward with the Master Sewer Plan project for that area.
- Mr. Nardi will forward the Bluffton sewer ordinance to Steve Riley. Also it was agreed to take the Bluffton ordinance to Hilton Head Town Councilman John McCann for consideration. Bob Gentzler and John Geisler agreed to do this.

C. Long Range Water Supply Planning Committee

Key Discussion Points

- The Master Water Supply Plan update adequately covered the Committee's most recent discussions. There is nothing further to report at this time.

D. Community and Personnel Relations Committee

Key Discussion Points

- The Committee has no report at this time.

X. General Manager's Report

Key Discussion Points

- The PSD sampling in 2015 revealed no actionable levels of lead or copper in the PSD water system.
- The Community Foundation's marketing firm, World Design Marketing, pitched the concept for soliciting local donations for Project SAFE to the SAFE Task Force this month.
- The PSD once again participated in the Hilton Head High School's Reality Store, where students are assigned incomes based on their g.p.a. and then have to prepare monthly personal budgets. Connie Whitehead and Renee White represented the PSD at the event.
- Customer and Field service team members received Purple Angel Project on-site sensitivity training on dementia-related issues from Memory Matters this month. The program helps employees learn tactics for interacting with someone who may have dementia. The PSD is the first public utility on the island to receive this training.
- Mr. Nardi spoke to the Hilton Head Kiwanas Club this month on PSD future water supply and the Master Sewer Plan effort.
- A news release was sent this month announcing the anticipated schedule of the Master Sewer Plan projects.
- Mr. Nardi spoke to the Democratic Club South of the Broad on the PSD's water supply, treatment and regulation.

- Members of the Leadership Hilton Head-Bluffton Class of 2015-16 toured the Recycled Water Plant.
- Pete Nardi and Broad Creek GM Mike Allen met this month to discuss the PSDs' future water supply and other topics of mutual benefit/interest. Broad Creek will join Hilton Head PSD in encouraging BJWSA to consider developing a pricing strategy that might prevent the PSDs from having to develop more alternative supply in the future.
- All three island PSDs will jointly conduct an update of the saltwater intrusion zone mapping and intrusion rate analysis in Fiscal Year '17. The analysis will be performed by Groundwater Management Associates.
- A letter was emailed this month to Palmetto Hall POA board members as well as the PSD Commission discussing the PSD's relationship to the Big Grassy Wetland in Palmetto Hall. The letter was requested by a Palmetto Hall owner to clarify items for the POA board.
- James Washington is the PSD's new Utility Line Locator. He comes to the PSD from a position with our vendor that maintains fire hydrants and installed the AMI meter smart points.
- Three finalists have been interviewed in person for the PSD's Wastewater Superintendent position. The PSD expects to make an offer of employment in March.
- Staff from Summerville CPW will visit the PSD this month as part of their diligence in considering an AMI system for their utility.

XI. New Business

None

XII. Executive Session to Discuss Possible Contractual Matters Related to the ASR II Site Easement from Town of Hilton Head Island

Action

- Mr. Drehwing moved to enter executive session for the purpose of discussing contractual matters. Mr. Gentzler seconded. The motion passed unanimously.
- Executive session began at 11:15 a.m.
- Staff present was Mr. Nardi, Mr. Sapp and Mr. Ellison.

XIII. Reconvene Regular Session

Action

- Regular session reconvened at 11:45 a.m.
- As a result of executive session, Mr. Nardi was instructed to decline the Town's offer of an easement for the ASR II site in exchange for \$80,000 in Water Capacity rights.

XIV. Adjournment

Action

- The meeting adjourned at 11:45 a.m.