

HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT
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MINUTES
COMMISSION MEETING
JUNE 28, 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. John Geisler	Secretary
Mr. Gary Kratz	Treasurer
Mr. Frank Drehwing	Commissioner
Mr. Herbert Ford	Commissioner
Mr. David McCoy	Commissioner

Present by request:

Mr. Pete Nardi	General Manager (via Skype)
Mr. Larry Sapp	Finance Manager
Mr. Bill Davis	Operations Manager
Mr. Brian Cronin	Senior Accountant
Mr. Arnold Ellison	Special Projects Manager
Ms. Connie Whitehead	Commission Recording Secretary

III. Public Hearing on FY'17 O&M and CIP Budgets

Key Discussion Points

- The public hearing opened at 9 a.m.
- There wano public present.
- The public hearing closed at 9 a.m.

IV. Public Hearing on Water and Sewer Base Rate Adjustment

Key Discussion Points

- The public hearing opened at 9:01 a.m.
- There was no public present.
- The public hearing closed at 9:01 a.m.

V. Pledge of Allegiance

Mr. Geisler led the Pledge of Allegiance.

VI. Adoption of the Draft Minutes of the May 24, 2016, Regular Meeting

Action

- Mr. McCoy moved to adopt the minutes as presented. Mr. Kratz seconded. The motion passed unanimously.

VII. Public Comment on Non-Agenda Items

None

VIII. Water and Sewer Base Rate Adjustment

Key Discussion Points

- In the spring of 2016, the Cost of Service Analysis (COSA) for FY'17 recommended a \$1 water and sewer base rate adjustment.
- Why the adjustment is necessary:
 - Debt service requirements must be met despite declining revenue resulting from declining consumption.
 - The PSD must continue to meet an array of treatment and infrastructure requirements to ensure the safety and regulatory compliance of the public water system, and the wastewater treatment and recycled water distribution systems, regardless of the level of consumption.
 - 1% wholesale water rate increase by BJWSA
 - SCDOT mandated relocation of the Jarvis Creek waterline.
 - Cost increases in areas such as fuel, power, and chemicals
 - Repayment of revenue debt from necessary system expansion and maintenance projects.
- Staff and the Finance Committee recommend the Commission adopt the following water and sewer base rate adjustment effective July 1, 2016:
 - Monthly residential water base charge of \$14.00
 - Monthly commercial water base charge of \$19.00
 - Monthly sewer base charge of \$17.00
- Mr. Ford voiced his opposition to the rate increase, stating many of the residents he represents are on fixed incomes, and rate increases such as this significantly impact their budgets.
- Mr. Sapp and Mr. Nardi explained that the PSD must maintain an adequate debt coverage ratio, per the covenants of its outstanding bonds. Failing to do so puts the PSD in jeopardy of default, which could result in the utility being forced to raise rates, along with negatively impacting its credit ratings and interest rates for future borrowings.

Action Items

- Mr. Drewhing moved that the PSD adopt the water and sewer base rate increase as advertised. Mr. Geisler seconded. The motion passed 6-1. Mr. Ford was opposed.

IX. FY'17 O&M and CIP Budgets

Key Discussion Points

- Mr. Sapp presented the draft FY'17 budget. The highlights are:
 1. Operating Revenues is projected to increase 3.6% from FY'16 projections. Water customer growth is projected at 0.5% or approximately 85 new water customers, and sewer customer growth is projected to be 0.6% or approximately 95 new customers.
 2. Total FY'16 debt payments consist of \$4,224,875 of principal and \$1,113,230 of interest (Interest expense is calculated on an accrual basis).
 3. The current rate charged by BJWSA is \$1.76 per thousand gallons of water purchased during peak periods. The off-peak rate for FY'16 (October through March) is \$0.84 cents per 1,000 gallons of water purchased in excess of contracted requirements. The peak rate will increase to \$1.78 per thousand gallons of water and the off-peak rate is estimated to be \$0.86 per thousand gallons of water for the FY'17 budget.
 4. Capital Improvement Plan (CIP) includes rate funded, revenue-bond funded, Town-funded CIP projects including the rate funded portion of the Sewer Master Plan
 5. Includes conservative Capacity Fee projections
 6. Salary projections are based on 33.5 employees with a potential 4% merit increase
 7. Continued implementation of Master Sewer Plan
 8. The Water Supply Plan includes the operation of the Aquifer Storage and Recovery well (ASR-1).
 9. Based on March 30, 2016 County data, the FY 2017 assessed values are estimated to increase by 0.4 percent compared to the FY 2016 actual assessed values.
 10. The General Obligation (GO) Debt Levy is estimated at \$1,397,000 for FY'17. The GO Debt millage rate is estimated at 4.31 mills, which is a slight decrease from the FY'16 rate of 4.57 mills. This is based on figures received from the County during March 2016. Operations Levy is estimated at \$971,500 for FY'17. The Operations Levy is set at 2.76 mills with an additional Emergency Reserve Fund set at 0.24 mills, resulting in a total rate set at 3.00 mills.
- Mr. Gentzler stated that depreciation is a large line item; however, there are no supporting details. Staff will include those details in future budgets.
- Mr. Gentzler also requested that the fixed and variable expenses be identified in the budget.
- The FY'17 budget incorporates the COSA Scenario 2, which included a \$1 water and sewer base rate increase.
- The Finance Committee and staff recommend adoption of the proposed budget as presented.

Action Items

- Mr. Geisler moved that the PSD adopt the FY'17 O&M and CIP budgets as presented. Mr. McCoy seconded. The motion passed 6-1. Mr. Ford was opposed.

X. Auditor Engagement Letter

Key Discussion Points

- Mr. Sapp presented the auditor engagement letter from Robinson Grant for the FY '16 financial audit.
- The scope and cost remain the same as last year.
- Staff and the Finance Committee recommend adoption of the letter.

Action

- Mr. Geisler moved to adopt the auditor engagement letter. Mr. McCoy seconded. The motion passed unanimously.

XI. Commissioner and Committee Reports

A. Finance Committee

Key Discussion Points

- The Committee's most recent work was adequately covered in the budget, rate increase and auditor engagement portions of the meeting.

B. Planning and Operations Committee

Key Discussion Points

- The Committee has not met this month and has no formal report at this time.

C. Long Range Water Supply Planning Committee

Key Discussion Points

- The Committee has not met this month and has no formal report at this time.

D. Community and Personnel Relations Committee

Key Discussion Points

- The Committee has not met this month and has no formal report at this time.

XII. General Manager's Report

Key Discussion Points

- The Community Foundation of the Lowcountry this month announced a \$500,000 award to Project SAFE.
- The PSD has received a sales tax refund check from Palmetto Electric for \$188,183 due to the sales tax exemption status the PSD received in January.
- The Gumtree Sewer Project open house was held on June 1. Projects are underway in this area.

- *The Island Packet* has requested base salaries and total compensation for all PSD employees with base salaries above \$50,000 per FOIA law. The PSD is preparing the list.
- The \$907,000 in funding for the Oakview and Mid-Marshland regional sewer pump stations has been accepted for financing by the S.C. Clean Water State Revolving Fund. Current SRF interest rate is 1.8%.
- Gibson Drive LPS notice to proceed was given June 15. The contractor has 60 days to complete the work.
- The General Assembly adjourned June 2. Bill S. 1157 provides that the DOT, or any other entity undertaking a transportation project, would have to cover utility relocation costs up to 7.5% of the total project cost. This bill is expected to be successful but will have to be reintroduced when the 122nd session starts.

XIII. New Business

A. General Manger’s Performance Evaluation

General Manager’s Appraisal

- Mr. Manne reminded the board that the General Manager’s Performance Evaluation is approaching.
- Mr. Kratz will not be present for the July meeting. Mr. McCoy will attend via Skype.
- Mr. Manne will review each commissioner’s availability and determine how to proceed.

B. 2016 Commission Election

Key Discussion Points

- Mr. Geisler announced that he would not run again for re-election. While he would like to continue to serve, he cannot commit to a four-year term. For that reason, he has chosen to leave the board at the end of his current term.

XIV. Adjournment

Action

- The meeting adjourned at 11:15 a.m.