

HILTON HEAD NO.1 PUBLIC SERVICE DISTRICT
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HILTON HEAD ISLAND, SOUTH CAROLINA 29925
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MINUTES
COMMISSION MEETING
AUGUST 25, 2015

I. Meeting called to order by the Committee Chairperson, Mr. Bob Manne, at 9:05 a.m.

II. Those in attendance were:

Mr. Bob Manne	Chairperson
Mr. Gary Kratz	Treasurer
Mr. John Geisler	Secretary (via speakerphone)
Mr. Frank Drehwing	Commissioner (via Skype)
Mr. David McCoy	Commissioner
Mr. Herbert Ford	Commissioner

Present by request:

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

Absent:

Mr. Bob Gentzler	Vice-Chairperson
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III. Pledge of Allegiance

The Pledge of Allegiance was led by Frank Drehwing.

IV. Draft Minutes of the July 28, 2015

Action

- Mr. McCoy moved to adopt the minutes of the July 28, 2015, minutes as presented. Mr. Kratz seconded. The motion passed unanimously.

V. Public Comment on Non-Agenda Items

None

VI. FY'15 Year-End Financial Report

Key Discussion Points

- Mr. Sapp presented the FY'15 Year-End Financial Report.
- Total fiscal year end revenues of \$11,579,468 vs. FY' 15 Budget of \$12,354,700 were below budget by \$775,232 or 4.2%. This decrease mainly relates to Water Service Revenues were below budget by \$616,509; Sewer Services Revenues were below budget by \$92,235. It is important to note that fiscal year billed consumption were down by 114 million gallons for 6.3% when compared to fiscal year 2014.
- Total departmental expenses, excluding depreciation, of \$9,278,464 vs. FY' 15 Budget of \$9,325,800 were under budget by \$46,336.
- Total Non-Operating Revenues of \$3,012,689 vs. FY' 15 Budget of \$2,896,600 were over budget by \$116,069 or 4.0%. This increase is due to closing of the Series 2014 GO Bonds during the first quarter of 2015 and the increase related GO millage rate.
- Tower lease income is lower than budgeted due to the loss of one cell tower and the District will be losing three additional tower leases during fiscal year 2015.
- The PSD has added 115 water/irrigation EDUs and 147 sewer EDUs since June 30, 2014.
- Unrestricted cash available for operations increased from \$2,112,690 as of June 30, 2014 to \$2,492,03 or \$379,412 as of June 30, 2015.
- Restricted cash for debt services decreased \$116,573. This decline relates to debt service payments made through June 30, 2015.
- Restricted cash held by Beaufort County has increased from \$598,720 in June 2014 to \$763,427 in June 30, 2015. This increase relates to GO Debt Levy collections.
- The refunding of bonds will close this Thursday, September 3, 2015. Mr. Geisler commended Mr. Sapp on his diligence in following these bonds refinancing opportunities over the last several years and the savings to the PSD that resulted from his efforts.
- Bond Disclosure: Coverage of debt service by net earnings is 123 percent.
- The PSD's financial condition is stable as of June 30, 2015.

VII. Commissioner and Committee Reports

A. Finance Committee

Key Discussion Points

- The Committee has not met since the last board meeting and has no formal report at this time.

B. Planning and Operations Committee

Key Discussion Points

- The Committee met on August 18.

- SCDOT is replacing Jarvis Creek Bridge because of structural issues. As a result, PSD must relocate a 12-inch main currently located in the causeway. Staff is investigating various options.
- Dr. Steve Borgianini prepared a white paper on septic issues. The information is non-site specific. The committee requested a few revisions which Dr. Borgianini will incorporate into the paper and forward back to the committee by the end of the week.
- Town and PSD staff met to discuss sewer funding. At the mayor's request, Town staff prepared a recommendation for the Council to consider in response the PSD's funding request. The mayor believes he has enough Town Council support to fund Year 1 sewer projects totaling \$840,000. In total, the Town's commitment could be as much as \$3.5 million.
- The Community Foundation has created a Project SAFE Task Force comprised of its board members and staff, Mayor David Bennett, Town staff, Commissioner Herbert Ford and Pete Nardi. The Foundation is preparing for a \$3 million capital campaign for SAFE, which would be the largest campaign ever attempted by the Foundation.
- Van Landingham Rotary sent a letter asking that Project SAFE be considered as one of its charity fundraiser recipients. The application has been turned over to the Foundation.
- Mr. Nardi briefed the Committee on the recent break of the 16" water main from the Wild Horse Booster Station. A new update on that issue will be provided during the General Manager's Report.
- Mr. Nardi requested the board consider a policy to address how front foot assessment projects will be created when a customer requests sewer service. A resolution on the policy was presented for consideration by the board.

Action

- Mr. Ford moved to adopt the resolution authorizing the implementation of front-foot assessment areas deemed necessary for completion of the Master Sewer Plan. Mr. McCoy seconded. The motion passed unanimously.

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 met on August 18th.
- Mr. Nardi gave an update on the Dolphin Head Golf Course sale discussions. Brown Golf is interested in purchasing the golf course; however, the PSD has a first refusal right. This right was transferred to the PSD as a result of its purchase of Hilton Head Plantation Utilities in 1995. Brown Golf would like to negotiate a waiver of this right in order to make certain that it has clear title.

- The PSD’s right to purchase has a clause that gives the PSD the right to prevent the golf course from becoming a public course. Since Brown Golf wants to make the course a public course, they are also asking the PSD to waive its right to enforce that stipulation.
- Additionally, Hilton Head Plantation POA has approached the PSD requesting that the PSD transfer to the POA any ARB and/or stormwater management rights transferred to the PSD from HHP Utilities.
- Attorney John Wilkins has reviewed both agreements, which were presented to the board at this board meeting for a vote.
- Mr. Nardi presented a letter from Memory Matters requesting that the PSD make a contribution to Memory Matters by participating in a charity golf event. Mr. Nardi suggested the board consider establishing a policy for charitable contributions. The discussion could be held during the annual strategic planning session. The Committee was not in favor of the PSD making a contribution to Memory Matters at this time.
- The Committee entered into executive session to discuss the General Manager performance evaluation and a possible revision to the General Manager Employment Contract. The Committee recommends adding “and six months” to the General Manager’s initial term of three years in order to end the term at the end of the fiscal year.

Action

- Mr. Kratz moved to accept the PSD/Brown agreement. Mr. Ford seconded. The motion passed unanimously.
- Mr. Drehwing moved to accept the PSD/Hilton Head Plantation POA agreement. Mr. Kratz seconded. The motion passed unanimously.
- Mr. McCoy moved to revise the General Manager’s Employment Contract with the addition of the words “and six months.” Mr. Kratz seconded. The motion passed unanimously.

VIII. General Manager’s Report

Key Discussion Points

- BJWSA has informed staff that there will be no change in the FY’16 off-peak water rate.
- Twenty PSD staff members received American Red Cross First Aid, CPR and AED training.
- The Community Foundation of the Lowcountry has created a task force to work on a \$3 million capital campaign for Project SAFE from national foundations. The Foundation seeks a commitment from the Town and PSD to install the necessary sewer infrastructure.
- The Water Services Team this month efficiently handled a pair of main breaks that occurred at night, including one that was cleared at 3:30 a.m., and will be honored at this month’s all-staff meeting.
- Pete Nardi and Bill Davis walked the proposed Town-owned ASR II site with Town officials on Aug. 20. The next step is preparation of a draft easement agreement. The PSD is still awaiting ASRII project approval from the State Revolving Fund.
- Staff met with representatives from ServLine this month. The company offers a leak adjustment insurance program whereby customers are automatically enrolled and the PSD receives payment from the company when leak-adjustment claims are approved.

HomeServe and American Water have previously pitched their service plan protection plans. Review of these programs is an FY' 16 Strategic Directive. The next step is Commission committee review.

- The Revenue Bond refinancing resulted in \$1.7 million present-value savings and will lower the PSD's maximum annual debt amount by \$221,000.
- The PSD is on track for three consecutive months of using less than 1MGD of purchased water (June-August).
- The Gumtree Sewer Project is approximately 60% complete.
- SCDOT is replacing Jarvis Creek on Spanish Wells Road. The project will necessitate the relocation of a 12" PSD water main. Design work is underway.
- Mr. Nardi stated that the break in the 16" water main from the Wild Horse Booster Station is now believed to be a result of the line being over-belled. There is no evidence of residual problems. The line passed all pressure tests at installation, which allowed the problem to go undetected until the break occurred.
- WEFTEC will be held in Chicago from Sept. 26-30. Commissioner Frank Drehwing authored a paper on RO and ASR which has been accepted for presentation at the conference.

IX. New Business

None

X. Executive Session

Action

- The board entered into executive session to discuss the General Manager Employment Contract and performance evaluation.
- Executive session began at 10:17 a.m.

XI. Reconvene Regular Session

Key Discussion Points

- Regular session reconvened at 11:42 a.m.

XII. Adjournment

Action

- The meeting adjourned at 11:42 a.m.