



GreenvilleWater

**MINUTES OF REGULAR MEETING
COMMISSIONERS OF PUBLIC WORKS**

**407 West Broad Street
Commission Room, Level Two
Greenville, South Carolina**

April 1, 2014

8:15 a.m.

Commissioners of Public Works in attendance:

Chairman Phillip A. Kilgore, Debra M. Sofield, J. David Sudduth and Knox H. White.

Absent: Commissioner James W. Bannister. A quorum was present.

Greenville Water Staff in attendance:

Chief Executive Officer David H. Bereskin, Chief Operations Officer Murray Dodd, Chief Financial Officer Phil Robey, Chief Administrative Officer Dennis Porter, Director of Engineering Mike Sharpless, Director of Water Resources K.C. Price, Director of Business Services David Hughey, Controller Jondia Berry, Information Technology Director Joe Beineke and Commission Attorney David Ward.

The Regular Meeting of the Commissioners of Public Works was called to order at 8:17 a.m. by the Chairman, Commissioner Kilgore.

1. APPROVAL OF MINUTES

Commissioner Sudduth moved, seconded by Commissioner Kilgore, to approve the regular meeting minutes of March 4, 2014. The motion carried unanimously.

2. PUBLIC COMMENT

No comments were presented.

3. CITY OF GREENVILLE ECONOMIC DEVELOPMENT FUND PRESENTATION

John Castile, City Manager for the City of Greenville, provided an overview of the projects supported by Greenville Water's economic development fund. Mr. Castile reported that 8 grants have been funded by Greenville Water between 2010 and 2013. The total funding is around \$2.2 million. These grants supported new development of office, hotel, manufacturing, residential, retail and restaurant use. The total private investment is \$105 million. Mr. Castile reported that this is very significant for a city of our size.

The projects that these grants provided for are the Fairforest Way Rehabilitation project, Proterra space lease, Main at Washington sewer project, Project California Venture Capital event (2), Verdae Area sewer project, Haywood Road sewer project and the East Park Avenue sewer project as detailed in the Commissioner's agenda packet.

In summary the total grant funds provided \$2.2 million with a private investment total of \$105 million to date. The Greenville Water System investment has allowed for 90,000 square feet of manufacturing space, 320,000 square feet of office space, 37,000 square feet of retail/restaurant space, 261 hotel rooms, 533 apartment units and 746 single-family homes.

Commissioner Sudduth commented that the return on investment is significant from a water system stand point, basically 50 to 1 private to public investment. He also pointed out that the City contributed a significant amount of public money in all of these projects. In his words, "It is

truly a public private partnership.” Commissioner Sudduth added that when the Economic Development fund was first established it was to be a “win win situation” to provide leverage in terms of public funds and from the Water System standpoint to be adding new accounts.

Commissioner Kilgore asked how many new water accounts are results of this investment. Mr. Bereskin replied approximately 125 including the new apartment project at Verdae and a new subdivision going in at Verdae will bring 250 lots. The Verdae area is continuing to grow. He also reported that the apartment project on North Main and Stone Avenue has not started yet but when that comes it will be over 250 units, in a couple of master metered accounts. Mr. Bereskin pointed out that some of these projects are exactly in line with the stated goal which is to increase the water sales per square foot of density. The Verdae 1 project is enabling us to help pioneer a new couple of thousand acre area into development. The One Main and the apartment project have an increased density which is right in line with what we want to do. Mr. Bereskin reported that we need inside water sales.

Commissioner Sofield asked Mr. Castile if ReWa was at the table as well. Mr. Castile reported that we are still nurturing that relationship. He also noted that Greenville Water has worked on several projects with ReWa but they were not financially putting an Economic Development fund in play with the City of Greenville. Mayor White added that the whole purpose of the project was to help with projects that needed some public support to make them happen because like the old sewer lines they are peculiar to the city. He also noted that developers could go somewhere else and not have these issues but we try to bring them to the city and facilitate them so it's been very helpful on that. Mayor White pointed out that there are some things that the water system does better than the City especially in the area of dealing with pipes and sewer flow. He noted that there is still probably more expertise at the Water System than over at City Hall, with all due respect to the folks at Public Works. There may be opportunities in the future to look holistically at what the strengths are of these organizations.

Commissioner Sofield asked if the County joined in on anything. Mr. Castile answered not at this time but in fairness to the county we have more synergy with the county than we have ever had. One example of this was when the County came to the table with the Bon Secours Wellness Center and said let's figure out a way for both the City and County to partner to have \$14 million worth of upgrades that are there. It was the County on the forefront saying that we want to work with the City to be a part of this. Mr. Castile pointed out that when tax notices went out recently the County had a recreation millage increase. They are really eager to sit down with municipalities for the first time in a long time and want to know how they can partner. He also mentioned that it has been very rewarding to nurture a relationship with the county administrator.

4. WATER RESOURCES UPDATE

Director of Water Resources K.C. Price reported total production through March 30, 2014 is 44 ½ million gallons a day which behind our normal average for March. Rainfall from March 20, 2014 at Table Rock was 12 inches. 1 inch fell at North Saluda and ¾ of an inch fell at Adkins, which is about the normal breakdown.

5. FINANCIAL UPDATE

Chief Financial Officer Phil reported that 58% of our fiscal year has lapsed and there are no significant trend changes. We are not into our heavy demand months and the revenues reflect that as well as on the expense side. He advised that we are carrying 22 staff vacancies. We have utilities and other chemicals that follow water production and demand which are low. He

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anticipates that we will be right on target in terms of our revenue projections and that the expense projections will probably come in a little behind.

Mr. Robey then provided a presentation of the Five-Year Financial Forecast. He reminded everyone that financial policies were adopted last year. One of the policies adopted was a financial planning policy which basically commits us as an organization to do long range financial planning and financial forecasting.

Mr. Robey reported the major assumptions that drive the financial forecast is a plan to adjust rates annually by 3%. The first increase took place in March of this year and for the next three subsequent years we assume that we will continue the 3% annual rate adjustments. Mr. Robey reported that we are very conservative on our revenue growth. We assume 1,900 new connections and from that our demand for water increases by 1.3% annually. On the expense and capital side an inflation rate of 2% is used to grow most of the expenses. Base line on the O & M is the actual O&M expenses of the last fiscal year and they grow at an annual rate of 2%. Salaries and benefits are projected at a 5% growth assumption which takes into account employee pay increases and health insurance. The assumption is that we will have double digit health insurance increases. Mr. Robey reported that has been the trend over the last several years.

Commissioner Sofield asked how long we were locked into insurance. Mr. Robey answered a one year commitment. Mr. Bereskin replied that we just came out of an 18-19 month period with Blue Cross Blue Shield. They were looking at a 22% or roughly a \$660,000 increase so we switched to United Healthcare. Commissioner Sofield asked if we would have United Healthcare for one year and then the plan would be reevaluated. Mr. Bereskin replied yes. Commissioner Sudduth followed up with a question concerning the wellness initiative that was put into place. He wanted to know how long before we would see reduction in our increases to our healthcare. Mr. Bereskin reported that there were 170 individuals signed up to take the biometrics and fill out the HRA at the health fair this week. Mr. Bereskin answered that he would know more in a couple of months.

Mr. Robey reported that one of the hallmarks of Greenville Water has been the investment and reinvestment in our system and infrastructure. The CIP assumes that will continue. He reported that there is \$3.4 million in operating capital assumed every year. Mr. Robey explained that operating capital is vehicle replacement, fleet replacement, IT replacement as well as the meter program. He also reported that \$6.5 million a year is spent in normal system improvements.

In regards to the meter program, Commissioner Sofield asked if we had completed the AMR project. Mr. Bereskin replied yes but it is an ongoing process. He also reported that there were 2 systems in place and that one of them was failing significantly. Commissioner Sofield asked Mr. Bereskin what he meant by saying that one system was failing. Director of Business Services David Hughey reported that we are losing approximately 400 Itron units a week so they are being replaced with the new system. Commissioner Kilgore asked for an explanation of what was going on. Mr. Hughey replied that the transmitters were failing and were not reading. Commissioner Kilgore asked if they were under warranty. Mr. Bereskin replied that there was a "warranty replacement" program in place that was implemented 3 years ago. Mr. Bereskin reminded everyone that we switched from Itron to Metron. He also advised that the new AMRs by Metron work well. The reason we switched was the Itrons were failing at an unsustainable rate. Mr. Bereskin advised that we worked with our local meter vendor, Carolina Meter, to have a

program in place to get cash for the failed AMRS that we take out. He explained that it depends on which year the itrons were installed and the series of the AMR to determine the cash warranty we receive. Commissioner Sudduth asked what the average life was on the ones that were failing. Mr. Bereskin replied that it was when the commissioners first approved the program, mid to late 2000's. The good news is the whole system has varying levels of technology and performance. He also replied it is an ongoing process. He reported that we are reading 170,000 meters a month with less field service representatives than when we were reading 170,000 meters quarterly. He also mentioned putting together a workshop for those interested. Commissioner Kilgore replied that he would like to know how much had been lost because of the failed ITRON units. He also mentioned that he was under the impression when the units were bought they should last 10-12 years. Commissioner Kilgore mentioned that we may be dealing with a defective product situation and we may be looking to Itron to step up and do a little bit better job of satisfying us. Mr. Bereskin replied that we will bring the topic back and let everyone know what has been worked out with the different companies.

Mr. Robey mentioned that we have used the current approved CIP and the financial assumptions are included in that. He advised that we are working on our new CIP and mentioned that Murray would give a sneak peak in his presentation of the projects in the CIP. A financing plan will be brought to the table at a later time along with a recommended capital program. The five year forecast will be used to develop the financing plan and the proposed capital program. Mr. Robey reported that under the current CIP there is the assumption that there will be 2 new debt issues. There will be a \$12 million revenue bond this year to pay for the central campus project. As that project gets a little more cemented in terms of the plan and the cost it will trigger us borrowing the money. Another debt issue in 2016 is related to the Coleman to Gayley Mill Road replacement. The new debt associated with the 2 issues combined is \$1.6 million a year.

Mr. Robey outlined the two key financial indicators. One of those key factors is the debt service coverage ratio which is an indicator of operating strength. He reported that we are far above our legal requirement and significantly above our debt coverage target as well. The second key factor is cash reserves which really measure the strength of your balance sheet. Mr. Robey reported that our target is to have 500 days cash on hand. We are maintaining at the level we have been instructed.

6. ADOPTION OF INVESTMENT POLICY

Mr. Robey presented Greenville Water's proposed investment policy as provided in the Commissioner's agenda packet and asked the policy be adopted. Commissioner Sofield moved, seconded by Commissioner Sudduth to adopt the investment policy.

7. 2015 CIP PRESENTATION

Mr. Robey began by explaining that CIP projects are non-recurring large out of the ordinary capital projects, for example the Greenville Water campus design project.

Chief Operations Officer Murray Dodd reviewed the major capital projects for fiscal year 2015-2019 as provided in the Commissioner's agenda packet.

Mr. Dodd explained the estimated cost of the Water Resources master plan would be around \$600,000 with \$200,000 being funded in fiscal year 2014 and the remaining \$400,000 to be funded in fiscal year 2015. The facilities master plan project would be a continuation with

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\$150,000 to be funded out of fiscal year 2014 and the remaining \$150,000 to be funded out of fiscal year 2015.

Mr. Dodd reported that an engineering services RFP has been developed to study if the North Saluda pump station should be upgraded or if a new transmission main parallel to the existing 48 inch water main from North Saluda would provide the same capacity as the existing pump station without the additional cost of pumping. The estimated cost of the generators for the North Saluda pump station is \$2,700,000 funded in fiscal year 2015 and \$2,700,000 funded in fiscal year 2016. The estimated cost of electrical upgrades to the pump station is \$500,000 funded in fiscal year 2015 and \$600,000 funded in fiscal year 2016. Commissioner Kilgore asked for clarification regarding the North Saluda pump station upgrade. Mr. Dodd explained the pump station is old and parts are hard to find. Mr. Dodd added the pump station is not used very often. Commissioner Kilgore also asked how much parallel a 48 inch would be. Mr. Bereskin replied probably \$10,000,000-\$12,000,000 and about the size of the Table Rock Transmission main project. He also replied it would give the same situation as Table Rock, redundancy of gravity and with lower O&M cost. Commissioner Kilgore asked Mr. Bereskin if he anticipated the same right of way we have or would he anticipate, as with Table Rock, we would have to depart from the existing right of way. Mr. Bereskin replied he would hope we would put the new main in the existing right of way.

Mr. Dodd described another project to have an engineering firm perform a Residuals Handling and Permitting Study for both the Stovall and Adkins plants. The Stovall plant currently utilizes a centrifuge to process the residuals left over from the treatment process. The residuals are then sent to a landfill. The study would look at the possibility of land application and other ways money could be saved in disposing of the residuals.

Mr. Dodd reported that the Paris Mountain tank was last painted in 1978 and was in ill repair. The estimated cost would be \$300,000.

Mr. Dodd reported that the Central Campus improvements would require an additional \$3,000,000 in FY 2015 to fully fund the project, bringing the total funding to \$12,000,000.

Mr. Dodd reported that the Augusta Road large main project is a 24 inch water main going down Augusta Road near Donaldson Center. This would be the completion of this project carrying into fiscal year 2015. Mr. Dodd pointed out the West Georgia Road and Bracken Road large mains would be system strengthening type projects to help stabilize pressures in those areas.

Director of Water Resources K.C. Price reported on the Water Resources improvements. The primary one being the installation of liquid lime and CO2 feed systems. This is a result of the alkalinity study performed by HDR. New equipment would be constructed at both the Adkins and Stovall plants. The estimated total cost would be \$2,879,000. The installation would improve the alkalinity in the water therefore making the water more stable as it goes through the distribution system. One potential benefit would be in the corrosion control program and may allow the elimination of phosphate completely. Mr. Bereskin added more detail would be provided at the workshop which would include the differential, O&M and chemical cost going forward. Greenville Water will touch base with customers we know use the water as a product or use the water to make a beverage of some type so it doesn't change their chemistry.

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Director of information Technology Joe Beineke reported the billing software, CIS Infinity, will be upgraded to version 4. The upgrade will make the software more stable and more efficient. He added we are beta testers for this software so we are seeing it firsthand and hoping to implement by the end of the calendar year.

Mr. Dodd reported the proposed budget request for Water Main Replacements outside the City is \$4,000,000. He also stated another \$1,000,000 is being proposed for Water Main Replacements inside the City of Greenville. He reported the specific roads on each list are subject to change depending on City and County resurfacing projects. Commissioner Sofield asked when these projects were done outside in the county was the County Council and State House made aware. Mr. Dodd replied yes.

Commissioner Kilgore asked if a motion was needed to approve. Mr. Bereskin replied not at this time. He went on to say that a workshop would be held to provide more information before a vote would be needed.

Commissioner Kilgore asked when the next workshop would be held on the Campus discussion. Mr. Bereskin replied that 3 renderings would be provided at the next meeting.

8. RIGHT-OF-WAY EASEMENT REQUESTS

Mr. Dodd reported ReWa has requested an easement to cross a piece of property Greenville Water owns near the Slater community. Recommendation from staff would be to grant an easement to ReWa. Commission Attorney David Ward stated he didn't see anything wrong with granting the specific right of way. Commissioner Kilgore replied he is happy for ReWa to use our property but in connection with the construction, he would like them to identify us and hold us harmless in connection with their project. Mr. Bereskin replied he would like to change the staff recommendation to request that the Commission approve staff to work with David Ward to secure the proper documents consistent with Commissioner Kilgore's statement. Commissioner Sofield moved, seconded by Commissioner Sudduth and the motion carried unanimously.

Mr. Dodd reported Resurrection Ministries on Poinsett Street in Travelers Rest has come across a code issue and doesn't have enough parking for the church. Greenville Water owns the piece of property adjacent to the parcel and there is a 48-inch water main that travels through the property. The church is requesting permission to park on the property owned by Greenville Water. Mr. Dodd requested permission to work with David Ward on a lease option for this piece of property to allow the church to park there. Mr. Bereskin added Greenville Water does not want to give an easement or a right-of-way but would like to work out something where the church could park and that would meet the Travelers Rest code requirements. Commissioner Sudduth asked if the lease would apply only to the current owner. Mr. Bereskin replied yes. Commissioner Kilgore asked if the lease would apply only to certain times when the church would be conducting service. Mr. Bereskin replied that it would not be restricted times. Commissioner Kilgore asked if Resurrection Ministries would be required to maintain insurance, indemnify and hold us harmless. Mr. Ward replied the most important consideration is whatever rights we grant them are subject to our rights to maintain our water lines and subject to our standard right-of-way agreement so we don't find ourselves in a position where we could not repair if we needed. Commissioner Sofield moved, seconded by Commissioner Sudduth and the motion carried unanimously.

9. LEGISLATIVE UPDATE

Government Liaison, Bob Knight, mentioned the potato farm bill introduced by Representative James Smith. The potato farm bill regards a potato farm in Aiken where it would take water out of the Edisto River. Representative Smith has also introduced a bill to amend the surface water act.

Mr. Knight reported on a bill introduced by Representative Eric Bedingfield dealing with the locator act of underground utilities driven by ReWa and smaller sewer companies.

10. CHIEF EXECUTIVE REPORT

Mr. Bereskin presented Commissioner Kilgore with the 2012 Fluoride Award from the SC Department of Health and Environmental Control. Commissioner Kilgore shared his father was very instrumental working with the medical/dental community to have fluoride installed in Greenville's public water system over 50 years ago.

Mr. Bereskin reported he and Commissioner Kilgore have meetings set up with Steve Jesser who is the Vice President of Duke Hydro Facilities next week.

Mr. Bereskin also reported in the near future he will also be meeting with Phil Gaines who is the Director of South Carolina Parks and Recreation. Commissioner Kilgore requested a visit to the Paris Mountain Lodge be arranged.

Mr. Bereskin reported we were pursuing our partnership agreements with Pelzer and West Pelzer as well as Six Mile and Pickens County Water Authority. Mr. Bereskin added Six Mile is very interested in partnering with us but they want a higher value for their 73 acres adjoining the Oconee Nuclear site and that will have to be worked out. Commissioner Sofield asked why they were looking to us to be made whole. Mr. Bereskin replied if they join in and buy into our system they have 73 acres they want to use as consideration for part of their payment.

Mr. Bereskin reported staff is working on Greenville Water's strategic plan and action items. He hopes to have something in a more formal fashion to the Commission in the upcoming meetings.

Mr. Bereskin reminded everyone of the upcoming national AWWA conference coming up June 8th in Boston. He reported that Greenville Water we will be representing South Carolina for the best tasting water and is in the running for national honors again this year.

Mr. Bereskin shared Commissioner Kilgore and Chief Administrative Officer Dennis Porter would be traveling to Washington for AMWA's water policy conference. He also reported that Mr. Porter would be traveling to Baltimore to investigate Gun Powder River and Pretty Boy Reservoir which is a side stream reservoir.

Mr. Porter announced World Water Day will be April 22. There is a local event in this area from 4:00-6:00 p.m. at Zen which is being supported by a few local investors that support sustainability. Mr. Porter reported as soon as he had more information on Greenville Water's involvement in World Water Day he would send out an announcement.

Mr. Bereskin reminded everyone of Greenville Water's health fair on April 3rd where employees and retirees could receive more information on health issues, financial issues and state retirement.

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Mr. Bereskin reported Staff has been instructed to have the layout of the park for the Commissioners at the next meeting. He also reported the geological report has been received from the Engineer and there will not be a three level deck due to rock which would increase the cost \$500,000 or more. The design will be a two level deck instead. He reported Chief Operations Officer Murray Dodd would be attending the City's Design Review Board meeting for review of the PD Application for rezoning on April 3. On April 10th the PD application will be reviewed by City of Greenville Planning Commission.

Mr. Bereskin shared that Commissioner Kilgore approved working with David Ward to set up the 501c3 partnership with FOLKS. Duke will then fund that partnership with around \$1,000,000 to be used for water protection and watershed management of the Keowee Toxaway water bodies. He also reported work is being done on how to put into action the Watershed Management Plan, details forthcoming.

11. COMMISSION COMMENTS

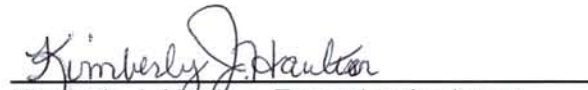
No comments were presented.

12. ADJOURNMENT

There being no further business, the meeting was adjourned at 9:50 a.m.



Phillip A. Kilgore, Chairman



Kimberly J. Haulter, Executive Assistant