

HARRISON COUNTY UTILITY AUTHORITY
BOARD MEETING
September 3, 2015

Be it remembered that a meeting of the Harrison County Utility Authority Board of Directors was held on September 3, 2015, at 9:00 a.m. at the Harrison County Utility Authority Board Room, at 10271 Express Drive in Gulfport, Mississippi. In attendance were:

BOARD AND STAFF:

Mr. Danny Boudreaux, representing Harrison County (2),
Mayor Billy Hewes, City of Gulfport, Director
Mr. Dan Gaillet, representing the City of Biloxi
Mr. Al Gombos, representing the City of D'Iberville
Mayor Billy Skellie, City of Long Beach, Director
Mayor Chipper McDermott, City of Pass Christian, Director
Supervisor Marlin Ladner, Harrison County (1), Director
Mr. Donald Scharr, Executive Director, HCUA
Ms. Merri Ann Testa, Procurement Specialist, HCUA
Ms. Patra Roberts, Office Manager, HCUA
Mr. Michael VanCourt, Comptroller, HCUA
Mr. Bart Clover, Wastewater/IT Coordinator, HCUA
Mr. John Wilson, O & M Manager, HCUA
Mr. Seren Ainsworth, Solid Waste Coordinator, HCUA
Mr. Reed Bryant, Staff Engineer, HCUA
Mr. James Simpson, Wise Carter Attorneys, Esquire

ABSENT:

Supervisor Joe Meadows, Harrison County (2), Director

AUDIENCE:

Mr. Bruce Newton, Vice President, Digital Engineering
Ms. Debra Shaw, Office Manager, Knesal Engineering
Mr. Dax Alexander, President, BMA Consulting Engineers
Ms. Lisa Verhovshek, Paralegal, Wise Carter Attorneys
Mr. Dan Gaillet, PW Director, City of Biloxi
Mr. Kris Riemann, City Engineer, City of Gulfport
Ms. Linda Elias, Comptroller, City of Gulfport
Ms. Ginnie Hem, City of Gulfport
Mr. Gerald Blessey, City Attorney, City of Biloxi
Mr. Derrel Wilson, Utility Partners
Mr. Bobby Knesal, Utility Partners
Ms. Cindy Lamb, Pickering Engineering Firm

Letters of designation are attached hereto as exhibit "A".

There being a quorum sufficient to transact business of the Authority, Mayor Gilich called the meeting to order. The following proceedings were had and done.

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A. Public Comments – Mayor Gilich opened the floor for public comments. There were no public comments.

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B. Approval of Board Meeting Minutes dated August 6, 2015

Mayor McDermott made a motion to approve the Board Meeting minutes dated August 6, 2015, seconded by Mr. Gombos. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion passed.

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C. Approval of Special Board Meeting Minutes dated August 20, 2015

Mr. Gombos made a motion to approve the Special Board Meeting minutes dated August 20, 2015, seconded by Mayor McDermott. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion passed.

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D. Approval of Special Board Meeting Minutes dated August 26, 2015

Mayor Hewes made a motion to approve the Special Board Meeting minutes dated August 26, 2015, seconded by Mr. Gombos. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion passed.

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E. Approval of Wastewater Claims Docket dated September 4, 2015

Mayor Hewes made a motion to approve the September 4, 2015 Wastewater Claims Docket, seconded by Mayor McDermott. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion passed. A copy of the Claims Docket is attached hereto as exhibit "B".

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F. a — Financial Reports – Non-CDBG

Mr. VanCourt provided a brief overview of the financial report for the month of August. He stated most member agencies are within budget, with the City of D'Iberville being slightly over budget.

Mr. Gombos made a motion to accept the financial report as presented, seconded by Mayor Skellie. A roll call vote resulted in the following votes:

| | | |
|--------|-------|-----|
| Biloxi | voted | aye |
|--------|-------|-----|

| | | |
|---------------------|-------|-----|
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion passed.

F. b – Financial Reports – CDBG

Mr. Newton stated the CDBG is moving along. All easements have been acquired for CDBG projects. He stated the W19/S21 and S14 projects are underway and being monitored closely.

A copy of the Financial Report is attached hereto as exhibit "C".

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G. 1 - Old Business - None

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New Business CDBG

G. 2 a 1 – Resolution for Settlement –0020S14/Plum Creek South Timberlands - \$10,500.00

Mr. Simpson recommends a settlement of \$10,500.00 for the Plum Creek property, based on the appraisal of the court-appointed appraiser.

Mayor McDermott made a motion to approve the Resolution for Settlement – S14/Plum Creek South Timberlands - \$10,500.00 based on the recommendation of Mr. Simpson, seconded by Mayor Skellie. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

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motion passed. A copy of the Resolution is attached hereto as exhibit "D".

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Non – CDBG

G. 2 a 1 – MDOT SR 601-008 Contractor Pay Request, Miller Enterprises, LLC - \$80,454.82 (contingent upon MDOT approval)

Mr. Bryant stated this is the fourth contractor invoice for the MDOT project.

Mayor Skellie made a motion to approve the MDOT SR 601-008 Contractor Pay Request, Miller Enterprises, LLC. - \$80,454.82 (contingent upon MDOT approval) based on the recommendation of Mr. Bryant, seconded by Mr. Gombos. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion passed. A copy of the Payment Request is attached hereto as exhibit "E".

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G. 2 a 2 – Request for projects – Magnolia Bend/Wells Ferry Water & Sewer Systems

Mr. Scharr stated the City of D'Iberville and the City of Biloxi requested that HCUA utilize FEMA funds for the construction a lift station and to create a separate water connection to provide water service for Biloxi to allow them to service the homes in the subdivision.

The construction of this station would divert wastewater currently discharged into the D'Iberville system to the new pump station for discharge into the S20 line flowing directly to the D'Iberville treatment facility.

Mr. Scharr stated that there are not sufficient funds in the FEMA account to accomplish the remaining Phases 2, 3 and 4 that were anticipated by the City of D'Iberville. These projects will accomplish much of the work at a lower cost.

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is willing to release the remaining FEMA funds to complete the current project under construction and purchase a generator that was originally a part of Phase 1.

Mr. Scharr recommended the authorization of these projects with the understanding that the remaining FEMA funds be available for use by other HCUA member agencies for O & M related projects.

Mr. Gombos made a motion to approve the Request for Projects – Magnolia Bend/Wells Ferry Water & Sewer Systems based on the recommendation of the Executive Director, seconded by Mayor McDermott. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion passed. A copy of the Memo is attached hereto as exhibit "F".

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H. Executive Director's Report.

Mr. Scharr asked Mr. Ainsworth to address the Board regarding solid waste and public outreach. Mr. Ainsworth stated HCUA is developing an Outreach/Public Information plan. He will be scheduling meetings with each member agency to get feedback to the help create an effective outreach plan. The information plan will be designed to educate the public on the differences between rubbish and waste and the need to separate them.

Mr. Scharr stated HCUA continues to work with MDEQ to secure eligibility for the grant administration costs. MDEQ continues to ask for additional information.

Mr. Scharr stated he will need direction from the Board on how to handle the ineligible costs associated with the W19/S21 project, prior to the close of this fiscal year. Mr. Simpson stated the Board must determine the allocation as a matter of policy or on an ad-hoc basis. Supervisor Ladner recommended HCUA take legal action against the project engineers to recover the ineligible costs associated with the project.

Mr. Scharr reminded the Board that the formal Public Hearing for the fiscal year 2016 budget is scheduled for next Thursday, September 10, 2015 at 9:00 AM. He anticipates receiving public comments and feedback for consideration during this hearing and

formally approving and adopting a final budget at the September 17, 2015 Board Meeting.

I. Executive Session

Mayor Gilich asked if there was a need for Executive Session.

Mr. Simpson stated that there was no need for an Executive Session.

J. FY2016 Draft Budget Workshop and Supporting Documents:

- a. Memo – Final Report (Gulfport/WCA)**
- b. Memo – Cost Allocation of Water Costs**
- c. Memo – Draft Budget for FY-2016 (including letter from Bond Counsel)**
- d. HCUA Organization Chart/Pay Grades**
- e. Budget Scenarios Requested by HCUA Board**

Mr. Scharr stated the workshop is to discuss items that will impact the FY 2016 budget and its allocation.

Memo – Final Report (Gulfport/WCA)

During the last Board meeting, Mr. Scharr provided the Board with the report from the Water Company of America (WCA) regarding the independent review of the HCUA fees assessed to the City of Gulfport. He has reviewed the report and findings. He has provided the Board with a memo with his response to each finding.

Finding 1— The method currently being used by FICUA in determining the amount being charged to Gulfport and Harrison County for shared use of the Gulfport North Treatment Plant does not conform to existing agreements.

WCA Recommendation — WCA recommends amending the current agreement and method in place to allocate debt and capital cost to a much more equitable manner referred to as "portion of system capacity". This will require a cost shift to Harrison County, possibly recoverable through a wastewater millage as done in other parts of the country.

Annual Cost Savings to Gulfport - \$200,000

- HCUA Response — Under the existing agreements, the costs attributable to each member agency include:
 - 1) Designated Treatment Plants Sum
 - 2) Additional Treatment Plants Sum
 - 3) Designated Trunk Lines Sum

- 4) Additional Trunk Lines Sum
- 5) Operation and Maintenance Contract Sum
- 6) Additional Contract Sum

For Gulfport, the North Gulfport facility would be considered as an Additional Treatment Plant since it was not in existence at the time of the contract execution and it is not included as a Designated Treatment Plant in Exhibit A of the agreement. The agreements require that capital costs for Additional Treatment plants be allocated to the Public Agencies based upon their "pro-rata share" of the total capital costs. It further clarifies that the total capital costs shall be "multiplied by the percentage of capacity of such Additional Treatment Plant allocated to the Public Agency."

Based upon our assessment to date, we concur that current allocation is not consistent with the existing wastewater service contract. We have not found any formal "allocation of capacity" of the North Gulfport Plant between the City of Gulfport and Harrison County. Historically, allocation of the debt associated with the plant's capital cost has been based upon annual volume of flow to this facility. For this facility, there has been no existing meter to measure the flows contributed by Harrison County. That situation is being corrected through an ongoing construction project which will provide a flow meter to gather accurate flow data. Based upon information available to HCUA, these flows have been estimated to be 2-4 % of the total flow to the North Gulfport facility. Once the flow meter is in-place, we anticipate that the County current contribution of flow will be decreased from the current estimate.

The Operation and Maintenance Contract Sum shall be a pro-rata share based on the Public Agency's annual wastewater volume divided by the total volume of wastewater received at the Additional Treatment Plant. Subject to the lack of accurate flow measurement of flows from Harrison County, HCUA has attempted to allocate O & M costs based upon flow annual contributions.

While the proposed solution by WCA is a valid approach, I believe the same intent can be accomplished within the existing agreement. *My recommendations are to correct any current deviations from the existing wastewater service agreements to insure the requirements of the existing contract are being executed.* These changes do not require any modifications to the current agreements from any of the member agencies. This will require two steps:

- First, accurate flow measuring devices for the County's wastewater contributions must be installed and operated to insure O & M costs are properly distributed. We believe this change will ultimately result in a smaller contribution from the County based on current flows. As County contributions grow, their proportionate share of the O & M costs will increase accordingly.
- Second, the capacity of the North Gulfport Plant must be allocated between Gulfport and Harrison County. This should have been determined at the time the initial debt was incurred, however, I have found no

documentation that was ever done. Therefore, we will work with Gulfport and Harrison County to develop a mutually agreeable allocation between Gulfport and the County. The result of this allocation will set the terms for the distribution of costs attributed to the Additional Treatment Plant Contract Sum. The ultimate change is costs to Gulfport and the County will depend on the distribution of allocated capacity between these two member agencies.

Finding 2 — HCUA's CDBG Project S14 (incorrectly identified as S15) will transport water from a private utility through Gulfport's North Orange Grove sewer collection system. There is no action plan to address: 1) the manner by which Gulfport will recover its sewer transport cost, 2) the manner by which HCUA will distribute treatment cost nor 3) capacity considerations (and thus debt) among the various entities.

WCA Recommendation — WCA recommends Gulfport enter into an agreement with the private utility company to address how flow will be measured when entering Gulfport's system and the rate to be charged/1000 gallons of flow. At a minimum, this rate should be at the surcharge amount currently being assessed to customers residing outside the City limits.

Annual Cost Savings to Gulfport - \$36,000 in additional revenue

- HCUA Response — These flows are being discharged into the HCUA system and become wastes of HCUA and not the private entity. HCUA currently has an agreement with Riverbend Utilities to provide these services at rates to be set by the HCUA Board. It was a difficult effort requiring action/approval by the Public Service Commission to get our agreement with Riverbend approved. Since Riverbend has a contract with HCUA, I see no value to attempt to have Gulfport enter into a contract with Riverbend.

My recommendation is to incorporate reasonable, appropriate fees into HCUA's cost of operation, just like we do for power, chemicals, etc. These costs would be incorporated into our annual rate assessment which establishes the rates charged to Riverbend as well as other nonmember users of our system. We believe this method requires no additional contract negotiations and accomplishes the same purpose by compensating Gulfport for the use of their system. Since I have no information on the costs and basis of your fees, I cannot project any revenue amount for the City of Gulfport. I believe that working in good faith we can incorporate this into our projected costs. Because rates have already been established for FY-2016, I would propose that any fees would go into effect for FY-2017.

Treatment costs will be distributed based upon contribution of flow in accordance with the current agreements. Since these flows will be coming from the County, these costs will be attributed to the County. Revenues from the customer will be used as a revenue to be applied to the County's obligation which will include all costs of operation and maintenance.

Issues of capacity considerations (and thus debt) should be addressed through resolution of Finding 1.

Finding 3 — HCUA's method by which water cost is currently being allocated to Gulfport is not in conformance with existing agreement and unfairly distributes cost to Gulfport. Contract states that metering shall be performed so as to charge for the water Gulfport uses. The agreement describes that a pro-rata share methodology of cost apportionment *whether or not use or services are rendered by the Authority and whether or not the System is operating and notwithstanding interruption of use of the system*. The current method of allocation is based on each entity's proportion of population. Allocation by population is not reliable and does not reflect current economic and demographic trends as the official census is updated once every ten years.

WCA Recommendation — WCA recommends a 5-step process based upon: 1) Engineers must determine the daily quantity that must be taken by each agency to maintain the chlorine residual; 2) Member agencies must determine the quantity of water they can take; 3) Engineers must determine if distribution is feasible to the member agencies in need; 4) Member agencies pay for water received at the wholesale rate; and 5) Any remaining system expense not offset by water sales is allocated by pro rata share of the value of the water assets designated to serve ad located within the member agencies geographic boundaries. Proposed distribution:

Biloxi — 9%

Gulfport 13 %

Harrison County 65%

Pass Christian 6%

Long Beach 4%

D'Iberville 3%

Annual Cost Savings to Gulfport - \$180,000

- HCUA Response — My review indicates that the current method of distribution was not clearly adopted by the HCUA Board of Directors. The current method is a variation of the recommendations of the Volkert Report prepared for HCUA in January 2012 and accepted by the HCUA Board. Since that report, the water system has been under construction and is expected to be completed during 2015. It was not feasible to distribute costs based upon usage because of the ongoing construction and minimal usage of the system. (Only about 1% of the system's current capacity is being utilized.) Distribution by population was the recommendation by the Volkert report, however, the methodology has allocated all population for Long Beach and Pass Christian to the County because of the minimal water that could be delivered to these two cities.

While I recognize the concerns about the current allocation of costs, I would not recommend a distribution of costs based upon the system valuation. The proposed method is based on a combination of engineering decisions and determination of need by each agency. If a member agency determines they do not want to take any water, no matter what the reason, costs can be pushed to other member agencies. We currently have to "waste" 1— 2 million gallons of water a day due to lack of use of the system. We can produce water at a reasonable cost and I believe we should promote use of the system. Utilizing water produced by HCUA should prove beneficial to member agencies through reduced use of their existing system, providing additional water and pressure to improve their own system operation and providing water capacity to promote growth within the member agencies. Allocation associated with geographic boundaries does not recognize the cities' ability to provide service beyond their existing geographic boundaries and places additional burden on the County in areas that can be served by the cities.

My recommendation is to distribute the costs based upon the % of system capacity that can be provided to each member agency, whether they use the water or not. In addition, a member wholesale rate would be established. All water used by each member agency would be charged at the established wholesale member agency rate. Payments made by each member agency based upon their % of the system capacity would serve as a credit toward the wholesale charges for the water they actually use. The value of this methodology is that no member agency would be paying for a portion of the total system capacity that they could not use. Furthermore, it would encourage the use of the water system as the member agency payments would be applied to purchase water, not just maintain the system. Ultimately, the goal is to connect enough users so that costs can be distributed based on actual usage.

A comparison of the current distribution, Gulfport's proposed distribution and my recommended distribution are provided below.

| MEMBER AGENCY | CURRENT % | WCA's % | RECOMMENDED |
|-----------------|-----------|---------|-------------|
| Biloxi | 22.81% | 9% | 15.99% |
| Gulfport | 36.14% | 13% | 16.87% |
| Harrison County | 35.76% | 65% | 47.21% |
| Pass Christian | | 6% | 0.66% |
| Long Beach | | 4% | 1.53% |
| D'Iberville | 5.29% | 3% | 17.74 |

Finding 4 — HCUA' s method of applying multiple allocation method for administrative overhead is cumbersome, increases the risk of misallocation among member agencies and does not reflect current industry trends.

WCA Recommendation — WCA recommends allocation based on a pro-rata share of the flow or usage measureable for each member agency for services provided. This is available through metered water and wastewater flows. In the absence of adequate usage for water, the costs should be distributed based on the allocation presented in Finding 3.

Additionally, WCA recommends the allocation of the "Grant Administration cost not covered by CDBG" be assigned to the member agencies who benefit from these costs. They see no benefit from Gulfport and do not recommend that Gulfport share in these costs.

Annual Cost Savings to Gulfport - \$82,000

HCUA Response — I concur with the intent to distribute administrative costs for the water system based upon the allocation methodology used in the distribution of costs for the operation and maintenance of the water system. I do not support WCA's proposed distribution method and recommend the same distribution methodology presented in Finding 3 based upon % Capacity available to each member agency.

With regard to the allocation of the additional grant administrator costs not eligible for CDBG, I believe these costs cannot be allocated based on just the remaining construction projects, thereby removing Gulfport from any obligation to participate in the costs for these services. The Grant Administrator is providing support on the entire CDBG program which included projects that benefit all member agencies. Even though some construction projects have been completed, there continue to remain closeout requirements, file administration and organization and preparation for project audits that will be required for all projects. Therefore, the remaining work is in support of all CDBG projects, not just those now under construction. Furthermore, even though we do not get complete support from MIDEQ/MDA, we firmly believe that all costs are eligible. We expect to receive grants for a portion of those funds. While it is ultimately a Board decision, it is my recommendation that the benefactors of these last projects not be "punished" because they are last and MDEQ/MDA have chosen to not fund grant administration costs that were eligible on earlier projects.

My recommendation is that there is mutual benefits to all member agencies for these additional services and the costs should be distributed based upon the value of the projects for which they benefited. Using this method of allocation, the costs would be distributed as listed below:

| <u>MEMBER AGENCY</u> | <u>% Allocation</u> |
|----------------------|---------------------|
| Biloxi | 19.8% |
| Gulfport | 8.4% |
| Harrison County | 55.6% |
| Pass Christian | 1.7% |
| Long Beach | 2.4% |

D'Iberville

12.1%

Finding 5 — The residents in the Crown Road Development are incorrectly being assessed a wastewater tax by Harrison County as they are paying the City of Gulfport for wastewater service.

WCA Recommendation — WCA recommends the City of Gulfport notify Harrison County of this error. HCUA Response — *This is not an Authority issue.*

Finding 6 — Gulfport is not charging customers who reside outside a one mile boundary the same 18% surcharge to customers within one mile of its corporate boundary.

WCA Recommendation — WCA recommends Gulfport bill these customers according to its existing Water and Sewer Rate Ordinance. WCA will assist with rate approval from the Public Service Commission.

Annual Cost Savings to Gulfport \$55,000

HCUA Response — *This is not an Authority issue.*

Finding 7 — Gulfport's surcharge rate for customers outside the City limits is insufficient to cover related costs. In effect, the citizens of Gulfport are subsidizing those residing outside the City limits.

WCA Recommendation — WCA recommends the City perform a rate analysis study. Annual Cost Savings to Gulfport - \$250,000

* HCUA Response — *This is not an Authority issue.*

A copy of the Memo is attached hereto as exhibit "G".

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Memo – Cost Allocation of Water Costs

As a result of questions raised by member agencies and in the development of the FY 2016 budget, Mr. Scharr has evaluated the basis for the distribution of water costs among the member agencies.

The 2012 Volkert report recommended that HCUA member rates include two elements:

1. A fixed cost element, which would recover fixed cost by charging each member agency based upon its 2010 population census.
2. An allotted flow charge to be determined based upon multiplying each member agency's allocation of Allotted Flow by marginal rate minus the amount included in the fixed cost budget.

Volkert further recommended an annual review of HCUA costs. Once actual system usage increased to 4 MGD, Volkert recommended that HCUA restructure rates to a composite rate structure.

These recommendations proposed allocating Fixed Costs (based on population) as follows:

Biloxi — 23.35%

Gulfport 36.23%

D'Iberville — 5.07%

Harrison County — 24.78%

Long Beach-- 7.91%

Pass Christian — 2.47%

formally adopted a rate for retail and non-member water usage, we have not established the cost for water usage by our member agencies. I have addressed these issues with the following recommendations:

- **To establish the pro rata share for each member agency, Mr. Scharr recommended to distribute the costs to member agencies based upon the % of the total water system capacity that can be provided to each member agency, whether they use the water or not.**

For purposes of establishing this % capacity, we have utilized our water model developed through the CDBG program. This model will enable us to re-evaluate each year, the assigned allocation of deliverable capacity to accommodate for changes in the use or operation of the system. This method is a valid, reproducible means to document the basis for the allocation of costs to each member agency. The proposed allocations for FY-2016 are listed below:

| MEMBER AGENCY | RECOMMENDED % |
|-----------------|---------------|
| Biloxi | 15.99% |
| Gulfport | 16.87% |
| Harrison County | 47.21% |
| Pass Christian | 0.66% |

Long Beach
D'Iberville

1.53%
17.74%

• **In addition, He recommended we establish a member wholesale rate of \$0.76 per 1000 gallons.** (Water rates approved for wholesale to non-member agencies was set by the HCUA Board at \$3.05 per 1000 gallons.) These member rates are based upon recommended marginal rates for FY-2016 presented in Volkert's 2012 report, adjusted based upon actual HCUA O & M costs rather than projected O & M costs. (Volkert's report did not anticipate a reserve requirement of the full 25% of the O & M costs nor did they anticipate a new O & M contractor being hired in 2013.)

▪ **Mr. Scharr recommended that all water used by each member agency be charged at the established wholesale member agency rate of \$0.76 per 1000 gallons. Payments made by each member agency based upon their % of the system capacity would serve as a credit toward the wholesale charges for the water they actually use.** These charges and credits would be evaluated on a monthly billing cycle. The value of this methodology is that no member agency would be paying for a portion of the total system capacity that they could not use. Furthermore, it would encourage the use of the water system as the member agency payments would be applied to purchase water, not just maintain the system. Ultimately, the goal is to connect enough users so that costs can be distributed based on actual usage.

Listed below is the amount of water available to each member agency based upon their costs allocated in accordance with their % of the total system capacity.

| <u>AGENCY</u> | <u>RECOMMENDED</u> | <u>USAGE CREDIT</u> |
|-----------------|--------------------|---------------------|
| Biloxi | 15.99% | 453,660 gal/day |
| Gulfport | 16.87% | 481,870 gal/day |
| Harrison County | 47.21% | 1,339,420 gal/day |
| PC | 0.66% | 18,720 gal/day |
| LB | 1.53% | 43,410 gal/day |
| D'Iberville | 17.74% | 503,310 gal/day |

Mr. Gombos asked if this required a unanimous vote. Mr. Simpson stated that this is a methodology that does not have to be unanimous. The approval of the budget must be unanimous.

Mayor McDermott made a motion to approve the recommendation to distribute the costs to member agencies based upon the % of the total water system capacity that can be provided to each member agency (whether they use the water or not), establish a member wholesale rate of \$0.76 per 1000 gallons, and charge member agencies at the established wholesale member agency rate of \$0.76 per 1000 gallons, seconded by Mayor Hewes. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion passed. A copy of the Memo is attached hereto as exhibit "H".

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Memo – Draft Budget for FY-2016 (including letter from Bond Counsel)

Mr. Scharr previously presented the Board members with a proposed draft budget for FY2016 on Wednesday, August 26, 2015 for review and consideration. The draft budget distributed the reserve costs based upon O & M costs.

Supervisor Ladner stated that he is opposed to determining the allocation of the reserve funds based on O & M costs, and not debt.

Mayor Gilich asked if the funds can be in the form of a line of credit. Mr. Blessey stated that the letter of credit should suffice as obligated funds.

Mr. Simpson stated that he is unsure if the bond would allow for committed letters of credit. Mr. Blessey asked that he be involved in the discussions with bond counsel.

No action taken.

Supervisor Ladner asked why the operating costs for the Delisle plant have gone up since HCUA has taken over the plant. Mr. Bobby Knesal, of Utility Partners, stated the plant operators were assigned to multiple plants on a part-time basis.

The costs were spread among the three plants: Delisle, Traditions, and Woolmarket.

Budget Scenarios Requested by HCUA Board

Mr. Scharr presented the Board with five budget scenarios. The scenarios include:

- #1 – Proposed budget, as prepared for the Public Hearing
- #2 – Proposed budget with all reserve (including wastewater, water and solid waste) allocated by assigned debt rather than by operating budgets
- #3 – Proposed budget with all State Revolving Loans (SRF) allocated to the corresponding member agency; all reserve allocated by operating revenue; and all other allocations (water, overhead, ineligible grant administrative costs, etc.) were the same as FY-2015.
- #3A – Same scenario as #3 except no adjustments were made to allocate SRF loans to corresponding member agencies. All allocations were made consistent with FY-2015 budget allocation.
- #4 Proposed budget with all State Revolving Loans (SRF) allocated to the corresponding member agency; no additional reserve was included for full funding of water reserve nor any funding for solid waste reserve, as recommended by bond counsel; all wastewater and 55% of water reserve was allocated by operating revenue; and all other allocations (water, overhead, ineligible grant administrative costs, etc.) were the same as FY-2015.
- #4A – Same scenario as #4 except no adjustments were made to allocate SRF loans to corresponding member agencies. All allocations were made consistent with FY-2015 budget allocation.

There was discussion of the status of the tying-in of Harrison County Schools, specifically D'Iberville High School and W. Harrison County High School. Mayor Hewes recommended that HCUA serve notice to the school district requiring the schools to connect to the HCUA water system.

Mr. Scharr stated regarding the debt:

- Lamey Bridge Interceptor/Keegan Bayou SRF loan will be transferred to Biloxi.
- W. Long Beach Interceptors have been transferred to Long Beach.
- W. Orange Grove Interceptor SRF loan has been transferred to Harrison County.
- W. Fritz Creek Interceptor has been transferred to Gulfport.

Mr. Scharr all over/under that was left with HCUA has been applied to the budget to reduce the costs.

Mr. Scharr provided the Board with an organizational chart, a pay grade system to establish a pay range for each HCUA position. He stated he has budgeted in the administrative costs for limited pay raises for a total of approximately

\$20,000.00. These pay raises are to be attributed to the additional responsibilities that have been assigned to various staff.

Mayor Hewes inquired about the HCUA staff growth, since Mr. Scharr's arrival. Mr. Scharr stated that the staff has grown from 8-15 to date and the proposed budget includes the addition of three new staff, bringing that total to 18 employees.

Supervisor Ladner inquired why existing staff has to take on additional duties, if seven additional staff members have been hired. Mr. Scharr stated HCUA has grown and expanded its services over the last two years. Mr. Gombos added that the total assets were once valued at \$100 million and are now worth \$400 million.

No action was taken. A copy of the budget scenarios is attached hereto as exhibit "I".


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K. Adjourn - At this time Mr. Gombos made a motion to adjourn, seconded by Mayor McDermott. A roll call vote resulted in the following votes:

| | | |
|---------------------|-------|-----|
| Biloxi | voted | aye |
| Gulfport | voted | aye |
| D'Iberville | voted | aye |
| Long Beach | voted | aye |
| Harrison County (1) | voted | aye |
| Harrison County (2) | voted | aye |
| Pass Christian | voted | aye |

The motion to adjourn passed.

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Harrison County Utility Authority


Harrison County Utility Authority