

**JACKSON COUNTY WATER
AND SEWERAGE AUTHORITY**

MEETING MINUTES

February 14, 2013

Chairman Ehrhardt called the February 14, 2013 Jackson County Water and Sewerage Authority Board Meeting to order at 6:06 p.m. Members present included Chairman Dave Ehrhardt, Vice Chairman Shade Storey, Board Member Pat Bell and Board Member David Lathem. Also present: Manager Eric Klerk, Attorney Paul Smart, CIO/GIS Analyst Mike Johnson, Engineer Joey Leslie, Finance Director Judy Davis, Wastewater Manager Mark Dudziak, and Board Secretary Karen Johnson. Visitors included Mark Beardsley Main Street Newspapers and residents from Roquemore Road and Ramblers Inn Road.

Chairman Ehrhardt welcomed our guests.

APPROVAL OF MINUTES

Member Storey made a motion to approve the January 10, 2013 board meeting minutes and the February 7, 2013 work session minutes as presented.

Member Bell seconded the motion. The motion carried with no objection and all board members present voting.

NEW BUSINESS

Water Line Extension Policy

Chairman Ehrhardt stated in the last work session we discussed developing a policy for extending water lines into areas that are experiencing problems with wells not producing water or are inadequate. The staff determined criteria to use when we are approached by residents for water requests. Chairman Ehrhardt stated this has developed into a policy that Manager Klerk will summarize.

Manager Klerk said we have an existing policy in place that was adopted by the Board in 2010. The purpose was to extend water lines but it is short on criteria for what is necessary before staff even brings it to the Board for consideration. Manager Klerk said criteria have been established for the proposed new policy. He referenced page two section six stating we established an adjusted base line of \$8,340. Manager Klerk said a pay-back of twenty years would be reasonable. He explained in detail how the base line was established. He stated we looked at a bunch of different policies but there are many variables such as so many customers per mile and we felt that was too restrictive. Manager Klerk said this proposed new policy gives us more flexibility. He stated Engineer Leslie can plug in different sized lines to get various costs and gives us more options to present to the Board for consideration.

Chairman Ehrhardt said “the point being is that we are looking for some kind of criteria to use because the Authority has a set amount of funds available, our funds are limited”.

Manager Klerk said section #2 “Applicability” of the existing Neighborhood Water Line Policy had one change; “installation and construction” was removed, “design, inspection, and construction management” was added as well as “construction of the water line may be installed by the Authority or by Contractor.”

Several residents from Roquemore Road and Ramblers Inn Road spoke regarding significant problems with their wells.

Member Bell asked how many total yes responses we have. Engineer Leslie said fifteen possibly sixteen.

Chairman Ehrhardt stated that before the Board now, is whether to approve the new water line policy and the amendment to the existing policy

Attorney Smart said he recommends considering the two policies separately.

Member Bell made a motion to approve adopting the Water Line Extension Policy.

Vice Chairman Storey seconded the motion. The motion carried with no objection and all board members present voting.

Vice Chairman Storey made a motion to approve the changes to the Neighborhood Water Line Policy.

Member Bell seconded the motion. The motion carried with no objection and all board members present voting.

Chairman Ehrhardt addressed the visitors stating the two projects came up for consideration at the work session last week. He confirmed with Manager Klerk that both areas met the criteria.

Manager Klerk addressed each area explaining how the Authority would run water lines to both neighborhoods. He discussed running a four-inch line (no fire flow) down Ramblers Inn Road.

Engineer Leslie stated he contacted a local contractor to see how close his estimate was. The contractor confirmed the estimate was right in the ball park for laying the four-inch line. He also confirmed the cost of installing the meters and several other items. Engineer Leslie stated he was comfortable with his estimate.

Manager Klerk said Roquemore Road is a little more involved. He stated to get the water to the beginning of the Roquemore subdivision we could use left over 2005 SPLOST (roughly \$90,000 left over after Wheeler Cemetery Station project). Manager Klerk said the Board could vote to allocate that money to get a twelve-inch ductile iron line down Highway 129 to the entrance of Roquemore Road then run a four-inch line (no fire flow) down Roquemore Road. The costs for the four-inch line would come out of the Water Capital Reserve.

Manager Klerk stated the projected costs are \$134,000; \$90,000 of which could come out of the remaining SPLOST dollars. He reiterated that the Board would have to vote to use SPLOST money. He said the reserves could make up the difference to get the line to Roquemore. Manager Klerk said the four-inch line down Roquemore is another \$74,000.

Member Lathem asked about verbiage in the newly adopted policy; He asked if our policies protect us in the future if we don't have the funds. Manager Klerk said "yes" it is a first come first served basis. He stated our sewer plant capacity is the same as well; "we are not plowing new ground". Attorney Smart said even if the financials are in line but the project is not technically feasible you can still decline to do it. Engineer Leslie said it is number eight in the policy. Attorney Smart said the Board might want to consider conditions such as a certain number of petitioners sign the water service agreement and have enough people to meet the criteria to make the calculation work.

Several board members asked if we collected payment before we started. Manager Klerk said "yes", in the past we have required a minimum number of people actually come in and pay the \$1,540 to establish water service first before we start the engineering process. Chairman Ehrhardt asked if we collect the money before the design. Manager Klerk said yes because it hasn't been that much and is hasn't been a big deal on the two previous projects. He said now on these projects it's a bigger deal and so you are probably going to want to look at a good number of people establishing service especially if you are going to commit SPLOST dollars. Attorney Smart pointed out that in the policy it states that we would not proceed to design and construction until those conditions are satisfied. Chairman Ehrhardt asked if we are doing the design work in-house. Manager Klerk said "yes". Chairman Ehrhardt asked if we could use SPLOST for design work. Manager Klerk said yes because we are not going to do anything with SPLOST inside Roquemore Road, we would use the SPLOST just for Highway 129. Chairman asked if Highway 129 would be done in-house. Manager Klerk said "yes".

Member Bell asked about a rough time line if approved. Engineer Leslie said we are very busy and the Highway 129 project would involve GDOT but we want to do the best we can for these people. Engineer Leslie did not want to commit to a time line but said we would work like crazy to get this done as soon as possible. He stated the projects would have to go out for bid and the bid process could take about a month. Manager Klerk stated we could assign the SPLOST dollars to this project first before the Wheeler Cemetery Road project. Engineer Leslie explained that the Board will have to award the contract then we would mobilize the crews. He said he would hope we could start the actual work in five months or so but conservatively he felt the completion time could take nine months to a year. Engineer Leslie and Manager Klerk recommend bidding both projects and designing them at the same time.

Chairman Ehrhardt asked which project we would do first. Manager Klerk responded he was going to leave that up to the Board. Engineer Leslie said he would like to bid both projects at the same time. Manager Klerk said that was his recommendation as well.

Member Lathem asked why it would take so long to complete each project. Engineer Leslie said it takes time; you have to survey the area, locate utilities, design the project then put a bid package together and go out for bid.

A Roquemore Road resident asked about installation of a fire hydrant at the Highway 129 and Roquemore Road intersection. Manager Klerk said we are planning on locating one there and the cost is included in the project.

Attorney Smart said our policy says you have to have the majority of petitioners plus the minimum number to make \$8,340 per connection work. Engineer Leslie stated we would need fourteen residents on Ramblers Inn and nine residents on Roquemore to sign up for water service in order for Board approval of both projects.

Member Story made a motion to approve the Roquemore Road project as presented with 4-inch line, no fire flow with the following conditions.

1. Signing of water service contract by nine customers with payment of connection fee per the policy.

Member Bell seconded the motion. The motion carried with no objection and all board members present voting.

Member Story made a motion to approve the Ramblers Inn Road project as presented with 4-inch line, no fire flow with the following conditions.

1. Signing of water service contract by fourteen customers with payment of connection fee per the policy.

Member Bell seconded the motion. The motion carried with no objection and all board members present voting.

Chairman Ehrhardt said it is his understanding that we will proceed with both projects at the same time and try and expedite it and complete the design as soon as we can, then go forward with bidding the contracts.

A resident asked about payment procedures as far as paying in full. He stated a lot of people were told they could break the \$1,500 connection fee into twelve payments. Manager Klerk said we have done that in the past. He stated it is in the policy.

Another resident asked what happens if there are not enough people to sign up to meet the minimum requirement. He wanted to know a time frame for refunding the money. Manager Klerk said if we don't have enough people signed up in the next thirty days he will bring it to the next board meeting. Manager Klerk encouraged the residents in attendance to talk with and encourage their neighbors to come in and sign up. He said this would help move the project along more quickly.

A discussion of average water bills and water usage ensued. Finance Director Davis stated "in the office we don't give average water use". She said every family and situation is different.

Manager Klerk answered various technical questions regarding the line and meter installation process. He also stated that if a resident continued to use their well, state and federal law requires a physical disconnect with our system.

Engineer Leslie said the residents could call him anytime for project updates.

Highway 124 Water Tower

Chairman Ehrhardt stated we were approached by the Traditions architectural review board requesting consideration of the Traditions logo back on the water tank. He stated Tom Bessemer the manager of the architectural review board attended the work session and proposed to the Board that we consider putting the logo back up and consider them paying for the painting of the tank. Chairman Ehrhardt said he asked Mr. Bessmer the approximate cost and the only figure he could offer was what he was quoted of \$16,000.

Manager Klerk said we have three quotes on five water towers over a ten year period. Manager Klerk stated Utility Services quoted \$62,800 with an additional cost of \$4,500 for the logo on one side and \$6,500 for the logo on both sides. The second quote is from TMI Coatings at \$88,000 plus \$6,000 for the JCWSA logo and \$7,500 for the Traditions logo. The third quote was from Classic Protective Coatings for the logo and painting combined at \$112,000. Manager Klerk said he contacted Mr. Bessmer and gave him the quotes we received. He stated Mr. Bessmer said he got the \$16,000 price from Utility Services. Manger Klerk felt that probably what happened was that they misunderstood him and quoted him a per year price. Mr. Bessmer felt that was a lot of money and they could not pay that. Manager Klerk said right before the meeting he received an email from Mr. Bessmer asking if the Board would consider tabling any action with the water tower and would the Board consider a lease agreement for the logo on the tower.

Chairman Ehrhardt said when we first started down this road were looking at the expired contract between Blue Green and the Authority. He the contract expired in 2011 and we looked at that as maybe another agreement to consider under the same type conditions that they would be painting the tank and it would be beneficial to possibly the Authority just looking at the financial side of it. He stated he turned to our counsel and asked him to look at where we are a government entity would it make a difference changing the logo to Traditions.

Attorney Smart discussed the legal ramifications. He stated the concern that he and his partner Julius Hulsey had is with the distinction in Georgia law between governmental functions and proprietary functions. Every Government entity has certain core functions and in most cases in the performance of those core functions has certain immunity from liability for negligence and torts and things of that nature. Attorney Smart referred to section 23 and section 28 of our charter. He said with that purpose in mind looking at what Traditions is asking the Authority to do is a lot more like advertising than anything the Authority does on a regular basis. He said the Authority is being asked to place a logo of a private third party on one of its tanks. Attorney Smart stated that his and Mr. Hulsey's concern is that would be considered a proprietary function. Then the question becomes well what are the risks associated with that. Does that mean that what if a third party or even an employee goes out to the tank and gets injured is there some risk that that immunity that protection from liability is waived by the Authority allowing that logo to be put on their tank. He stated he thinks that is a real concern. Attorney Smart stated the Authority would have a heightened risk of liability.

Member Storey asked about liability if we would allow a private company to place a logo on a tower and then a year later another private company wants to come along and place a logo on another tower, are there any potential problems if we would say no to one company but yes to another.

Attorney Smart said from an injury liability the same would apply. He said “the other part of that question would be an equal protection question; if you do it for one then you gotta do it for everybody”. He said the legal concept is equal protection.

Member Lathem said he is concerned because the Authority did this once before now we are saying we can’t do this again and this concerns him. He said we are here to help people and this would help them. Member Lathem asked if the exposure is really that big. He said it was a precedent here.

Member Bell said would we have to have some sort of policy in place that would state the do’s and don’ts of advertising on the Authority towers and wouldn’t we have to look and see if it fit the charter.

Member Lathem asked who the attorney was in 2003 when the original agreement was signed. Manager Klerk said the agreement was never approved by the Board. He said permission was given only to negotiate the logo and paint the tower. Manager Klerk stated “that whatever happened, none of us were hear at that time, the agreement was executed without Board approval”. Member Lathem said so it was the manager of the water authority who signed it without Board authority. Manager Klerk said “yes that is what I am saying and I am also saying that the contract that they had in place, I don’t know if this sets a precedent because they are in breach of contract”. He stated they were supposed to maintain the grounds and the tower and they did not do a thing.

Member Bell stated we could be opening up a can of worms for down the road.

Member Lathem said he agrees the policy would be to not put logos up but a precedent has already been set. He stated Jackson County was excited to get this subdivision to help our tax base and to help with water and sewer. Member Lathem said if Traditions is willing to pay money for this it would reduce expenses for us and we could install water lines. Member Lathem said he feels this is an isolated different situation and it doesn’t necessarily project what we do in the future. He said the Board has not done anything about the logo being up there for ten years so to some degree you could say the Authority did endorse it because no action was taken to stop what had been done.

Member Bell said people the people in Hoschton, Braselton, Highway 60 and Talmo and get water out of that tank too. She questioned why they wouldn’t want their names on it too. Member Bell also stated that they did sign a contract that says they would paint it again and put the Authority logo on it.

Chairman Ehrhardt asked about insurance coverage – the potential liability issues. He said if we were to go down this road getting into advertising what would be the recommendation of acquiring additional coverage. Attorney Smart said he would absolutely recommended additional insurance.

Member Bell asked if we would have to change the charter. Attorney Smart said he believes there is language in there that says the Authority can do what a similarly situated private entity can do. He said there is nothing in the charter that says we can get into the advertising business but his opinion is we would not have to change the charter; the language is so broad he didn't think we would have to do that as long as the general purpose is to serve the public.

Vice Chairman Storey stated that Mr. Bessmer said this is a lot of money and would we table it. Vice Chairman Storey asked what Mr. Bessmer is requesting now. Manager Klerk said he thought Mr. Bessmer wanted more interaction with his board. Chairman Ehrhardt said in an informal way his understanding is that the quotes that have been presented, it is unlikely that Traditions can meet the offer and they want to explore other avenues like leasing an advertising fee. Manager Klerk said we don't have a formal proposal yet. Chairman Ehrhardt said that what's in front of us tonight is that we have a tank at Traditions that is painted white with nothing on it and we have a contractor that is contracted to finish painting it and wants to return back to Traditions to paint the logo. Chairman Ehrhardt stated he did not know that if holding off another month or so would incur additional charges.

Manager Klerk said the contractor is out of South Georgia and does nothing but logos. He said the Arcade tank is in the same position as well and he told the contractor not to do anything with logos until the Board makes a decision. Manager Klerk said he told the contractor we would have a decision after this board meeting.

Member Bell stated we should not vote until Member Stringer was able to be in attendance. Chairman Ehrhardt said we will table it.

Manager Klerk said the last correspondence he received was right before the meeting asking if we could table it and they would like to look into some form of lease because it is a lot more money than he was led to believe.

Member Bell asked "in the meantime what do we do about this contract they signed".

Member Lathem asked what Mr. Bessmer means by leasing. Manager Klerk said he wasn't clear on that. Chairman Ehrhardt said probably pay a monthly lease. Manager Klerk said just the logo work is \$4,800. Chairman Ehrhardt said that is something we would need to work out.

Vice Chairman Storey asked if we would incur any additional fees by putting off the painter for a month. Manager Klerk said all we can do is ask.

Rate Analysis

Manager Klerk said we have used Cybergov since he has been here. He said their specialty is water and sewer system rate analysis. He said it would be a good idea to do one at this time. Manager Klerk said it has been three or four years since we have had one done and he thinks it would be prudent.

Vice Chairman Storey asked if we have established that a rate analysis is valuable. Finance Director Davis said “yes absolutely”. Manager Klerk said “he” is here a lot and has interaction with us. Chairman Ehrhardt said he makes a final PP presentation to the Board.

Manager Klerk said in the past a committee has been set up to work with him, Finance Director Davis and the consultant. The consultant will meet with the committee if so desired as well as present to the committee and the full Board.

Chairman Ehrhardt asked Vice Chairmen Storey and Member Lathem to represent the committee.

Manager Klerk stated he would need approval because the contract is over his spending limit.

Vice Chairman Storey made a motion the Authority Manager be able to contract with Cybergov Consultants, LLC for a rate analysis.

Member Bell seconded the motion. The motion carried with no objection and all board members present voting.

Authority Manager Contract Extension

Chairman Ehrhardt said the extension of Manager Klerk’s employment contract was discussed in Executive Session at the last work session.

Chairman Ehrhardt said it is a three year contract and every year the Board reviews it and makes a decision about extending it to make it another 3 year contract.

Vice Chairman Storey said Manager Klerk has done a great job managing the Authority and his staff as well.

Chairman Ehrhardt said Manager Klerk has definitely done a great job with the staff as well as the public and keeps the Authority going every day.

Vice Chairman Story made a motion to amend the employment contract agreement as presented extending Manager Klerk’s contract another three years including a copy of that contract in the minutes.

Member Bell seconded the motion. The motion carried with no objection and all board members present voting.

Executive Session

Chairman Ehrhardt said there was a need for an Executive Session regarding potential legal issues.

Vice Chairman Story made a motion to go into Executive Session at 7:37p.m.

Member Bell seconded the motion. The motion carried with no objection and all board members present voting.

Member Bell made a motion to come out of Executive session at 8:15p.m.

Vice Chairman Story seconded the motion. The motion carried with no objection and all board members present voting.

No action taken.

Managers Report

The year 2012 period (from December 2011 to December 2012) was one in which the Authority experienced a net gain of 140 water customers, or a 1.92% annual increase.

At the March meeting I'll be presenting the revised Agreement for operating the City of Hoschton for the period April 1st, 2013 to April 1st, 2014. The only significant change will be the increase in the monthly amount charged to the City. It will increase from \$97,455 per year to \$115,797 per year. You may recall that amount is divided into twelve monthly invoices.

Coming due March 1st is the Authority's second state-mandated annual water audit. Joey and Judy are busy collecting all the required data. Last year our score initially was a 78, but later downgraded to a 73 after we were audited on the audit. This downgrade was a result of exactly following the state's calculation for "Customer Retail Unit Cost", applying a weighted average for our tiered water rates. After the reporting, officials decided that the "Customer Retail Unit Cost" be a blended rate for all customer classes.

The Smith Lane water project, off of North Apple Valley Road done under the 2010 Board-adopted Neighborhood Water Policy, was completed by January 30th. This was a 2" line and currently serves (3) new customers who were about out of water. Manager Klerk stated all that work was done in-house.

Bear Creek

Manager Klerk stated he needed to present some changes that the UCBWA made to their monthly invoice. He stated we pay all the fixed costs and usage charges and Jackson County pays the debt service portion of the invoice which is roughly \$131,000.

Manager Klerk explained that in November of 2012 the UCBWA approved creating a capital replacement fund for Bear Creek.

The Authority will be paying the additional M & O charge of \$3,703 a month for 2013 only primarily based on usage fees. Starting in January of 2014 through 2030 the Authority will be paying increased M & O charges (fixed fees) of \$9,243 a month. Manager Klerk detailed what is included in the costs and how the Authority's portion was determined. (Presentation included in board packet.) He said we have a total of \$1,819,000 that we are paying for.

Manager Klerk said in addition to \$1,819,000 there are member specific costs (member owns) at 2020 and 2026. In 2020 there is a proposed filter plant expansion adding about five million gallons a day. Manager Klerk stated our cost will be around \$2,583,000. In 2026 three high service pumps are scheduled for replacement for an additional cost of \$700,000. He stated this is owned by Jackson County. Chairman Ehrhardt said "we own it but we have to pay for replacing it when they say". Manager Klerk said it will either be the Authority or Jackson County paying for it. Member Lathem asked if this is just for planning and do we have any flexibility. Manager Klerk said yes, this is a planning document and is not set in stone but the \$1,819,000 is set in stone.

Manager Klerk said if we want to be good stewards and plan for this so we do not have to take any loans out, we should be allocating \$35,000 a month to the Capitol Reserve fund. Manager Klerk said the grand total of all is over five million dollars and he wanted the board to be aware that we should be planning on this and the rate study is pretty timely.

Member Lathem said bottom line we have some big expenses in 2013-14 that we need to cover. Manager Klerk said yes that is why he brought it up to the Board now. Finance Director Davis said we will be using this document in the rate analysis.

Member Bell had a question about the pumps. Manger Klerk said Jackson County owns the pumps. He reiterated all members share in the cost of the river pumps based on usage.

With there being no further business to discuss, the meeting was adjourned at 8:50 p.m.



Karen Johnson
Board Secretary