

WATER COMMITTEE
MARCH 23, 2011
MINUTES

MEMBERS PRESENT:

Pete Frisina, Chairman
James K “Chip” Conner, Vice Chairman
Brian Cardoza

ABSENT:

Tony Parrott
Jack Krakeel

NON-VOTING MEMBERS:

David Jaeger

STAFF PRESENT:

Russell Ray

GUEST:

Stephen Hogan, PTCWASA

The meeting was called to order by Chairman Pete Frisina at 8:00 A.M.

I. APPROVAL OF MINUTES FROM THE MEETING ON MARCH 9, 2011.

Vice Chairman Chip Conner made the motion and Tony Parrott seconded, to approve the minutes from the meeting on March 9, 2011. There was no opposition.

II. LAKE MCINTOSH UPDATE.

David Jaeger reported that we are basically in the same pattern we have been in, under cutting sub-grade material and replacing it; then building the surcharge pad. He said the burning contractor is on site; they have equipment on site, and he thinks this week they are starting to push brush around to prepare for the burning.

He went on to say that the contractor is still doing mitigation work on Dr. Bussey’s site on Helmer Road. That is coming along very well. They are about seventy five percent done. Mr. Parrott said that he was concerned about high traffic through there, with the contractor coming in and out. Everything has worked out smoothly.

Vice Chairman Conner asked if this project is behind. Mr. Jaeger said the contractor has not asked for additional time, yet, but he expects that he will. He said that he thinks he is waiting for the bad weather to stop and good weather to start, so he can assess how much time has been sacrificed to weather over the last few months. Lately, they have been working weekends. They are working at a faster pace than they had been, but whether or not they will make up that time remains to be seen. Mr. Jaeger commented that he does not think it is a significant amount of time.

III. WATER RATE INCREASE.

Mr. Parrott referenced a report provided by Stephen Hogan that shows a breakdown in thousand gallons by number of customers. It comes up to almost 10,000 people that are water customers that are in Peachtree City that are on sewage. He commented that the majority of them do not use a lot of water. On average they use 3,000 to 4,000 gallons per month. When you get past 8,000 gallons the usage drops.

Mr. Hogan commented that there are fourteen residential customers that consistently use 50,000-plus gallons every month.

Mr. Parrott referenced a report that was generated by Ted Burgess in the Finance Department. The first page is considering two three million dollar GEFA loans and how to pay it back. We are looking at nearly a ten million dollar project, doing two three million dollar GEFA loans and use the other out of our Renewal and Extension Fund. On the report, column A is the current rate, rates to encourage conservation is on the second page. The base stays the same and you go up on the other two tiers by 5.8%, the other choice is a stable rate which is 3.2% across the board which would carry the debt for the two loans. Both achieve the same thing, bottom line it gives us what we need to pay the debt service. He went on to explain the second page, the rate increase is figured to have 1.7 times the debt coverage. Overall, that includes our bond issues, and if we wanted to achieve that, it takes 8.7% on a stable rate or 15.8% on the rate to encourage conservation. The bond issue requires us to have at least 1.2; traditionally we have stayed around 1.5 and better for coverage. Our usage has averaged about 6 MGD per day.

Mr. Parrott then referenced the November 2010 rate study prepared by the Metropolitan North Georgia Water Planning District. The committee reviewed this document and discussed the various rates in the surrounding cities and counties. Higher rates encourage conservation. Mr. Hogan explained that typically when you go through a rate increase, it will cause a dip and there is some recovery, but rarely ever fully recovered back to the initial usage. Further discussion pertained to no growth, bond coverage, and previous rate increases.

Mr. Parrott said that the increase we are looking at is 59 cents on the base rate. Some places subsidize their base rate. The base rate gives you a guaranteed stable income to take care of the debt service. This covers payment of our bond issues, even when we had to drop the water usage by ten percent during the drought years. We were still in good shape because we had a base income that did not change. That is one thing that Peachtree City Water and Sewerage Authority did when they redid their rates, so they now have a base rate. Before that, they did not have a base rate and revenues fluctuated.

Mr. Hogan said that month to month they did not know what was coming in the door, depending on drought or rain. It has proven to stabilize cash flow, which is a

good thing. They were to the point, just like some folk do in their personal checking account, living month to month and hope you have some left over at the end of the month to pay the bills, but you need to go forward. It has proven to be successful and necessary for what they did by restructuring the rates so they had their debt service, as well as their coverage on the base rate.

Mr. Parrott explained that he has given this information to the committee ahead of time, they do not have to make a decision on it today. It gives them a chance to look over the information. Further discussion pertained to raising the rates by percentage does not show a significant increase in revenues.

Mr. Parrott commented on the base rate for a customer that uses 2,000 gallons; we have several customers that won't use more than 2,000 gallons, one person in the house; the rate increases needed to cover the additional debt service. It means their bill will increase 59 cents a month. The majority of the customers will not pay a whole lot more money, but everybody will pay a little bit.

Mr. Hogan stated that the rate survey assumes 6,000 gallons of usage per month. For Peachtree City it is more like 4,000 gallons per month.

Mr. Parrott said that he would rather raise the rates more than 3.2%; we are going to have to consider the future cost of operating will be a little more than what Mr. Burgess has figured in. We don't know for sure what the operating cost will be, because we will treat half the water. He went on to say that Mr. Jaeger has played with the numbers and he feels pretty good about it, but until we begin operating, we don't know how close we are.

Mr. Parrott stated that this item is on the Board's agenda tomorrow night, to give approval for Mr. Jaeger to start engineering. Then we will have to get the State's approval and concurrence, it will be about six months before we break ground on the project. GEFA will let us have \$3 million for each project; this will be two projects, one for each plant. He went on to say that we don't currently have a GEFA loan, but over the years we have had eight different ones (Crabapple water tank, Ellis Road water tank, several phases of the loop waterline). Over the years we have used them, and then when we refinanced the last bond issue, we paid off what was left of all of them, because we ended up with six.

Mr. Parrott commented that he has seen the time that our water usage averaged 8 million gallons per day in the winter time, our peak in the summer would be 17 ½. A bunch of surrounding counties cannot handle that type of usage. With two years worth of drought, plus a rate increase, that average has come down. Our annual year last year was the lowest in ten years. We lost ten years worth of growth between the drought and the rate increase.

Mr. Hogan commented that in talking to other agencies in developing their rate increase, we are not the only ones in this boat. It is a big deal for everybody these

days. It was a highly discussed topic at last week's association meeting. Everybody wanted to talk percentages, but that is not necessarily the basis for discussion, it is dollars. It is a big deal around the state right now.

MARCH WATER SALES

Mr. Parrott stated that the water sales for March are less than they were March last year.

LAKE HORTON

Mrs. Quick reported that the Marshal's office called last week to report they saw three white pelicans on the island on the sailboat ramp side of Lake Horton. Mr. Parrott commented that Lake Horton is listed in one of the books for bird watching. It is one of the top ten places around.

There being no further business, Chairman Pete Frisina adjourned the meeting at 8:40 A.M.

Peter A. Frisina

The foregoing minutes were approved at the regular Water Committee meeting on the 27th day of April, 2011.

Lisa Quick