

ATTENDEES:

Council: Dunagan, Wangemann, Hamrick, Figueras, Bruner

Staff: Padgett, Sheppard, Marlowe, Randall, Dye, Wetherford, Leverette, Gee, Bennett, Jordan

Others: Commissioner Ashley Bell, Ben Williams, Bobby Sills, Brendan Thompson

Public Utilities Director Kelly Randall called the meeting to order at 12:30 PM. He began the presentation by indicating this was the sixteenth annual retreat. He read the Public Utilities Department Mission Statement aloud then reviewed some of the departmental goals noting the full listing was available in the appendix of the agenda book.

STATE OF THE UTILITY:

Public Utilities Director Kelly Randall stated water and wastewater customer account growth had flattened. Staff had noticed a slight increase in the last few months. The size of the system is 1,344 miles of water main pipe and 280 miles of sanitary sewer/force main pipes. Pie charts were shown comparing water and wastewater use, customers and revenue profiles for the areas of residential, commercial, general industry, multi-family and irrigation meters.

Mr. Randall presented the expected scenario which summarized the historical and projected maximum month average day water demands and withdrawals. In this scenario, the Cedar Creek Plant needed to be built in 2032. He also commented on the Glades Farm Project and indicated it didn't need to be built until 2050. The question was raised as to why these projects should be built before the water is needed.

Mr. Randall also reviewed the planned scenario which also summarized the historical and projected maximum month average day water demands and withdrawals. He briefly commented on the wastewater commitments as of January 2012. He felt there was good news in that there appeared to be no need for any new capacity until 2026.

Upon inquiry from City Manager Kip Padgett, Mr. Randall commented on the Mulberry Creek Project indicating there was no agreement with the County to turn the plant on. He felt this would be an issue one day. He also expressed a concern as to whether the County could afford to pay the cost of this plant.

CURRENT FINANCIAL SITUATION:

Finance and Administrative Division Manager Tina Wetherford stated the information she would present does not include contributions nor intergovernmental revenues. There was discussion about the equalization of fees noting the changes were being made over several years to minimize the impact to the department. The Revenue Profile slide documented the decrease from FY11 to FY12.

Mrs. Wetherford commented on the revenue generated by the top ten customers. She emphasized the impact that would be experienced if one of these customers discontinued business. She commented on the projection of a 1.4% increase in operating expenses indicating the utility was working toward having three months of operating expenses in reserves.

Mayor Dunagan commented on the possibility of losing the Islands Management Company as a water customer noting they are exploring the possibility of using well water in the future.

RECESS 2:15 PM
RECONVENE: 2:25 PM

TOP ACTIVE PROJECTS:

Civil Engineer Myron Bennett presented a variety of information including an overview of the projects listed below. It was noted that some projects have not been formally presented to Council yet.

- Quiet Place in the Woods Pump Station Improvements: \$584,000
- SR 284 Clarkes Bridge Replacement: approximately \$1,472,590
- FY12 Water Meter Replacement: \$3,466,335
- FY12 Automated Meter Reading Project: \$2,325,315
- Pump Station 23 Improvements: approximately \$1,833,000
- Cargill Sanitary Sewer Outfall Improvements: \$3,000,000 in three phases
- FY2012 Transmission Main Improvements: \$1,040,612
- Water Storage Tanks Maintenance Program: \$662,696 every 2 years
- SR 347/Friendship Road Utilities Relocation: \$6,292,000 for phases 1 and 2 (Phase 3 cost undetermined)

WATERSHED MANAGEMENT REPORT

Environmental Services Administrator Horace Gee summarized activities from each phase of the Watershed Project. The factors for implementing a watershed plan included flooding, safety for the citizens, the desire to make an impact on water quality, and a requirement from EPD.

Phase I, stream restoration and regional detention, began with a design (January to August 2009) followed by construction (completed in May 2010). There was discussion about the detention pond being a huge step toward addressing altered watershed hydrology. It is believed that this project has eliminated flood events in areas that were prone to flood during heavy rains. It was noted that the pond was multifaceted to offer more than protection from flooding.

Phase II of the project addressed stream restoration, offered stormwater enhancements and greenway. The design of this phase occurred from August 2010 to May 2011. The contract was awarded in September 2011. The work is in the final stages of completion. There was emphasis on the closeness between this project and the jail property with the notation that the work justifies why the jail should not be in this area. Before and after photographs documented the drastic changes that have occurred. Mr. Gee stated the City has invested \$1.7 million into Phases I and II of which 60% was Federal monies.

Phase III would address stream restoration. The CIP includes twelve items for the watershed program.

City Manager Kip Padgett stated the city has invested \$35 million in the Midtown area when you include the Public Utilities Department and Public Safety Facilities with this project.

**RECESS: 3:59 PM
RECONVENE: 4:12 PM**

WATER LOSS CONTROL & ACCOUNTABILITY:

Distribution and Collection System Manager Joey Leverette stated population growth is stressing the earth's freshwater supply. He named several other reasons to address water loss control which include but are not limited to offering source protection/expansion and engaging in good business management. The agenda packet contained a summary of actions taken by the City to control water loss categorized between real losses and apparent losses.

There was discussion about Pressure Management being one the most basic tools for real loss management. Gainesville has 4 pressure zones and over 20 pressure control valves that help maintain the desired pressure for fire protection while relieving stress on water mains.

There was discussion about Fire Line Tracking indicating staff has been investigating this subject to reduce apparent loss. The City provides service to 435 fire line accounts (214 inside the city limits and 221 outside the city limits). The majority of the lines are metered by a detector check meter that records low volume flows. There are a small number of fire lines with no meter which creates a concern of illegal connections to these lines.

The Meter Replacement Program is used as a method to control water loss and reduce errors. Fire hydrant locks have been installed to prevent theft of water.

Council had several questions about the meter sizing options in regards to what to do with replaced meters.

Mr. Leverette stated there were other issues to consider as well. He stated one involved how to handle situations when the meter was resized to fit the existing business and later sold/leased to a business that needed a different size meter. Who pays the cost?

There was discussion about the Governor's Water Stewardship Bill (HB1094/SB370) which requires an annual assessment of water system losses and development of programs to identify/reduce these losses. The audit is described in the Metropolitan North Georgia Water Planning District's Water Supply and Water Conservation Plan. The intent of the requirement was to improve water efficiency within the state's public water systems and to serve as a catalyst for creating a culture of water conservation among water managers.

Mr. Gee stated the EPD will post the scores for public inspection. He had been privy to a report that indicated the City was in good shape compared to other communities.

Mr. Leverette stated there are several projects in the current CIP to address water loss control and to address the priority areas in the audit. Those projects were noted as follows: Raw Water Meter Replacement at water treatment plants; Meter Replacement Program/Radio Read; Large Meter Inventory and Replacement; Telemetry System Improvements; Annual Tank

Maintenance; Water Main Extensions/Improvements/Replacements; and Capital Equipment Purchases.

Council Member Hamrick commented on not getting credit for Hall County's use of the fire hydrants. Commissioner Bell stated the Commissioners have probably forgotten why they were providing the crews.

Public Utilities Director Kelly Randall stated there was a lot of information in the appendix of the agenda books. He called attention to the 2" galvanized pipe replacement program indicating there are 14 miles of pipe left to be addressed. When this project first started, there were 139 miles to be addressed.

RECESS: 5:12 PM
RECONVENE: 8:00 AM SATURDAY, MARCH 24, 2012

ATTENDEES:

Council: Dunagan, Wangemann, Figueras, Bruner (Hamrick was absent)
Staff: Padgett, Sheppard, Marlowe, Randall, Dye, Wetherford, Leverette, Gee, Bennett, Jordan
Others: Commissioner Ashley Bell, Ben Williams, Bobby Sills, Brendan Thompson

RECOMMENDED CIP:

Engineering and Planning Section Chief Mak Yari stated the CIP was a vehicle for showing the projects that need to be addressed with a timeline and the associated cost. It is not the financial plan. The change from the current CIP to the proposed CIP represented an 8.8% increase. The distribution between water and wastewater projects is shown as follows:

	Current CIP	Proposed CIP
Water System Projects	\$ 80,115,000	\$ 87,879,000
Wastewater System Projects	\$ 22,154,000	\$ 23,269,000
Totals	\$102,269,000	\$111,148,000

Council Member Wangemann suggested that the County assist with some of the funding.

Upon inquiry from Mayor Dunagan, Mr. Yari stated the utility department was planning for the worst case scenario and has included Cedar Creek Reservoir Project in the CIP.

Public Utilities Director Kelly Randall indicated projects related to transportation were included in the T-SPLOST. If T-SPLOST isn't approved, these projects most likely will be pushed out.

Mr. Yari stated the water system CIP contained nine categories. He highlighted a few projects and called attention to the fact that the GEFA Water Main Replacement Program is no longer included in the CIP. Mr. Yari also stated the wastewater system CIP contained eight categories.

Mayor Dunagan asked about the Islands Sanitary Sewer Extension Project. It was noted this is property within Hall County considered to be an island but not part of Lake Lanier Islands. Public Utilities Director Kelly Randall stated his recollection was that staff was to survey the property owners. He also stated the City had indirectly accepted these areas by virtue of adopting the HB489 Service Delivery Plan.

There was some discussion about the island annexation bill and the limitations it imposes. City Manager Kip Padgett stated if the Council wants to proceed with island annexation, it needs to be done soon.

Mayor Dunagan asked about the purchase of a 10-wheel dump truck thinking one had been purchased recently. Mr. Leverette stated the newest one in Public Utilities Department was purchased in 2004. Mr. Dunagan also asked if there was sharing of the vehicles.

RECESS: 9:06 AM

RECONVENE: 9:19 AM

NOTE: Commissioner Ashley Bell joined the meeting.

RECOMMENDED CIP FUNDING PLAN

Ben Williams stated the theme of the retreat was Holding the Line. He stated the Public Utilities Department had engaged in "Perseverance Raised to the Second Power" to hold the line. He reviewed the definition of perseverance and noted retrospect should also be taken into consideration which looked at the past. Part of looking at the past included applying what had been learned during past experiences. Mr. Williams commented on the difficulties the utility had faced, i.e., the worst drought in Georgia's history, a housing crisis, Judge Magnuson's decision, financial reserve requirements increase, and Account Serve Fee Equalization. The utility held expenses and covered net negative revenues using retained earnings. The utility also continued to scrutinize Operation & Maintenance as well as Capital expenses, planned for additional water supply for July 2012, strengthened sewer service to be self-supportive and implemented an ordinance to equalize the account servicing fee by January 2013.

Public Utilities Director Kelly Randall stated there was a different account servicing fee because it did cost more to go into the county to read the meters. The implementation of the current meter reading program has eliminated that difference.

Mr. Williams stated in 2008, the top three customers generated 27.5% of the revenue. Currently, the top three customers generate 32.6% of the revenue. He also commented on the sewer service being self-supportive and the scrutiny that has been applied to utility expenses.

Mr. Williams stated the Cedar Creek Project is not included in the plan to be presented today. He will present information as to what the funding for that project might be later in the meeting.

Mr. Williams presented the GPUD Five-year Funding Plan which included bonds, a capital project fund and unit charge increases. The funding plan was noted as follows:

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Totals
Total CIP Expense	\$18,765	\$18,385	\$21,725	\$29,144	\$23,129	\$111,148
Bonds	\$ 1,000	\$ 3,850	\$10,500	\$21,400	\$14,829	\$51,579
Capital Project Fund (Cash)	\$17,765	\$14,535	\$11,225	\$ 7,744	\$ 8,300	\$59,569
GEFA/SRF	0	0	0	0	0	0
Connection Fees	0	0	0	0	0	0
3/24/12 Unit Charges Increase Required	+3.24%	+4.0%	+4.53%	+4.77%	+5.03%	+25.5%
3/25/11 Unit Charges Increase Required	+5.0%	+5.0%	+5.0%	+5.0%	N/A	+26.7%
4/23/10 Unit Charges Increase Required	+6.6%	+6.6%	+6.6%	N/A	N/A	+36.1%

(x 1,000)

Mr. Williams stated Gainesville had a good financial plan. It probably was not as good as a Finance Director would prefer and maybe not as good as the Council prefers.

Public Utilities Director Kelly Randall stated the average citizen doesn't realize that 40 cents of every dollar goes toward paying the mortgage.

The Estimated Water Unit Rates Increase Schedule was presented as follows:

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Water Differential	2.00	2.00	2.00	2.00	2.00
Inside Increase	3.0%	4.0%	5.0%	5.0%	5.5%
Workshop 2011	5.0%	5.0%	5.0%	5.0%	
Workshop 2010	8.0%	8.0%	6.0%		
Outside Increase	3.0%	4.0%	5.0%	5.0%	5.5%
Workshop 2011	5.0%	5.0%	5.0%	5.0%	
Workshop 2010	8.0%	8.0%	6.0%		

Public Utilities Director Kelly Randall stated the differential study can't be completed until the audit figures are available (typically in the fall).

Commissioner Bell indicated the County was considering its own differential study. He asked if that could be done without some of the numbers that are required at a later date. Public Utilities Director Kelly Randall stated he didn't think the study could be done without those numbers. He went on to give some history about the differential study and how the city has desired for the county to be a part of the process noting the Council reserves the right to set the rate.

Council Member Wangemann and Council Member Figueras indicated there had been times when the Council continued with a lower differential rate than what was revealed in the study.

There was discussion about the consultant that has been used noting the project could be put out to bid to identify other potential service providers.

Public Utilities Director Kelly Randall stated the County received a copy of the last differential indicating it was his understanding that a company was hired to review the information. He stated staff spent more money providing the information for the county's company to review the information than to complete the study.

The Estimated Sewer Unit Rates Increase Schedule was presented as follows:

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Sewer Differential	1.00	1.00	1.00	1.00	1.00
Inside Increase	3.5%	4.0%	4.0%	4.5%	4.5%
Workshop 2011	5.0%	5.0%	5.0%	5.0%	
Workshop 2010	5.0%	5.0%	6.0%		
Outside Increase	3.5%	4.0%	4.0%	4.5%	4.5%
Workshop 2011	5.0%	5.0%	5.0%	5.0%	
Workshop 2010	5.0%	5.0%	6.0%		

Public Utilities Director Kelly Randall commented on the sewer differential being above 1.0 for some time and felt if the City were trying to benefit from that, this would have been a good opportunity to do so.

NOTE: Commissioner Bell left the meeting

The recommended Funding Plan Resulting Fees and Unit Rates were presented as follows:

WATER	January 2012		January 2013		January 2014	
Account Servicing Fee	\$3.83	\$6.44	\$4.00	\$4.00	\$4.16	\$4.16
Unit Charge per CCF	\$2.37	\$4.74	\$2.44	\$4.88	\$2.53	\$5.06
Tier 2* (>10 CCF ≤18 CCF)	\$2.96	\$5.92	\$3.05	\$6.10	\$3.16	\$6.32
Tier 3** (> CCF)	\$4.74	\$9.48	\$4.88	\$9.76	\$5.06	\$10.12
SEWER	January 2012		January 2013		January 2014	
Unit Charge per CCF	\$7.02	\$7.02	\$7.26	\$7.26	\$7.55	\$7.55
Oakwood per CCF	N/A	\$8.31	N/A	\$8.12	N/A	TBD

Typical customer monthly billing information was presented for all customers showing a comparison between January 2012 and January 2013. It was noted that outside the city customers will notice a decrease in their billing.

Mr. Williams stated looking back showed the following:

- Managing Operation & Maintenance as well as capital expenses was effective.
- Communication with the top ten revenue generating customers was and is critical in planning for changes to billing volumes and other associated revenues.
- Small consistent rate increases can avoid rate shock.
- Pay as you go for capital projects.

Mr. Williams stated perseverance in moving forward should address the following:

- Continue to strengthen water/sewer service to increase capital projects fund balance.
- Promote use of excess wastewater treatment capacity.
- Water supply.

There was some discussion about increasing the water supply.

Mr. Williams commented on the county's water supply project which included both Glades and Cedar Creek. He felt it was important to see the business plan noting it has been requested but has not been provided. He discussed a scenario that would require the utility to increase cost by 50%.

Public Utilities Director Kelly Randall felt the Council should consider (1) allowing staff to prepare a technical memo relaying questions in scoping the project, and (2) preparing a letter from the council clarifying the project is a Hall County project.

Mr. Williams asked Council not accept a statement that we can't afford not to complete the Glades Farm Project. If the project moves forward, the City will be left paying the cost and dealing with the customers.

RECESS: 11:08 AM
RECONVENE: 11:25 AM

CUSTOMER SERVICE ISSUES

Fire Sprinkler System Discussion

Public Utilities Director Kelly Randall stated the Fire Sprinkler System issue was the last inequity to be addressed. He indicated the sprinklers use a double detector checking mechanism. He commented on leak problems within these systems indicating when the problem is not corrected, the sprinkler must be turned off and that action is reported to the Fire Marshal. He referenced Section 10-1-45 from the City Code Book and recommended implementing a monthly fee (based upon tap size) over the next four years. The proposed fee schedule was noted as follows with a notation that a 2" tap size needed to be included:

Tap Size	ASF Jan 2013	¼ Fee Jan 2014 Plus ASF	½ Fee Jan 2015 Plus ASF	¾ Fee Jan 2016 Plus ASF	Monthly Fee Jan 2017 Plus ASF
4"	\$4.00	\$9.63	\$19.26	\$28.89	\$38.50
6"	\$4.00	\$11.63	\$23.26	\$34.89	\$46.50
8"	\$4.00	\$16.63	\$33.26	\$49.89	\$66.50
10"	\$4.00	\$29.38	\$58.76	\$88.14	\$117.50

Council Member Bruner confirmed this fee is appropriate because this is a service with a cost that is not being collected at the customer level.

Mr. Randall asked for direction on implementation. Council felt this should be presented with the budget information and asked that the customers be notified between June and December.

Deposits

Finance and Administrative Division Manager Tina Wetherford stated a cost study was conducted in 2008. The utility wants to cover the exposure. There was reference to Section 10-1-43 of the City Code Book entitled *Premises where water and/or sanitary sewer service are provided*. She commented on how the current ordinance is applied. She noted the people on the cutoff list are repeat offenders. An analysis has determined the fee for outside customers needed to be adjusted. There was a recommendation for additional deposits as noted below:

INSIDE CUSTOMERS	
5/8" – 3/4" Meter	Deposit Balance
Initial Deposit: \$155.00	\$155.00
First cutoff – additional deposit: \$0	\$155.00
Second cutoff – additional deposit: \$77.50	\$232.50
Third cutoff – additional deposit: \$77.50	\$310.00
Fourth cutoff – additional deposit: \$77.50	\$387.50
OUTSIDE CUSTOMERS	
5/8" – 3/4" Meter	Deposit Balance
Initial Deposit: \$215.00	\$215.00
First cutoff – additional deposit: \$0	\$215.00
Second cutoff – additional deposit: \$107.50	\$322.50
Third cutoff – additional deposit: \$107.50	\$430.00
Fourth cutoff – additional deposit: \$107.50	\$537.50

Council agreed to proceed with a proposed ordinance to be submitted in June with the budget information.

City Manager Kip Padgett asked the department to review the fee structures to determine if there are any other inequities. If yes, he suggested that they be addressed in June as well.

COUNCIL COMMENTS

Council extended words of appreciation to the staff for the information that was gathered and presented.

ADJOURNMENT: 12:07 PM

/dj