

**OFFICIALS PRESENT:** Dunagan, Hamrick, Figueras, Bruner, Wangemann, Couvillon

**STAFF PRESENT:** Padgett, Sheppard, Marlowe, Dockery, Randall, Dye, Bennett, Wetherford, Leverette, Gee

**OTHER ATTENDEES:** Ben Williams, Hill Baughman, Betsy Massie, Doug Baughman, Brendan Thompson, Bobby Sills

Assistant Public Utilities Director Don Dye extended a welcome and reviewed the itinerary. He read the mission statement of the Public Utilities Department then reviewed some of the goals noting the FY'14 and FY'15 goals were included in the appendix section of the notebook.

There was discussion about the City being a giving community based upon the collections from the H2O round up program. Council Member Figueras asked how the funds were distributed.

Public Utilities Director Kelly Randall presented the State of the Utility in regards to the following categories:

- Active water and sewer customer accounts
- Water meters sold
- Locations of water meters sold for FY'13
- Wastewater connections sold
- Water distribution and wastewater collection systems
- Historical rainfall
- Annual average water pumped versus returned flows
- Water pumped to system
- Trend for real and apparent water losses percentage
- Historical and projected maximum month average day water demands and withdrawals
- Historical and projected maximum day water demands and withdrawals
- Projected maximum month average day wastewater flows and treatment capacities
- Historical and projected maximum month average day wastewater flows and treatment capacities
- Actual expenditures for projects
- Comparing employees and customers
- Expenses and obligations
- Effective inside rate increases

Mr. Randall reviewed the recommended five-year CIP as summarized below.

<b>Water System Project Type</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Water Treatment Plants	4,050	6,300	900	950	0
Water Main Extensions / Improvements / Replacements	2,375	2,000	2,000	2,000	2,000
Utility Relocation Related to Transportation system Improvements	1,975	5,400	7,375	8,550	6,050
Distribution System Improvements	2,570	2,965	520	522	423
Tank Maintenance Program	350	350	450	450	450
Water System Studies	350	0	0	0	0
Facilities Improvements / Expansion	100	0	0	0	0
Water System Capital Equipment	0	0	110	0	0
<b>Water System Totals</b>	<b>\$ 11,770</b>	<b>\$ 17,015</b>	<b>\$ 11,355</b>	<b>\$ 12,472</b>	<b>\$ 8,923</b>
<b>Wastewater System Project Type</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Sanitary Sewer Replacement / Rehabilitation	1,613	2,614	1,000	1,000	900
Water Reclamation Facilities	525	1,525	5,248	2,457	1,294
Sewerage System Improvements	600	600	600	600	600
Utility Relocations Related to Transportation System Improvements	50	850	1,425	1,425	800
Wastewater System Studies	100	250	0	0	0
Facilities Improvements / Expansion	100	0	0	0	0
Wastewater System Capital Equipment	150	0	0	200	0
Watershed Protection	1,465	340	345	635	0
<b>Wastewater System Total</b>	<b>\$ 4,603</b>	<b>\$ 6,179</b>	<b>\$ 8,618</b>	<b>\$ 6,317</b>	<b>\$ 3,594</b>

(x \$1,000)

Mayor Dunagan asked how many of the transportation related projects were included in the proposed rate increase and expressed his opinion that increases to water rates should not be based upon hopes that the transportation projects will move forward.

Mr. Randall stated it was important to present a funding program that captured all possibilities. He discussed the negative side of not including transportation projects in the funding plan that are later addressed, i.e., big rate increases. He also commented on including them in the funding plan and if they are not addressed the increase would be minimal.

**RECESS: 11:08 AM**  
**RECONVENE: 12:03 PM**

**Current Financial Situation**

Finance and Administration Division Manager Tina Wetherford presented the current financial status of the department in regards to water and wastewater billing volumes as well as total revenue. She presented the revenue profile for FY'12 and FY'13 as well as the budgeted and projected FY'14 revenues. It was noted that the account servicing fee does not cover the actual cost. A conscious decision was made to reduce the fee in an effort to eliminate the perception of unfair treatment.

There was discussion about the history of the Squirrel Creek water rate.

Ms. Wetherford reviewed historical information regarding the rate differential. She also stated a cost of services analysis was completed and summarized each the following user fees:

- Water tapping fee
- Sewer tapping fee
- Turn-on fee
- Turn-off fee
- Fee to turn off water for non-payment
- Water main inspection fee
- Sanitary sewer inspection fee
- Fire hydrant meter fees
- Credit card fee per transaction
- Building inspection coordination fee
- Backflow inspection fee
- Pretreatment inspection fee
- Stream monitoring fee
- Water and wastewater testing fee

It was noted that a complete list of the water/wastewater testing fees was provided in the appendix.

The department did not recommend implementing a credit card fee per transaction noting there had never been a charge for this service. Mayor Dunagan asked for the average payment per transaction.

Ms. Wetherford presented the following recommended changes to the cost of services fees:

Service	Current Fee	Recommended Fee
1½" Water Meter Tapping Fee	\$2,815	\$2,700
2" Water Meter Tapping Fee	\$4,776	\$3,550
Sewer Tapping Fee	\$1,012	\$ 900

Mayor Dunagan commented on the County's sewer tapping fee noting it was much higher than the City's fee. Council Member Hamrick asked how the cost of services fee compared to Gwinnett.

Ms. Wetherford presented the water and wastewater comparison profile in regards to use, customers and revenue. She also presented information regarding the top revenue producing customer comparison of total water/sewer sales compared with the top ten and the top three customers. The slides showing large industrial customers – wastewater capacity used documented usage from March 2012 to January 2014. It also showed the impact of the inclement weather events on the system. A comparison of January and February 2014 revealed a decrease in usage of 125,000,000 gallons attributed to inclement weather. The top ten customers were noted as follows:

TOP TEN CUSTOMERS	
Water	Wastewater
Fieldale Farms Corp	Fieldale Farms Corp
Pilgrims Pride	Pilgrims Pride
Mar Jac Poultry Inc.	Mar Jac Poultry Inc.
Islands Management Company LLC	Northeast Georgia Medical Center
Kings Delight	Kings Delight
Northeast Georgia Medical Center	Hall County Commissioners
Cargill Inc.	Cargill Inc.
Hall County Commissioners	Mid America Apartment Commission
Hall County Board of Education	Pro View Foods LLC
Wrigley Wm Jr. Company	Gainesville Housing Authority

Mrs. Wetherford presented the departmental budget information as it pertains to revenues and expenses for FY'14 actual budget, FY'14 projected totals and FY'15 proposed budget. She stated the proposed budget was a 3.53% decrease in the operating budget.

**RECESS: 12:51 PM**

**RECONVENE: 1:59 PM**

### **Storm water**

City Manager Kip Padgett commented on the challenges the City has faced regarding storm water. Several staff members were asked to determine (1) if Public Works was the department to handle this (2) what are the current issues and (3) what is the cost to resolve the issues. He reminded Council that storm water was not supported in 2001 and the city was now faced with being reactive to resolve problems.

Mr. Padgett showed a photograph of a rusted pipe with storm water running underneath instead of through the pipe. This causes erosion. When the pipe breaks, the road will be closed for several months. Mr. Padgett also showed a video of a flooding problem on Memorial Drive. He stated the problem must be resolved and will require a funding source. If the funding comes from the General Fund, other areas will suffer.

Public Works Director David Dockery discussed storm water infrastructure. The first area of discussion was the general inventory of the pipe system. It was noted that there was 170 miles of pipe in the ground with sizes ranging from 6" to 120" in diameter. A variety of materials was used in the pipe system. The major concern stems around 395,034 feet of corrugated metal. There was a brief summary of drop inlets, catch basins, junction boxes and end walls. An inventory of these structures revealed the following:

<b>Type</b>	<b>Total</b>
Detention Ponds	222
Catch basins	4,552
Drop inlets	2,679
Junction boxes	1,732
Head/End walls	5,071
Outfalls	915

Mr. Dockery discussed the storm water operations of the Public Works Department indicating various duties were assigned to the Streets and Engineering Divisions. Mr. Dockery also commented on several storm water studies and their findings. He specifically mentioned the Storm Drainage Study, the Storm Water Feasibility Study and the Storm Water Utility GIS/GPS Inventory Project Work Plan.

City Manager Kip Padgett commented on reassigning the MS4 (Municipal Separate Storm Sewer System) responsibilities to the Public Utilities last year. These duties fall under the direction of Environmental Services Administrator.

Mr. Dockery discussed pending regulations to be addressed as noted below.

- MS4 Permits must address Total Maximum Daily Loads (TMDL's)
- New MS4 impaired waters plan/monitoring and implementation
- Development of MS4 enforcement response plans
- Potential integration of MS4 and wastewater permit reports/plans

It was noted that an ordinance was being drafted to address some storm water issues. The ordinance contained 160± pages and must be adopted by March 2015. This was a testament to the level of detail required for this subject. It was also noted that annual compliance reporting to the Environmental Protection Division required substantial supporting details as well.

Mr. Dockery discussed areas with known problems which included but was not limited to Wilshire Trails at Pearl Nix Parkway, South Enota Drive at Rushton & Company, Dixon Drive near Wessel Road, Boone Street to Mill Street Housing Complex and Robinhood Trail at Lake Brenau. He discussed the immediate funding needs as itemized in the five year capital improvement programs for storm water projects totaling \$7.5 million.

Council Member Figueras asked how does Hall County government fit into the equation and had there been any discussion with County staff to create partnerships on this subject.

Mr. Dockery closed by discussing storm water expenditures since 2001 which totaled \$3.2 million. He commented on the Ogden/AMEC Study completed in 2000 that required \$2 million annually to fund storm water related issues. If this had been implemented, \$26 million would be available to fund storm water infrastructure. The City will need \$206 million over the next twenty years.

**RECESS: 3:05 PM**  
**RECONVENE: 3:18 PM**

### **Storm water (continued)**

Doug Baughman, CH2MHill, stated Mr. Dockery did a good job outlining the importance of storm water management. He felt some of the reasoning included increasingly stringent regulations, national precedents, aging infrastructure, heightened community concern for flood protection, environmental stewardship and funding limitations. He stated Georgia allows funding through (1) the general fund, (2) increases to water/sewer fees, (3) special assessments, impact fees and/or other charges and (4) storm water utility fees. He discussed the advantages and disadvantages for funding through these four options.

Mr. Baughman indicated there are approximately 50 storm water utilities throughout the state noting a strong legal precedence had been established. There was discussion about the fees within established storm water utilities which range from \$1.25 to \$6.25 per month.

Public Utilities Director Kelly Randall called attention to the fact that there is a difference between funding a storm water utility and the method for billing it.

Mr. Baughman stated storm water utilities are usually established via resolution/ordinance. There was discussion about the billing methods/options with the most common being inclusion on the water bill or property tax bill. The Georgia Municipal Association and the Association County Commission of Georgia should be a helpful resource.

Mr. Baughman stated storm water systems operate similar to sanitary sewer systems. They should be considered a service that is provided and the fees that are collected must be used for storm water management which can include flood protection, drainage improvements, mapping infrastructure, protection of habitat, reduction of polluted runoff and maintenance activities. The fees would be based on the services that are provided and all properties should pay the fee.

Mr. Baughman stated it was critical to gain the buy-in of the real estate community. He also stated it is important to get people thinking about this in the same manner as sanitary sewer systems emphasizing both protect the environment.

Council Member Hamrick asked how to get the day time population to help fund this utility.

Mr. Baughman stated a storm water user fee is based upon the extent to which each property contributes to storm water runoff, the amount of impervious area on each property and the cost of implementing the program. A well-defined rate structure is legally defensible and balances objectives when it considers residential, nonresidential and undeveloped property. It also requires a credit system for efforts of private/public entities to help reduce storm water management cost.

Mr. Baughman stated the key issues associated with a storm water utility include billing options, program definitions, extent of service, database development, public involvement by key stakeholders and public education. He proceeded to discuss each issue.

Mayor Dunagan confirmed there could be a fee for small, medium, large and extra-large structures. He supported the concept and felt this issue should be addressed after the SPLOST vote. He agreed with starting small to implement the utility then figure out what is needed to resolve problems and establish a long term payout.

Council Member Wangemann expressed a desire for participation from all governmental entities within Hall County. The Mayor wasn't inclined to wait for Hall County to participate.

Upon inquiry from Council Member Figueras, it was noted that each governmental entity has their own MS4 permit.

Mr. Baughman discussed the 2001 study and the recommendations at that time which was to include the fee on the water and sewer bill. Some decisions were made regarding database development and some public meetings were held to discuss this issue.

Council Member Couvillon expressed a concern that tax payers may feel they are paying double when government pays its share because the government funds originate from the residents.

### **EXECUTIVE SESSION:**

Mayor Dunagan requested an Executive Session to discuss personnel matters. City Manager Padgett requested an Executive Session to discuss real estate matters.

**Motion to close the workshop at 4:34 PM to enter an Executive Session to discuss personnel and real estate matters.**

Motion made by Council Member Wangemann  
Motion seconded by Council Member Couvillon

**Votes favoring the motion: Hamrick, Figueras, Bruner, Wangemann, Couvillon**  
**Officials Absent:**

OFFICIALS PRESENT: Dunagan, Hamrick, Figueras, Bruner, Wangemann, Couvillon  
STAFF PRESENT: Padgett, Sheppard, Jordan

**Motion to close the Executive Session at 5:14 PM and to recess the workshop.**

Motion made by Council Member Wangemann  
Motion seconded by Council Member Couvillon

**Votes favoring the motion: Hamrick, Figueras, Bruner, Wangemann, Couvillon**

**RECESS: 5:14 PM**  
**RECONVENE: March 29, 2014, 8:35 AM**

Public Utilities Director Kelly Randall reconvened the workshop.

**Storm water/Watershed: A Path Forward**

Mr. Randall felt the City's storm water management was consistent with the 2014 statewide grade determined by the Georgia Section of the American Society of Civil Engineers. He reminded everyone of the \$206 million cost to address storm water needs for existing infrastructure over the next twenty years noting this was the minimum cost. He also discussed the water and sanitary sewer system challenges from the past compared to their current status noting the department had received a variety of awards for the improvements over the last few years. Mr. Randall stated the City had overcome challenges in other areas and can overcome the challenges associated with storm water management.

Mr. Randall briefly discussed the following action items and shared ideas on how to proceed with each:

- Emphasize the fact that water is water and all water issues should be handled by the Public Utilities Department
- Add a storm water utility fee to the utility bill
- Adopt a storm water ordinance within the next year
- Transfer staff from the Public Works Department to the Public Utilities Department
- Hold public meetings to educate the community
- Use interns to update GIS storm water information

The following implementation schedule was noted:

<b>PROPOSED STORMWATER MANAGEMENT IMPLEMENTATION SCHEDULE</b>	
<b>Target Date</b>	<b>Action Item</b>
August 2013	Council direction to explore storm water options
March 2014	Present preliminary plan at Public Utilities Department Workshop
April 2014	Adopt a resolution to proceed with the plan
July 2014	Change the name of the department
July 2014	Create a storm water crew in Distribution and Collection
April – August 2014	Assess pending regulations/facilities costs and impacts
April – August 2014	Define funding sources/set up financial model
August 2014	Present funding source recommendations to the governing body
September 2014	Prepare and present public education materials
October 2014	Adoption of initial fee structure
November 2014 – March 2015	Updated storm water financial model
March 2015	Update storm water program at Workshop
March 2015	Begin fee collections
July 2015	Begin CIP construction projects

**RECESS: 9:37 AM**  
**RECONVENE: 9:46 AM**

**Water and Wastewater Recommended Funding Plan**

Ben Williams, Jacobs, introduced staff.

Brendan Thompson, Jacobs, began by indicating the theme for the discussion was “Continued Cautious Optimism” indicating he considered this to be “Holding the Line.” The purpose of the presentation was to learn from the past, present the current conditions and project the future.

Highlights from the discussion were noted as follows:

- The expense profile includes (1) operations and maintenance (2) debt service, (3) capital fund transfer (4) other non-operating expenses and (5) account servicing fee.
- The cost to service all accounts was calculated to be \$3.3 million. A total of \$2.3 million was collected from fees and the remainder comes from water unit rates.
- The cost of services analysis indicated the current charges cover all cost except the account servicing fees.

Bobby Sills, Jacobs, presented information to make practical projections into the future. Major considerations include housing and employment trends, industrial customers and billing volume trends. These projections help minimize the risk by annually recalculating the financial plan. He presented trends for each major consideration.

Ben Williams stated the funding program to be presented was for the Water and Sewer Enterprise Fund. It should not be confused with the Water, Sewer and Storm Water Enterprise Fund. The five-year funding plan was presented as follows:

	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>Totals</b>
Total CIP	\$ 16,373	\$ 23,194	\$ 19,973	\$ 18,789	\$ 12,517	\$ 90,846
Capital Project Fund	\$ 16,098	\$ 18,894	\$ 12,923	\$ 9,364	\$ 8,367	\$ 65,646
Debt (FY17 \$25.0 million)	\$ 275	\$ 4,300	\$ 7,050	\$ 9,425	\$ 4,150	\$ 25,200
Operating Expenses	\$ 28,747	\$ 29,466	\$ 30,202	\$ 30,958	\$ 31,732	\$ 151,105

(x \$1,000)

<b>Water and Sewer Unit Charge Increase Requirements (Weighted Average)</b>						
3/28/14 Unit Charges Inc Req	+1.77%	+2.25%	+2.50%	+2.50%	+2.50%	+12.1%
3/16/13 Unit Charges Inc Req	+3.76%	+4.52%	+4.76%	+5.00%	N/A	+22.9%
3/24/12 Unit Charges Inc Req	+4.53%	+4.77%	+5.03%	N/A	N/A	+23.5%
3/25/11 Unit Charges Inc Req	+5.00%	+5.00%	N/A	N/A	N/A	+26.7%

Mr. Williams commented on the Five Year CIP in regards to the amount of debt required to fund the projects noting 72% of the projects were paid using cash.

Mr. Williams presented the Estimated Water Unit Rates Increase Schedule as follows:

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Water Differential	2.00	2.00	2.00	2.00	2.00
Inside Increase	2.25%	2.25%	2.5%	2.5%	2.5%
Workshop 2013	4.0%	5.0%	5.0%	5.5%	
Workshop 2012	5.0%	5.0%	5.5%		
Workshop 2011	5.0%	5.0%			
Outside Increase	2.25%	2.25%	2.5%	2.5%	2.5%
Workshop 2013	4.0%	5.0%	5.0%	5.5%	
Workshop 2012	5.0%	5.0%	5.5%		
Workshop 2011	5.0%	5.0%			

Mr. Williams presented the Estimated Sewer Unit Rates Increase Schedule as follows:

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Sewer Differential	1.00	1.00	1.00	1.00	1.00
Inside Increase	1.25%	2.25%	2.5%	2.5%	2.5%
Workshop 2013	3.5%	4.0%	4.5%	5.0%	
Workshop 2012	4.0%	4.5%	4.5%		
Workshop 2011	5.0%	5.0%			
Outside Increase	1.25%	2.25%	2.5%	2.5%	2.5%
Workshop 2013	3.5%	4.0%	4.5%	5.0%	
Workshop 2012	4.0%	4.5%	4.5%		
Workshop 2011	5.0%	5.0%			

Mr. Williams presented the recommended Funding Plan Resulting Fees and Unit Rates as follows:

<b>WATER</b>	<b>January 2014</b>		<b>January 2015</b>		<b>January 2016</b>	
	Inside	Outside	Inside	Outside	Inside	Outside
Account Servicing Fee	\$4.25	\$4.25	\$4.75	\$4.75	\$5.25	\$5.25
Unit Charge per CCF	\$2.53	\$5.06	\$2.58	\$5.16	\$2.63	\$5.26
Tier 2* (>10 CCF ≤18 CCF)	\$3.16	\$6.32	\$3.22	\$6.44	\$3.28	\$6.56
Tier 3** (>18 CCF)	\$5.06	\$10.12	\$5.16	\$10.32	\$5.26	\$10.52
<b>SEWER</b>	<b>January 2014</b>		<b>January 2015</b>		<b>January 2013</b>	
Unit Charge per CCF	\$7.39	\$7.39	\$7.48	\$7.48	\$7.64	\$7.64
Oakwood per CCF	N/A	\$8.40	N/A	\$7.99	N/A	TBD

It was noted that the Oakwood rate had decreased because of retired debt service. Also, upon request from the City of Oakwood, \$2.00 will be added to the \$7.99 per CCF. The additional collection will be applied to Oakwood’s debt service.

Mr. Williams also commented on the typical residential customer monthly bill indicating the largest increase would be less than \$5 for the inside city customer and \$2.10 for the outside city customer. Large volume customers inside the city will see a difference as low as \$1,400.50 and as high as \$7,000.50. Large volume customers outside the city will see a difference as low as \$1,900.50 and as high as \$9,500.50.

Mr. Williams commented on industrial customers understanding small inflationary increases better than spiked increases. They don’t want an increase but they expect inflation to be a consideration.

Council Member Couvillon shared his opinion that when things are good, we need to hold the line for the sake of the citizens we serve. He also expressed a desire to increase and save for the future instead of increasing and spending the funds.

Public Utilities Director Kelly Randall agreed with Mr. Couvillon. He stated increasing the account service fee to \$6.07 would have consequences.

Mayor Dunagan agreed with Mr. Couvillon’s comments. He expressed a desire to place the road projects into the capital improvement plan when property is acquired. He felt there was a need to look at the account servicing fee to see what can be done. He expressed a desire to not have a rate increase one year and suggested using two weeks of the reserve to keep from increasing the rate. He felt the more you increase the rate, the more the customers will focus on conservation. Mr. Dunagan stated he would not support a rate increase.

Mr. Randall stated different scenarios could be reviewed.

Council Member Wangemann was in favor of no increase for a year or two but was not in favor of no increase followed by a huge peak.

Mr. Williams felt it was important to focus on the following:

1. Expanding the sewer service area
2. Future water supply
3. Water and sewer master plan update
4. Top ten revenue producing customers
5. Independent storm water enterprise fund

Mr. Williams recommended adoption of the proposed account servicing fee to cover the actual cost. He also recommended raising the unit rates as required by the funding plan as presented to support the CIP. The only way to do anything else would be to reduce the capital spending or the operations and maintenance.

**RECESS: 11:16 AM**  
**RECONVENE: 11:33 AM**

### **City Manager's Comments**

City Manager Kip Padgett stated based upon the comments, it appears that the Council would like for staff to develop a storm water utility at the staff level with sensitivity to the SPLOST schedule and separate from the water/sewer enterprise fund.

Upon direction from the City Manager, Mr. Randall presented other financial models that would change the funding recommendation. Council asked staff to run a scenario that reduced the road projects in the capital improvement plan for 2017. Council Member Bruner asked to apply this concept to all scenarios.

Council shared thoughts about the work shop. They also extended appreciation to the staff and the consultants.

/dj