

**JACKSON COUNTY WATER
AND SEWERAGE AUTHORITY**

MEETING MINUTES

April 8, 2010

Chairman Pugh called the meeting to order at 6:01 p.m. Members present included Chairman Randall Pugh, Board Member Shade Storey, Board Member Andy Goodman and Board Member Dr. Neelagaru. Also present: Manager Eric Klerk, Attorney Paul Smart, CIO/GIS Analyst Mike Johnson, Chief Engineer Fred Alke, Wastewater Manager Mark Dudziak, Water Manager Stacy Jenkins, Finance Director Judy Davis and Board Secretary Karen Johnson. Visitors included Mark Beardsley with The Main Street News, Duane Schlereth with Bates, Carter, Scott Adams with Brown and Caldwell and Consulting Engineer Rob McPherson.

APPROVAL OF MINUTES

Member Goodman made a motion to approve the minutes of the March 11, 2010 regular meeting and the April 1, 2010 work session minutes as presented.

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

VISITORS

Duane Schlereth, Bates, Carter and Company

NEW BUSINESS

Presentation of 2009 Audited Financial Statements

Chairman Pugh introduced Duane Schlereth with Bates, Carter. Mr. Schlereth thanked Manager Klerk, Finance Director Davis and her staff for their assistance with the 2009 Audit. He reported that there were no findings and complimented our internal controls. Mr. Schlereth said Bates, Carter issued a clean opinion. After highlighting certain areas of the report, Mr. Schlereth asked if the board had any questions.

Chairman Pugh requested the statement on page 16, note 7 be reissued (the Authority is not a defendant in any lawsuits) and the acceptance of the audit report be deferred until after the corrections are made.

Water System Pressure Corrections

Manager Klerk stated after further research regarding the Hoods Mill area low pressure complaints that public bidding to correct the problem may not be necessary. The installation of a proposed automatic valve on the outside of the building is not necessary. He said Water Manager Jenkins went out to the site to take another look at the situation. Manager Klerk said there are two other less expensive alternatives that can be done in-house and are within his discretionary spending. The first alternative is to use an existing automatic valve that is already inside the pump station and remove one of the three pumps (the 125 hp pump) for installation of a spooled piece of pipe to act as the bypass. Details will have to be worked out but the valve will operate in the same way as the new valve that was proposed in last week's meeting. The other alternative would be to leave the current pump in, add tees and more extensive piping thereby bypassing around the 125 hp pump.

No action was taken as none was now necessary

On-Demand Engineering Services Policy Proposed Revisions

Chairman Pugh said Vice Chairman Ehrhardt reviewed the proposed policy and had some recommendations to make the policy better. Manager Klerk said those recommendations were good ideas and he and Attorney Smart wrapped those into the existing proposed policy. In Section 2, the change is: beginning 2010 every third calendar year we will go out for request for qualifications. In Section 3, the change is: the agreement will be for one year but we will have the option to renew the selected firms' contract for an additional year but not beyond three years. Attorney Smart has reviewed the contract that goes along with the policy and it is more than adequate to protect the Authority.

Member Neelagaru made a motion to approve the On Demand Engineering Services Policy.

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

MANAGER'S REPORT

EXISTING WATER INFRASTRUCTURE & INVESTMENT

The Water & Sewer Authority presently has close to 398 miles of water line in the ground. Included with these water lines are 2,951 fire hydrants, 8 pumping stations and 6 water storage tanks. Except for some portions of Eastern Jackson County, particularly east of Hwy 441, the county is covered either by the Authority or a municipality. Most of the funding for the backbone of the water system was through the SPLOST money allocated to the Authority by the Board of Commissioners.....just since 2005 SPLOST has contributed **\$8.2 million** to water infrastructure, total SPLOST received since its inception is roughly **\$32.4 million**.

The Authority's additional investment which includes bonds and GEFA loans is about **\$17.1 million**.

Private residential, commercial and industrial development has made significant contributions to the water system at specific locations since the Authority has absorbed their systems as they are approved and operating successfully after one year. Private development's contribution to water lines is estimated at **\$13.7 million**.

Miles of public initiated trunk lines = 178.39

Miles of private donated (development) lines = 220.71

The Authority's water supply, thanks to Jackson County's **\$50 million** investment in Bear Creek Reservoir and treatment plant, presently allows Jackson County to draw up to 9 million gallons per day of treated water. The Authority sells between 2 to 4.5 million gallons per day on average to Jackson County customers.

EXISTING SEWER INFRASTRUCTURE & INVESTMENT

The Water & Sewer Authority presently has close to 54 miles of sanitary sewer lines in the ground, including 9 lift (or pumping) stations and 1341 manholes. The gravity sewer portion the Authority's system runs in a northerly direction from Hwy 11 just west of Jefferson, then west to service the Traditions area, then continues north over I-85 to service the Valentine Industrial Park and Pendergrass area. From here the system is pressurized, i.e. it operates by pumps and force main, east to the Dry Pond area. This is basically the spine of the sewer system. Since 2001, the Authority has invested close to **\$24 million** in the spine of the sewer system. Again, private development's contribution is significant, with just over **\$4 million** invested.

Miles of public initiated trunk lines = 14.80

Miles of private donated lines = 39.16

ANTICIPATED GROWTH VS. CURRENT ECONOMIC CONDITIONS

From about 2001 forward, the Authority was predicting major residential, commercial and industrial growth. This was the beginning of the Authority's investment in sewer infrastructure. In terms of customer base, growth defined by the number of water and sewer taps sold by the Authority dramatically jumped in 2003 and continued at over 15% per year until mid-2007. The Authority gained over 3700 water customers during this period. As you are aware, the bottom dropped out of the economy and in 2009 the water customer growth slowed to about 1.7%. One of the reasons for the large water customer gain at that time was due to the fact that the majority of residential developments in Jackson County were provided Authority water, where as a much smaller number were connected to our sewer.

Sewered customers have lagged behind and the flat market has left our sewer system "overbuilt". The Authority only has roughly 530 customers, primarily residential. The Traditions of Braselton Development alone has 1000 unused sewer connections. Other residential developments' unused sewer connections total 890. So there are 1890 residential unused sewer lots presently not generating revenue. The only significant industrial user on our system is Toyota Compressor and they use anywhere from 10,000 to 30,000 gallons per day; otherwise industrial customers to date have been minimal users of water and sewer.

The collection system has the capacity to accept future flows from these developments but the ability to treat the wastewater and expand the one plant owned by the Authority is ongoing and must be done in small steps since the Authority's borrowing ability is used up.

GOING FORWARD

The Authority hopes that in the future development will be governed by the Jackson County Comprehensive Plan currently in development and taking shape.

Once adopted this should serve to guide development to areas already poised to provide water and sewer, whether the services are provided by a municipality or the Authority.....and it steers industrial and commercial development close to or at existing public sewer. This will allow public sewer providers like the Authority and municipalities to increase its customer base with no upfront investment. Importantly for us, as the economy improves it's hoped building will rebound and homes will begin to sprout on the vacant lots with existing sewer service.

As previously mentioned the Authority will use any funds available to upgrade its wastewater treatment capacity at its single facility on Hwy 11. It will not pursue any loans because of the **\$25 million** it still owes on sewer projects. Gains in treatment capacity will need to be supplemented by a larger sewer customer base.

Lastly, the Authority's water supply, Bear Creek, is expected to meet the needs of its customers until at least 2025 unless substantial population growth returns. The treatment plant can be expanded an additional 5 million gallons per day with relatively little capital investment which, by Jackson's 43% entitlement share of treated water, would yield Jackson an additional 2.2 million gallons per day. This would increase Jackson's take from the plant from its current 9 MGD to over 11 MGD.

Although a reservoir site study was completed last December and several sites have been identified as viable, no continuation of work will commence without outside funding so the project is on hold indefinitely. In times of water scarcity, the Authority does have the ability to purchase water from both the City of Commerce and the City of Gainesville.

In summary water supply and distribution infrastructure appears adequate to take us into the future, but increasing treatment capacity and continuing to meet sewer debt service may be a money issue for the Authority over the next few years.

CLOSING REMARKS

Chairman Pugh asked what the status of the county's GIS system is. CIO/GIS Analyst Johnson gave a brief overview of how our system works. He then explained how our system differs from Jackson Counties GIS system but also how the two systems work together.

With there being no further business to discuss, the meeting was adjourned at 7:05pm.

Karen Johnson
Board Secretary