TOWN OF MOUNT PLEASANT, SOUTH CAROLINA
WATER SUPPLY COMMITTEE
MONDAY, JUNE 2, 2014
12:30 P.M.

Municipal Complex Building A - Public Meeting Room 1

MINUTES

Members Present:  Mark Smith, Chair, Ken Glasson
Member Absent:  Paul Gawrych
Staff Present:  Eric DeMoura, Town Administrator
Also Present:  Clay Duffie, General Manager, Mount Pleasant Waterworks

Call to Order: Chairman Smith called the meeting to order at 12:51 p.m.

1. Approval of Minutes from the March 31, 2014 meeting
   Mr. Glasson moved to approve the minutes; motion seconded by Mr. Smith. Motion carried unanimously.

2. Mount Pleasant Waterworks
   a. FY 2015 Strategic Business Plan
      Mr. Clay Duffie with Mount Pleasant Waterworks gave a slide presentation as follows:

   Water Supply Committee Recap
   - Capital Improvement Plan / Asset Management
   - Cost Recovery Policy amendments
   - Proposed FY 2015 Budget

Strategic Business Plan and Budget Document
Capital Improvement Plan

- Addresses Commission’s needs related to acquisition, expansion, and rehabilitation of long-lived facilities and infrastructure.

CIP Major Changes Between FY13 & FY15
FY2015 & FY2016 Capital Budget = $39,815,864

Admin:
- Relocations: Hwy 41 Widening; Gregorie Ferry Connection.
- Rolling Assets: Large generator; excavators.
- Facilities: Furniture and fixtures; phone system; building upkeep.

Wastewater:
- Collection: 10-yr plan for clay pipe/TV inspection/evaluation.
- Pump Stations: Backlog based on useful life and risk assessment.
- Forcemains: Hwy 41 & US17N master plan; Asset Management.
- Treatment/Disposal: Asset management; backlog of R&R with upgrade.

Water:
- Distribution: Meters; system redundancy; increase to Bolts and Saddles; begin replacement of AC pipe.
- Treatment: Miscellaneous asset management; process equipment.
Cost Recovery Policy

• Purpose - The Cost Recovery Policy is the document that guides and directs the Commissioner’s decisions relating to rates, charges, and fees. It also sets goals the Commission hopes to attain relating to equity and fairness, as well as benchmarks and minimum standards relating to the utility’s financial performance. The document also affirms many of the legal requirements that relate to cost recovery and financial performance.

Mr. Duffie noted that they were proud to receive an upgrade in their bond rating this year up from AA to AA+. He congratulated the Town on receiving an upgrade also up to AAA. He said this speaks well for the whole community.

Approved Changes

• Policy Document Format
This revision to the Cost Recovery Policy establishes a more logical flow and more narratives to provide the reader with in depth explanations and a restructure of the table of contents.

• Basic Facility Charges (BFC)
The Commission incurs “fixed costs” for providing services to its customers, including debt service, billing and collection, meter reading and maintenance, applicable customer service and general administrative costs. Furthermore, the BFC includes recovery of the capital contribution required for the pro-rata water capacity provided by Charleston Water System (CWS). Basic Facility charges are base charges that are to be paid by all customers of the utility each month, to recover these fixed costs, and provide equity and stability.
• **Wastewater Excessive Use Charges**
Revenues from the excessive use charge are generated by existing customers that utilize wastewater capacity on a monthly basis above their allocated capacity. The excessive use charge is intended to recover capacity charges (impact fees) not paid for, and the additional cost to provide the extra capacity for these customers. This charge creates equity between customers that paid for all the capacity they are using and those that did not. Planned implementation is January 2016.

• **Wastewater Maintenance Fee**
This fee is proposed to be eliminated effective July 1, 2014.

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**FY 2014-2015 Operating Budget**

<table>
<thead>
<tr>
<th>Operating Expenditures Budget:</th>
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<tr>
<td><strong>Fiscal Year 2014 Revised</strong></td>
<td>$23,927,942</td>
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<td>O&amp;M Expenditures</td>
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<tr>
<td>Debt Service</td>
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<tr>
<td><strong>Fiscal Year 2015 Budget</strong></td>
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<tr>
<td>O&amp;M Expenditures</td>
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<td>Debt Service</td>
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Major Drivers of Operating Budget Increase

- Increase in OPEB contribution ($66,000) due to the ORBET trustees changing the earnings projections from 6.5% to 5.0% effective with evaluations done for fiscal years 2015 and beyond.
- Health insurance increase ($114,000)
- Two new positions for Wastewater and Engineering ($121,000)
- Salary increases ($395,000)
- Contractual increase: software/systems, tree work ($165,000)
- Supplies increase: treatment chemicals, meter supplies, other Water & Wastewater materials ($127,000)
- Travel & Education increase: additional conference/seminar attendance (airline, lodging, meal, and associated fees) ($60,000) and increase in degree-seeking education expenses ($15,000)
- Other increases: merchant/bank fees, bond liquidity & remarketing fees, special programs ($51,000)
- Implementation of the Customer Care Program ($100,000)

Proposed Rate Changes

• NO VOLUMETRIC RATE INCREASE
- Change in Basic Facility Charges *
  - Water Basic Facility Charge from $3.33 to $6.00
  - Wastewater Basic Facility Charge from $8.97 to $12.00
- No Change in Water and/or Wastewater Impact Fees
- Removal of Irrigation Impact Fees for a 5/8” Meter Service
- Approval of a Wastewater Excessive Use Charge (effective 2016)
- Adjustment to Ancillary Fees
Mr. Duffie said that their current charges are well below the current market in the surrounding areas (see below slide). Mount Pleasant is below N. Charleston, Summerville, Isle of Palms and Charleston. All of their basic facility charges average $30 – $38. Mount Pleasant is at $12 and that is the reason why it should go to $18, and probably should go up to the mid-twenties. He said he hoped that would happen in the next couple of years. He said they do need that stable revenue since water sales are very unpredictable and that is the reason for the basic facilities charge increase. Overall, their rates are still very competitive.
b. Budget Document overview

**Strategic Business Plan and Budget Document**

The Strategic Business Plan establishes and articulates the purpose, strategic goals, operational, organizational and performance expectations for our utility. It drives our day to day operations and planning while the budget document details our financial planning and funding.
Strategic Business Plan & Annual Budget Document

Section 1 – Budget Message
Section 2 – Budget Development
Section 3 – Operating, Capital, and Fund Balance Summary
Section 4 – Funding Plan
Section 5 – Capital Improvements Plan
Section 6 – Operating Budget
Section 7 – Overview of Departments
Section 8 – Statistical Information
Section 9 – Strategic Business Plan Update

Budgeting Planning and Approval

• Process began in December
• Committee Meetings, Retreat, and Workshops
• Public Hearing on the Cost Recovery Policy
• Public Hearing Tonight at 5:30
• Annual Commission Meeting on June 30th
Mr. Duffie concluded his presentation and was open to questions.

Mr. Glasson said that if someone is on the basic charge and are not using additional water, what would be the base usage fee.

Mr. Duffie said that is the volumetric charge and there is no change proposed for that so they are holding steady on their current volumetric charges. The base charge will go up to $18 for both. If a customer is on water and wastewater, the charge will be $18. If the customer is water only, the charge would be $6. He said that the volumetric charge is based on gallons of water used. The basic facilities charge includes the cost of Mount Pleasant Waterworks providing a customer with ongoing service and has nothing to do with volume used. He said the reason they are doing that is their basic facilities charge is very low and is currently $12; the average is $38 so they are at one-third of the norm in their industry. They believed they needed to stabilize that revenue. To depend on volumetric usage means that in a rainy year no one irrigates or uses much water. He said they have had several rainy years in a row and they have not sold as much water as they did in 2008.

Chairman Smith asked about the elimination of the irrigation fee which is a benefit to the customer.

Mr. Duffie said that it is a benefit to customers who are now on a regular domestic meter. They are paying both water and wastewater charges for irrigation. With an irrigation meter, they are only charged for the amount of water used. Right now they charge a $2,000 impact fee plus $590 for a meter setting fee. They felt that was a deterrent for a customer to add an irrigation meter. They believed that if they can get more irrigation meters set, there will be basic facilities charges and also an opportunity to sell more water. It will cause a customer to consider the costs of an irrigation meter as opposed to drilling a well on their property. Right now a well can be drilled for approximately $1,000. Waterworks wanted to make it a benefit to the customer if they could come in for around $600, get a meter installed and not have to pay an impact fee. With an irrigation meter, they will have good clean water for irrigation.

Chairman Smith asked Mr. Duffie for a couple of highlights of the strategic business plan.

Mr. Duffie said they have looked strategically at their finances and have considered things that they need to do such as building reserves that help in an economic downturn. He said they do not have a capital reserve or an impact fee and those are two reserves they are adding. Their two major strategies are that they want to be less dependent on impact fees and want to stabilize their operating revenue.

3. Adjourn
The meeting was adjourned at 1:08 p.m.

Submitted by:
Patty Wallis
060214