

SPECIAL WATER BOARD MEETING MINUTES

The special meeting of the Oliver Springs Water Board was called to order by Chairman Chris Hepler on July 2, 2013 at 7:00 p.m., pursuant to lawful, posted, and published notice. All were present except Terry Craze, who had an excused absence.

The Chairman advised that the purpose of this special called meeting was to discuss and consider the 2013-2014 Water Board Budget.

COMMENTS FROM CITY MANAGER:

None.

COMMENTS FROM WATER BOARD MEMBERS:

Mr. Holland asked and Mrs. Treece advised that the water line leak on Roane Street in front of Dr. Hughes office had been fixed.

COMMENTS FROM WATER AND SEWER CUSTOMERS:

None.

OLD BUSINESS:

The Chairman opened discussion by advising that in the several budget workshops, a water and sewer rate increase of twenty-five and a half percent (25.5%) had been discussed.

Extensive discussion followed involving the July 2, 2013, letter from the Water and Waste Water Financing Board advising that the Water Board had incurred a negative change in net assets for two consecutive years, and the Water and Waste Water Financing Board had projected that the Oliver Springs Water Board needed a rate increase of approximately fifteen percent (15%) to operate "in the black" (break even). The projection by the Water and Waste Water Financing Board did not include any capital projects that must be funded or debt that must be issued.

Mr. John West, an inspector with the Department of Environment and Conversation was also in attendance and a letter from his office of July 2, 2013, was also presented and discussed. This letter was based upon several inspections over the years, and in particular an inspection on April 11, 2013 and a follow up inspection on June 24, 2013. This letter set out several deficiencies that must be corrected. The Water Board also considered a letter from GRW Engineers, Inc., the Town's consulting engineers, dated June 28, 2013, that outlined a priority one scope of improvements tasks and a priority two scope of improvements tasks.

These several letters are attached to these minutes as a part of these minutes.

Several members of the Water Board engaged in extensive discussion with Inspector West as to whether or not the scope of improvements as outlined in the GRW Engineers, Inc. letter of June 28, 2013, would resolve most if not all of the issues that the Department of Environment and Conservation have with the Town's water and sewer system. Inspector West offered an example of how his Department might "take over" a deficient water and sewer department and an example of how administrative orders and fines might be used against a water and sewer department to encourage the needed and necessary repairs and improvements. Inspector West could not offer a firm opinion as to whether or not the projected improvements would resolve these issues, as no one can foresee the future, but Inspector West did advise that the Department of Environment and

Conservation would look favorably upon the Town if the improvements and repairs as outlined in the GRW Engineer's letter of June 28, 2013, were funded and implemented over the next several months.

Recorder Van Hook observed that based upon the July 22, 2013 letter from the Water and Waste Water Financing Board, it may be appropriate to increase the water and sewer rates by about fifteen percent (15%) in order to come into compliance with the Water and Waste Water Financing Board requirements, and add enough increase to pay for the complete engineering study, including bid specifications, for the improvements as set out in the June 28, 2013 letter from GRW Engineers, Inc., and once the firm cost and bid specifications have been obtained, then investigate financing, and have the informal goal of having the financing and executed construction contracts in place by January or February 2014, and have the work completed by the summer of 2014, and then factor in to the 2014-2015 Water Department budget, the amount of funds necessary to service this new debt. This would allow a possible water and sewer rate increase over the next two fiscal years that would allow these rate increases to be budgeted by the water and sewer customers in a better fashion.

Mr. Walker and Mr. Stinnett were concerned that this option could possibly delay the improvements, and both suggested that the twenty five and a half percent (25.5%) increase would be appropriate, in order to fund the engineering study, fund the sewer line inflow and infiltration issues (I & I issues), restore family health insurance paid by the Town for the several new employees hired, budget a revenue stream for the repayment of the loan, and until the loan is in place, the revenues (budgeted for the loan repayment) could be used for repairs and improvements, or perhaps emergency repairs and improvements, thereby creating a "rainy day fund" in the 2013-2014 Water Board budget, in addition to the cash reserves mandated by various laws.

Recorder Van Hook observed that if money is budgeted specifically for a loan repayment, a loan which is not currently in existence, but possibly could be in existence by the end of the fiscal year, the funds could not be used for any other project except the loan repayment, unless the Water Board voted to amend its budget. In addition, based upon the probable three month engineering study, the probable three month time for the Comptroller Office in Nashville to approve the loan, the time for advertising of bids, the actual construction of the job until complete, the loan repayment would probably begin in the summer of 2014. Me Cox advised that he could not support action to pay for a loan that is not yet in existence.

Mr. Stinnett stated that in his opinion, it would be better to have one large rate increase of about 25.5%, rather than have two water rate increases.

There was also discussion as to whether or not some of this work would be "ordinary maintenance" that cannot be funded through a loan or whether or not the "ordinary maintenance," viewed in consideration of a total upgrade of the sewer plant, would be considered a capital improvement, as loan funds cannot be used for "ordinary repairs," but can be used for capital improvements. The conclusion reached was that in view of the capital improvement project, many of these "repairs" would be capital improvements, and thus funded under any loan.

The Chairman advised that he had represented to Inspector West that he would recommend to the Water Board that the I & I crew be funded in the 2013-2014 budget, as the inflow and infiltration problems contribute greatly to the over all efficiency or lack of efficiency of the sewer plant, and if these I & I problems are reduced, the problems at the plant may also be reduced. Recorder Van Hook stated that as the Chairman had made that representation to the inspector, that he would support the position of the Chairman to completely fund the I & I crew.

After further, extensive, and productive discussion, Mr. Walker suggested that a twenty percent (20%) water rate increase be approved for the 2013-2014 Water Board fiscal year, which would allow the Water Department to operate "in the black" (satisfying the Water and Waste Water Financing Board requirements); fund the I & I crew and related repair work; to pay for any repairs needed short term; and fund the family health

insurance coverage (to be paid for by the Town) for the new employees, who have family coverage, or wish to have family coverage, for which the Town currently does not pay. Recorder Van Hook suggested that Mr. Walker's proposal might be the ultimate solution, as the funds budgeted for repairs, once the renovation has been completed, could possibly use to fund in part the loan payments.

There was also discussion that in view of the current condition of the water and sewer plants and systems, that there may be more water and sewer rate increases in the future other than one or two rate increases. There could be three or four rate increases.

There was discussion that the Town had about seven hundred and forty thousand dollars (\$740,000.00) of cash reserve in certificates of deposit, and could this money be used without borrowing? The Chairman stated that was going to use approximately sixty thousand dollars (\$60,000.00) of these reserves to pay for the engineering study. Once this was paid for, the reserve fund could be replenished out of the loan proceeds. There was also discussion that the State required a cash reserve of approximately one-third of the water and sewer department budget. As the water and sewer department budget was approximately \$1.5 million, the cash reserve required by the State would be approximately five hundred thousand dollars (\$500,000.00). Therefore, the reserve funds could not be used in lieu of a loan. The Chairman also advised that he had authorized the expenditure of some of these cash reserve funds for required repairs and maintenance not covered in the current 2012-2013 budget.

After further discussion, the Chairman declared a recess at 8:00 p.m. in order to allow City Manager Treece to prepare budget information as to a twenty percent (20%) water and sewer rate increase.

The Chairman called the meeting to order at 8:20 p.m., and Mrs. Treece gave her report.

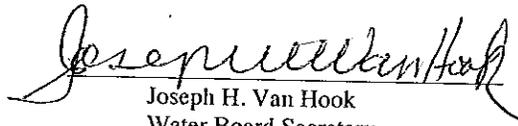
After further, productive, and extensive discussion, motion by Walker and second by Holland to pass ordinance number 13-02-07, the 2013-2014 Water and Sewer Department Budget, that increased the water and sewer budget revenue by twenty percent (20%), which would increase the total gross revenue to one million five hundred seventy five thousand fifty dollars (\$1,575,050.00); this includes revenue to fund a three member I & I crew, and fund family health insurance coverage for each employee without family health insurance coverage, paid for by the Town, and to lease a truck, four wheeler, and a mini-excavator, to be used to repair sewer lines, and access sewer lines in remote locations, with these pieces of equipment to be acquired under a lease agreement. Several expressed concern that the rate increase was not enough to accomplish all of the goals and work needing to be accomplished. Recorder Van Hook suggested that in view of the fact that this was a substantial rate increase, in view of the fact that the Water Board needed to send a strong and positive signal to the various state and federal agencies and inspectors, and in view of the fact that any loan requests would have to be approved by the Comptroller's Office, and in view of the fact that rate increases are not favorably received by water and sewer customers, that it would be wise to have a unanimous vote to show that the Water Board is solidly behind the concept of improving the water and sewer systems, to come into compliance, and stay in compliance, with all the laws, rules, and regulations, notwithstanding the fact that each might have disagreements with portions of what has been proposed. After further discussion, this passed 5-0.

NEW BUSINESS:

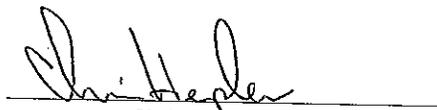
None.

With no further business to come before the special water board meeting, upon motion duly made and seconded and unanimously approved, the meeting was adjourned at 8:35 p.m.

Respectfully submitted,


Joseph H. Van Hook
Water Board Secretary

APPROVED:


Chris Hepler
Water Board Chairman