

GRAND STRAND WATER & SEWER AUTHORITY
 BOARD OF DIRECTORS MEETING
 OCTOBER 24, 2011

	#MEETINGS (Since 7/1/11)	#ATTENDED (Since 7/1/11)	% ATTENDANCE
MEMBERS PRESENT:			
Sidney F. Thompson, Chairman	4	4	100%
Benjy A. Hardee, Vice Chairman	4	3	75%
John C. Griggs, Secretary	4	4	100%
Arnold T. Johnson, Member	4	4	100%
Robert M. Floyd, Jr. Member	4	4	100%
J. Liston Wells, Member	4	4	100%
Wilbur M. James, Member	4	4	100%
MEMBERS ABSENT:			
Robert L. Rabon, Member	4	2	50%

STAFF PRESENT:

Fred R. Richardson, Chief Executive Officer
 Irv Wooley, Chief of Utility Operations
 Marguerite Carroll, Chief Financial Officer
 Christy S. Everett, Chief of Engineering & Construction
 Chrystal Johnson, Administration Manager
 Vanessa Hodges, Customer Service Representative
 Craig Dunn, Engineering Technician

LEGAL COUNSEL:

Lynn Stevens, McNair Law Firm
 Frannie Heizer, McNair Law Firm

VISITORS:

Carl Schwartzkopf, County Councilman
 Jon Kirn, Seibert Brandford Shank

Copies of the Notice of Meeting and Agenda were mailed to the local media.

Chairman Thompson called the meeting to order and welcomed everyone in attendance. The invocation was given by Secretary, John Griggs.

APPROVAL OF SEPTEMBER 26, 2011 MINUTES: Upon motion duly made by Mr. James, seconded by Mr. Wells, the Minutes of the September 26, 2011 meeting were approved as presented.

CHIEF EXECUTIVE OFFICER'S REPORT – OLD AND NEW BUSINESS (ACTION ITEMS):

DISCUSSION/ACTION: A Series Resolution. Providing for the Issuance and Sale of not to Exceed \$135,000,000 Principal Amount Grand Strand Water and Sewer Authority, Waterworks and Sewer System Revenue Bonds, in one or More Series. Mr. Jon Kirn referenced a memorandum that he provided the Board. The bond market is volatile but is still very favorable so we are proceeding with a bond transaction for GSWA. The transaction will accomplish three different things. Firstly, it will raise approximately \$25 million of new money. Secondly, it will refund approximately \$30 million of debt outstanding with bank-qualified institutions and thirdly, we are also refunding taxable 2002 bonds. The three separate series total approximately \$80 million.

We were initially looking at some of GSWA's SRF loans through the State Revolving Fund. They are typically below market when they are originated. Because interest rates have gotten so low, we were looking at refinancing those with tax-exempt debt. Because the SRF has had so many borrowers look at repaying and because GSWA is the largest

borrower, they started a rate reduction program. Without us having to go to the market on GSWSA's behalf, GSWSA is getting a reduction on all of the SRF loans down to 2.25%. This is a significant savings and is also going to let GSWSA free up some reserves for about \$4.7 million. We have removed that from the public offering but are still looking at going to market this coming Wednesday. Everyone has been working hard on your behalf.

If all goes as planned, our goal to get you to market is to raise roughly \$80 million. The savings for the bank-qualified loans is roughly \$1.4 million and for the taxable is \$2.4 million, which is \$3.8 million in total present value savings. The other thing we are benefiting from these refundings, is doing a slight modification to your overall repayment. With the new money that we are raising, we are structuring it so that there is no overall impact on GSWSA's debt service. The goal is to keep the debt at \$21 million through 2017. Then we will increase what GSWSA's prior debt was. We are allowing GSWSA to raise this money and not have to change its rate structure at all. The overall rate with current market with taxable and tax-exempt is 3.57%, which is amazingly low. Overall the markets are going to be very responsive. Mr. Richardson spoke briefly concerning GSWSA's current rating by S&P.

Ms. Heizer stated the scheduled closing is November 16th and the documents will be signed at GSWSA. The Series Resolution authorizes the issuance of the various pieces of debt Jon Kim talked about. The maximum not to exceed \$135 million dollars includes the amount of the SRF debt as well. The actual amount we will be dealing with on Wednesday is closer to the \$85 million dollars. Right now envision three separate series of bonds, the new money, the refunding of the existing bank qualified and the taxable refunding of the 2002 bonds. The third piece of debt has already been refinanced once. Under the federal tax law, we do not get another opportunity to refinance that debt in advance of its call date. We can only do a current refunding if we were using tax-exempt debt. On Wednesday we will have an option to purchase the bonds. This closing would not be until next Spring. However, the numbers are working out such to go ahead and accomplish the refunding right now using taxable debt. We don't have to meet any special requirements. We still get substantial savings and we don't have any potential of some disruption occurring from now until in the spring. This resolution gives us the flexibility to accommodate any of the borrowing scenarios. The final decision on the forward delivery versus the taxable will be made on Wednesday. There is one thing that we are doing in this resolution that we are doing differently, which is in Section 5.5. We have included language that amends the budget that GSWSA has adopted for FY 2012/2013 that includes a list of projects that could be funded with the new money of \$25 million. We wanted to give GSWSA flexibility of spending the new bond monies and those bond proceeds on those projects. The projects include the Hwy 90 Elevated Storage, Myrtle Beach SWTP 5 MGD Expansion, ASR Improvements, Water Transmission Improvements, Rural Water Relocation and Hydraulic Improvements, Rural Sewer Relocation and Hydraulic Improvements, Conway WWTP to Bucksport RD, WWTP Renewal and Replacement, Myrtle Beach Interconnect at International Drive, Hwy 501 to International Drive, and 5 MGD Bucksport Rapid Infiltration WWTP. Again, it is just to give flexibility and allow GSWSA to finance those projects in the way that is most cost effective. Mr. Kim, Ms. Heizer, and Mr. Richardson responded to questions that members of the Board presented.

DISCUSSION/ACTION: Resolution 03-11. A Resolution Adopting Certain Policies and Procedures in Connection With the Issuance of Tax-Exempt Debt. Ms. Heizer stated as part of the preparation for these transactions, we recommend GSWSA consider adopting two written policies. One policy is in regards to compliance of IRS regulations and the other related to disclosure. These are just things that are best practices which is the way GSWSA likes to do business. The two policies are attached to the resolution. It basically identifies the Chief Financial Officer as the person responsible for maintaining compliance with both IRS regulations and disclosure requirements.

Upon motion of Mr. Johnson seconded by Mr. Floyd, the two resolutions were unanimously approved by the Board as presented.

DISCUSSION/ACTION: Capital Budget Appropriation Transfer Request to Create the Trotter Ridge Road Rural Water Project.

DISCUSSION/ACTION: Capital Budget Appropriation Transfer Request to Create the Trotter Ridge Road Rural Sewer Project.

DISCUSSION/ACTION: Capital Budget Appropriation Transfer Request to Create the Myrtle West Drive Rural Water Project.

DISCUSSION/ACTION: Capital Budget Appropriation Transfer Request to Create the Myrtle West Drive Rural Sewer Project.

DISCUSSION/ACTION: Capital Budget Appropriation Transfer Request to Create the E. Hwy 19 Ext. 5 Rural Water Project.

Upon motion of Mr. Griggs seconded by Mr. Floyd, the five appropriation requests were unanimously approved by the Board as presented.

DIVISION REPORTS:

IRV WOOLEY, CHIEF OF UTILITY OPERATIONS

UPDATE/STATUS: BULL CREEK/MYRTLE BEACH REGIONAL WATER FACILITY PRODUCTION: Mr. Wooley stated the water quality numbers, especially for the Myrtle Beach Plant got worse over the month of September. In the first week of October, the numbers did not improve from September. This was due to getting more water from the Waccamaw River versus getting significantly more water from the Pee Dee River. Bull Creek was hardly affected. For the last two weeks in October, the numbers have dropped steadily. This is significantly higher than our average. We had been getting much better than normal for several months prior to September. However, we produced good quality water.

In regards to water flow history, Myrtle Beach was 17.9 mgd in September compared to 16.5 mgd last year and Bull Creek was 20.1 mgd compared to last year of 25.3 mgd. ASR was up approximately 2.2 mgd. Groundwater did not change for this past month. Our net for both systems was down about 1.5 mgd compared to last year. This was the first significant monthly total less than the previous year in little over a year.

UPDATE/STATUS: COMPLIANCE WITH DHEC WATER AND WASTEWATER REQUIREMENTS: Mr. Wooley stated we did not have any violations in the month of September. He noted Engineering has gone out to bid for the expansion of the Myrtle Beach SWTP to 45 mgd.

Mr. Wooley went over the details of the wastewater flow reports.

MARGUERITE CARROLL, CHIEF FINANCIAL OFFICER

UPDATE/STATUS: SEPTEMBER 2011 FINANCIAL STATEMENTS WITH HIGHLIGHTS AND COMMENTS: Mrs. Carroll reviewed the details of the consolidated budget report for September 2011 of the major categories. She reported Total Operating Revenues of \$19.2 million, which are up by \$629,952. The Total Operating Expenses are up from \$15.8 million to \$15.9 million for a difference of \$75,213. The Operating Surplus is up from \$2.7 million to \$3.3 million for the current year for a difference of \$554,739. Mrs. Carroll reported Total Non-Operating Revenues are up from \$3.4 million to \$4.7 million for a difference of \$1.3 million or 38%. Mrs. Carroll went over with the Board the year to date actual expenses of each major category compared to budgeted expenses.

Mrs. Carroll reviewed the details of the Bull Creek Surface Water Treatment Plant for September 2011. Total Operating Revenues were up from \$2.99 million to \$3.35 million for a difference of \$363,662 or 12%. The Total Operating Expenses are up from \$2.95 million to \$3 million for a difference of \$80,880 or 3%, resulting in an Operating Surplus

of \$315,662 as compared to last year's surplus of \$32,880, which is a difference of \$282,782 or 860%.

UPDATE/STATUS: INVESTMENT ANALYSIS: Mrs. Carroll reported the total amount invested was \$119.9 million; the yield for the current month is .19%, the yield for the current 3 months is 2.16% and the yield for the current 12 months is 3.32%. Mrs. Carroll went over the specifics of the Legg Mason and PFM accounts.

UPDATE/STATUS: CUSTOMER/REU MONTHLY REPORT: For the month of September, we had a total of 76,120 customers. Of this total we had 70,750 active, 1,762 inactive, and 3,608 suspended customers. We had a total of 111,938 REUs with 103,726 active, 2,008 inactive, and 6,204 suspended REUs. Mrs. Carroll went over the changes of each major category for this past month.

UPDATE/STATUS: BUSINESS & TRAVEL EXPENSES: Mrs. Carroll noted \$7,154.55 was spent for Business & Travel during the month of September. Year to date, we have spent a total of \$56,271.76.

UPDATE/STATUS: PURCHASE TRANSACTIONS OVER \$2,500: Mrs. Carroll called to the Board's attention the information contained in the Board packet on purchase transactions over \$2,500.

CHRISTY EVERETT, CHIEF OF ENGINEERING & CONSTRUCTION

UPDATE/STATUS: RURAL AND MINOR SUBDIVISION WATER AND SEWER PROJECTS: Mrs. Everett stated in the month of September, we authorized 2 new projects in the rural water program and authorized one sewer project that will add about 10 customers to our system. Year to date the Board has approved over \$88,000 in the rural water program. This total does not include the projects that were presented tonight. Year to date, the Board has approved nearly \$250,000 in the rural sewer program. We have had a busy month in designing projects. We issued service authorization to 5 projects, 2 water projects and 3 sewer projects that added almost 15 customers to our system in the last couple of weeks. We have seen some activity in the rural programs. Year to date we have 17 rural water projects that are in design and construction and have 20 sewer projects in design and construction that will add a total of 105 customers. Mrs. Everett referenced the chart within the Board packet that shows the miles of pipeline that has been installed in the rural programs.

UPDATE/STATUS: DEVELOPER PROJECTS: Mrs. Everett stated in the month of September, we had one developer extension project which was another large Coastal Carolina University housing project. This project totaled 114 REUs. We reviewed 4 commercial applications, for 127 REUs. We held one preconstruction meeting for the Coastal housing project. We issued 2 service authorizations for developer projects that totaled 28 REUs and currently have 35 active developer extension projects in construction.

UPDATE/STATUS: CAPITAL PROJECTS: Mrs. Everett stated we have received final approval for the operation of the Sellers to Latta WWTP FM Project on October 14th. That system is now online and we are now discharging sewer from Sellers to the Latta WWTP facility. Our contractor began today, modifying the tanks for those Sellers' customers where they will be piped directly to the gravity tank systems. We hope to have that wrapped up over the next month or so.

R.H. Moore started work today on the Backgate job tying in the City of Myrtle Beach's connections. They have the schedule for the nighttime work for coalition next Tuesday. At the end of next week, we should be completed with the relocations for the Backgate Project.

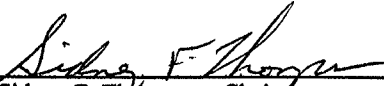
We advertised on October 7 – 9th for the 45 mgd Myrtle Beach SWTP Upgrade. The bid due date is on November 15th, when we will be opening the bids received.

OTHER BUSINESS:

Chairman Thompson called to the Board's attention to the Employee Recognition, Monthly Report, Sod Donation Report, and Employee Appreciation Luncheon.

Upon motion duly made, seconded and carried the Board went into executive session for the discussion of legal and contractual matters. Following the executive session, the Board returned to regular session.


There being no further business, upon motion duly made, seconded and carried, the meeting was adjourned.




Sidney F. Thompson, Chairman



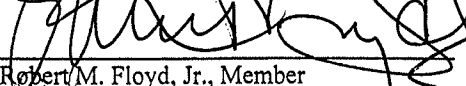
Benj A. Hardee, Vice Chairman



John C. Griggs, Secretary



Arnold T. Johnson, Member



Robert M. Floyd, Jr., Member



J. Liston Wells, Member



Wilbur M. James, Member



Robert L. Rabon, Member