

GRAND STRAND WATER & SEWER AUTHORITY
 BOARD OF DIRECTORS MEETING
 SEPTEMBER 26, 2011

	#MEETINGS (Since 7/1/11)	#ATTENDED (Since 7/1/11)	% ATTENDANCE
MEMBERS PRESENT:			
Sidney F. Thompson, Chairman	3	3	100%
Benjy A. Hardee, Vice Chairman	3	2	67%
John C. Griggs, Secretary	3	3	100%
Arnold T. Johnson, Member	3	3	100%
Robert M. Floyd, Jr. Member	3	3	100%
J. Liston Wells, Member	3	3	100%
Wilbur M. James, Member	3	3	100%

MEMBERS ABSENT:			
Robert L. Rabon, Member	3	2	67%

STAFF PRESENT:
 Fred R. Richardson, Chief Executive Officer
 Marguerite Carroll, Chief Financial Officer
 Christy S. Everett, Chief of Engineering & Construction
 Chrystal Johnson, Administration Manager
 Tim Brown, Wastewater Treatment Manager
 Keri Squires, Accounting Manager
 Vanessa Hodges, Customer Service Representative
 Craig Dunn, Engineering Technician
 Walter Rogers, Maintenance Supervisor

LEGAL COUNSEL:
 Lynn Stevens, McNair Law Firm

CITIZENS ADVISORY COMMITTEE:
 Ricky Martin, Chairman

VISITORS:
 Carl Schwartzkopf, County Councilman
 Tom McNeish, Elliott Davis
 Scott Leister, Elliott Davis

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 Board Member, Wilbur James.

APPROVAL OF AUGUST 22, 2011 MINUTES: Upon motion duly made by Mr. Johnson, seconded by Mr. James, the Minutes of the August 22, 2011 meeting were approved as presented.

PRESENTATION OF AUDIT – TOM MCNEISH, ELLIOTT DAVIS. Mr. McNeish thanked the Accounting staff for their hard work of the auditing process. He referenced the Independent Auditors' Report that states the unqualified opinion of the financial presentation of GSWSA's financial statements in accordance with GAAP. The financial statements were presented in conformity with the general accounting accepted principals of the United States.

Mr. McNeish went over with the Board major financial ratios of GSWSA in comparison to other water and wastewater utility companies. GSWSA fell right in range for all of the ratios. Overall as far as the Balance Sheet, GSWSA is in pretty good shape. In regards to the Income Statement, GSWSA consistently shows a positive operating income. This year it went from \$3.1 million in 2010 to \$4.2 million for the current year. Including

capital contributions, GSWSA stays pretty steady in terms of change in net assets. More importantly from a cash standpoint, is in regards to the Statement of Cash Flows. GSWSA looks favorable when there is a positive operating cash flow. GSWSA has consistently shown positive operating cash flows. This is a key thing that a creditor looks at.

Mr. McNeish stated GSWSA is in good shape and has been very consistent in its past performance. The footnotes that are in the rest of the documents are expanded explanation for what is reported.

The Comptroller General requires GSWSA to have a single audit completed since it receives federal grant funds. Elliott Davis looks at GSWSA's major programs, pulls out the grant document, pulls the grants requirements and performs tests to determine if GSWSA is in compliance with what is specified in the grant document. We went through and tested GSWSA's major programs. We are always looking to reduce GSWSA's risks whenever we can. If we notice something we feel like we want to communicate with GSWSA for improvement, we will do that.

Overall, Mr. McNeish believes GSWSA's monitoring efforts over grants is very good and we feel comfortable with it. We assess GSWSA as low risk in terms of the single audit. One thing that we noted was in regards to an agreement with a third party administrator (TPA). Some monitoring is performed by the TPA for GSWSA to make sure things like Davis Bacon, a federal statute, is complied with. There is a lot of documentation that has to go along with that and it has to be monitored to make sure proper reports are being sent to certain agencies and prevailing wage rates are being adhered to. GSWSA needs to follow up with the TPA and ensure the TPA is doing what they need to do. At one point, the TPA had been cited for not providing the full extensive requirements for Davis Bacon. We wanted to get this on GSWSA's radar.

Mr. McNeish referenced Elliott Davis' internal control audit. We make sure GSWSA is an auditable agency and has some good controls in place that we can test and offer our opinion on. The goods news in considering GSWSA's internal controls, we did not find any significant deficiencies or material weaknesses in terms of internal controls or financial reporting. We also did not note any compliance issues. Governmental auditing standards require us to perform this audit. Mr. McNeish stated the audit went very well.

INPUT FROM CITIZENS ADVISORY COMMITTEE: Mr. Ricky Martin stated the Committee has not met since the last Board meeting. However, everyone is looking forward to another field trip and hoping that one of those trips will be to the Bucksport Marina. Everyone that is on the Committee is enjoying what they are doing and learning a lot about what is going on at GSWSA.

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

DISCUSSION/ACTION: Cash Management Program. Mr. Richardson stated periodically we go out for proposals for our cash management program. As stated within the letter provided by Mrs. Carroll, we entered into an agreement with BB&T in December of 2007. Essentially we think things have gone very well with BB&T although we know that there will be a time when we will need to go out for bids again. Changing is a lot of work and our preference is to stay with BB&T for another year or so. Upon motion of Mr. Griggs seconded by Mr. Wells, the decision to extend the current contract with BB&T was unanimously approved by the Board as presented.

DISCUSSION/UPDATE: Status of 2011 Bond Issuance. Mr. Richardson referenced a report provided by Mrs. Carroll. Mr. Richardson stated the first thing we are doing is restructuring and refinancing \$50 million dollars in debt. This can be looked similar to any other type of refinancing, if the interest rates have moved in our favor, it would be in our best interest to refinance that debt. Part of the refinancing is bank-qualified notes that we have through the banking financial institutions, part is through bonds and the other part is SRF loans. Subsequent to us getting this information together, we have been in contact with the Budget and Control Board. The Budget and Control Board said that they

might just refinance those for us. They may just lower our interest rate and release our debt service reserve funds to us. A decision has not been made but we will know this by the first of October. In addition to that, we have \$50 million dollars in new issuances. Of the \$50 million, \$25 million dollars will be in SRF loans to cover the major projects that were discussed at the Budget Retreat. The other \$25 million dollars is a number we put together to make the system balance. Back at the retreat, we showed we had about \$115 million in capital reserves. Typically we have maintained 1.25 to 1.5 times our annual operating budget in cash reserves. Because of the recent times, we showed drawing down cash reserves from \$115 million down to \$66 million, which would be lower than 1.5 times our annual operating budget. The \$25 million dollar amount is a number we came up with to both pay ourselves back for some of the expenses we have had over the past few years such as the purchase of Marion's system as well as for expenses we will have going forward. Debt service payments will remain about the same as it is now without the additional \$25 million. We should earn as much as we would pay for our debt service payments. An example of a reason in which we would need our cash reserves would be in case of a hurricane disaster. It also would allow us for new opportunities in the future that may arise such as when we had the opportunity to purchase the City of Myrtle Beach's water and wastewater plants. Without any objections, this is where we will be headed to bring to the Board next month. The \$25 million is discretionary, but we feel it is in our best interest to do this.

DISCUSSION/ACTION: Capital Budget Appropriation Transfer Request to Create the Edison Circle and Hwy 905 Rural Sewer Project. Upon motion of Mr. Johnson seconded by Mr. Griggs, the appropriation request was unanimously approved by the Board as presented.

DISCUSSION/ACTION: Sod Donation Request from Socastee High School Athletic Department. The sod donation request was unanimously approved by the Board as presented.

DIVISION REPORTS:

MARGUERITE CARROLL, CHIEF FINANCIAL OFFICER

UPDATE/STATUS: AUGUST 2011 FINANCIAL STATEMENTS WITH HIGHLIGHTS AND COMMENTS: Mrs. Carroll reviewed the details of the consolidated budget report for August 2011 of the major categories. She reported Total Operating Revenues of \$12.4 million, which are up by \$308,473. The Total Operating Expenses are up from \$10.2 million to \$10.3 million for a difference of \$51,411 or (1%). The Operating Surplus is up from \$1.8 million to \$2.1 million for the current year for a difference of \$257,063. Mrs. Carroll reported Total Non-Operating Revenues are up from \$2.6 million to \$3.8 million for a difference of \$1.2 million or 45%. 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 August 2011. Total Operating Revenues were down from \$2.32 million to \$2.29 million for a difference of (\$27,630) or (1%). The Total Operating Expenses are up from \$1.9 million to \$2 million for a difference of \$35,823 or 2%, resulting in an Operating Surplus of \$281,485 as compared to last year's surplus of \$344,937, which is a difference of (\$63,453) or (18%).

UPDATE/STATUS: INVESTMENT ANALYSIS: Mrs. Carroll reported the total amount invested was \$117.4 million; the yield for the current month is 1.14%, the yield for the current 3 months is 2.04% and the yield for the current 12 months is 3.37%. Mrs. Carroll went over the specifics of the Legg Mason and PFM accounts.

UPDATE/STATUS: CUSTOMER/REU MONTHLY REPORT: For the month of August, we had a total of 76,012 customers. Of this total we had 70,618 active, 1,798 inactive, and 3,596 suspended customers. We had a total of 111,759 REUs with 103,565 active, 1,997 inactive, and 6,197 suspended REUs. Mrs. Carroll went over the changes of each major category for this past month.

UPDATE/STATUS: BUSINESS & TRAVEL EXPENSES: Mrs. Carroll noted \$7,603.30 was spent for Business & Travel during the month of August. Year to date, we have spent a total of \$49,117.21.

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 August, we issued 5 mail outs into new rural communities on the rural water side. We authorized 3 new projects that have gone into design that will add 6 new customers to our rural water and sewer program. Year to date the Board has approved \$72,200 in the rural water program for FY 12/13. We have approved nearly \$200,000 for the rural sewer program for FY 12/13. We issued service authorization to 4 projects and added 8 new customers. We have 17 rural water projects that are in design and construction for 32 new water customers and we have 23 sewer projects for 67 new sewer customers. In total, we have 40 rural projects that will add almost 100 customers.

UPDATE/STATUS: DEVELOPER PROJECTS: Mrs. Everett stated in the month of August, we received no developer extension projects but received 5 commercial applications for 8 REUs. We held one preconstruction meeting in the month of August for a single-family development in Garden City. We issued service authorization to 4 projects for a total of 67 REUs that included a combination of single-family, multi-family, and commercial projects. We currently have 35 active developer extension projects.

UPDATE/STATUS: CAPITAL PROJECTS: Mrs. Everett stated the Sellers to Latta Project is completed. We are finishing up as-builts and preparing the final package for DHEC certification to receive final operational approval on the force main. Once we receive final approval we will begin pumping the wastewater to the Latta WWTP. We are still receiving easements for those customers and the residents have been very cooperative through this process.

In regards to the Backgate Interchange project, the relocation portion is wrapping up. R. H. Moore is scheduled to do the final connections on coalition by mid-October. SCDOT is requiring the work to be completed at night. We have been reimbursed almost \$40,000 for a portion of that work and we are pending some additional reimbursements.

The Carolina Bays Parkway Ext. III Project and Hwy 707 Widening Project were originally scheduled for a September/October/November let date. We have been informed these projects are going to be pushed back to the summer of next year. Until they get all of their permits in place and land acquisitions completed, they will not be moving forward.

We completed the utility agreement on the Glenss Bay Road Widening Project. We submitted this to SCDOT representatives last week. We have this project estimated at \$3.8 million dollars for construction. Approximately \$500,000 will be reimbursable. This project's schedule has been pushed back to fall of next year.

The Aynor Overpass Project is completed in regards to utility relocations. We did receive some reimbursement on this project as well.

We have a construction facility in Marion that we share with the City of Marion employees. We had a break-in at this facility this past Thursday night. We had some tools and a vehicle stolen. The estimated property value that was stolen was approximately \$9,000. They are looking for the vehicle and the tools and we are taking measures to secure this facility as well.

TIM BROWN, WASTEWATER TREATMENT MANAGER

UPDATE/STATUS: BULL CREEK/MYRTLE BEACH REGIONAL WATER FACILITY PRODUCTION: Mr. Brown stated in August, we had excellent raw water quality to deal with. Myrtle Beach's alum dosage averaged 61 mg/l and Bull Creek averaged 44 mg/l. From his past experience, these are pretty low numbers.

In regards to water flow history, Myrtle Beach was 23 mgd in August compared to 20.1 mgd last year and Bull Creek was 19.2 mgd compared to last year of 26 mgd. If you notice for the month of August, ASR was 4.3 mgd and groundwater was 4.2 mgd, which results in a total difference of .8 mgd in comparison to last year. Overall in a twelve month period, we are up 2.8 mgd.

UPDATE/STATUS: COMPLIANCE WITH DHEC WATER AND WASTEWATER REQUIREMENTS: Mr. Brown stated we did not have any violations in the month of August. Hurricane Irene passed by the coast. We had 5 sewer pump stations that lost power for a few hours. We had no impact on customer service or spills.

The Myrtle Beach SWTP's new 12 mgd finish water pump has been ordered by Engineering to get us to the 45 mgd expansion. The low bid was Pumps, Parts, and Service for \$418,000 for pump, motor and matching variable frequency drive.

In regards to wells, we are waiting DHEC approval of the capacity test and pump selection for the new blend well at the Myrtle Beach SWTP. The Carolina Forest ASR well has been going through its injection and recovery cycles to establish a baseline for DHEC approval. The Caropines ASR well had some issues with sand. As of last Friday, the contractor went back in and rescreened the well again.

Mr. Brown stated construction is getting ready to start at the Conway WWTP on the sludge dewatering facility. For the Myrtle Beach WWTP's sludge thickener conversion, we are converting two old flocculated clarifiers. We are going back and refurbishing them. We are going through replacing two of the six screw pumps at Myrtle Beach.

As far as miscellaneous, we are going through bidding of gravity sewer slip-lining for select sections of the Marion system to reduce infiltration.

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

Mr. Richardson stated that he would be attending the AMWA Annual Meeting in Providence, Rhode Island in October.

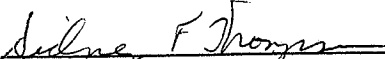
OTHER BUSINESS:

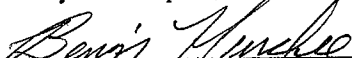
Chairman Thompson called to the Board's attention to the Employee Recognition, Monthly Report, Sod Donation Report, and WEFTEC Conference dates.


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.

Upon a motion by Mr. James seconded by Mr. Griggs, the Board approved the lease agreement for the Bucksport Marina.


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


Sidney F. Thompson, Chairman

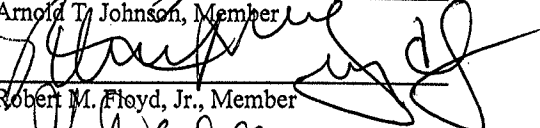

Benjy A. Hardee, Vice Chairman



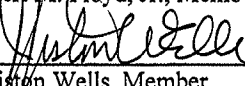
John C. Griggs, Secretary



Arnold T. Johnson, Member



Robert M. Floyd, Jr., Member



J. Liston Wells, Member



Wilbur M. James, Member

Robert L. Rabon, Member