

HARRISON COUNTY UTILITY AUTHORITY

August 20, 2015

Be it remembered that a meeting of the Harrison County Utility Authority Board of Directors was held on August 20, 2015 at 9:00 a.m. at the Harrison County Utility Authority Board Room, at 10271 Express Drive in Gulfport, Mississippi. In attendance were:

BOARD AND STAFF:

Mr. Danny Boudreaux, representing Harrison County (1)
Mayor Billy Hewes, City of Gulfport, Director
Mayor Andrew Gilich, City of Biloxi, Director
Mr. Al Gombos, representing the City of D'Iberville
Mayor Billy Skellie, City of Long Beach, Director
Mayor Chipper McDermott, City of Pass Christian, Director
Supervisor Joe Meadows, Harrison County (2), Director
Mr. Donald Scharr, Executive Director, HCUA
Mr. John Wilson, O&M Manager, HCUA
Ms. Merri Ann Testa, Procurement Specialist, HCUA
Mr. Michael VanCourt, Comptroller, HCUA
Mr. Bart Clover, Wastewater Coordinator, HCUA
Mr. Seren Ainsworth, Solid Waste Coordinator, HCUA
Mr. Reed Bryant, Staff Engineer, HCUA
Mr. James Simpson, Wise Carter Attorneys, Esquire

ABSENT:

Supervisor Marlin Ladner, Harrison County (1), Director

AUDIENCE:

Mr. Bruce Newton, P.E., Digital Engineering
Mr. Dax Alexander, Brown, Mitchell & Alexander
Mr. Wally Carter, Team Waste
Mr. Cody Waters, Team Waste
Mr. David Myhan, Waste Management
Mr. Warren Guedry, Waste Management
Mr. Dean Brown, Waste Management
Mr. Sam Williams, Waste Management
Ms. Cindy Lamb, Pickering Firm, Inc.
Ms. Lisa Verhovshek, Paralegal, Wise Carter
Mr. Derrel Wilson, Utility Partners
Mr. Bobby Knesal, Utility Partners

Mr. Dan Gaillet, City of Biloxi

Letters of designation are attached hereto as exhibit "A".

There being a quorum sufficient to transact business of the Authority, Mayor Gilich called the meeting to order. The following proceedings were had and done.

.....

A. Public Comments – Mayor Gilich called for public comments. There were no public comments.

.....

B. Approval of HCUA Claims Docket dated August 21, 2015

Mr. Gombos made a motion to approve the August 21, 2015 HCUA Claims Docket, seconded by Mayor McDermott. A roll call vote resulted in the following votes:

Biloxi	voted	aye
Gulfport	voted	aye
D'Iberville	voted	aye
Long Beach	voted	aye
Harrison County (1)	voted	aye
Harrison County (2)	voted	aye
Pass Christian	voted	aye

The motion passed. A copy of the Claims Docket is attached hereto as exhibit "B".

.....

C. CDBG - Requests for Cash

Mr. Scharr recommended approval of the Requests for Cash in the amount of \$237,980.12 as recommended by the Grant Administrator.

Mayor McDermott made a motion to approve the Requests for Cash in the amount of \$237,980.12, based on the recommendation of the Executive Director and the Grant Administrator, seconded by Supervisor Meadows. A roll call vote resulted in the following votes:

Biloxi	voted	aye
Gulfport	voted	aye

D'Iberville	voted	aye
Long Beach	voted	aye
Harrison County (1)	voted	aye
Harrison County (2)	voted	aye
Pass Christian	voted	aye

The motion passed. A copy of the RFC summary is attached hereto as exhibit "C".

D. 1 - Technical Committee Meeting Minutes

Mr. Gombos made a motion to accept the Technical Committee Minutes dated August 12, 2015, seconded by Mayor McDermott. A roll call vote resulted in the following votes:

Biloxi	voted	aye
Gulfport	voted	aye
D'Iberville	voted	aye
Long Beach	voted	aye
Harrison County (1)	voted	aye
Harrison County (2)	voted	aye
Pass Christian	voted	aye

The motion passed. A copy of the TCM Minutes attached hereto as exhibit "D".

D. 2 - Special Board Meeting Minutes – August 12, 2015

Mr. Gombos made a motion to approve the August 12, 2015 Special Board Meeting Minutes, seconded by Mayor Skellie. A roll call vote resulted in the following votes:

Biloxi	voted	aye
Gulfport	voted	aye
D'Iberville	voted	aye
Long Beach	voted	aye
Harrison County (1)	voted	aye
Harrison County (2)	voted	aye
Pass Christian	voted	aye

The motion passed.

E. 2a1 – S12 –Resolution for Settlement – Norman, Allen, located in Delisle WWTF/Long Beach/Pass Christian Transmission System Project Area

Mr. Simpson stated that \$9,650.00 is the amount listed in the Appraisal by the Court Appraiser and he recommended payment of this amount as it is in the best interest of the Authority.

Mayor McDermott made a motion to accept the following Resolution for Settlement, seconded by Mayor Skellie:

RESOLUTION FOR SETTLEMENT

RESOLUTION AUTHORIZING WISE CARTER CHILD & CARAWAY TO SETTLE JUST COMPENSATION

A roll call vote resulted in the following votes:

Biloxi	voted	aye
Gulfport	voted	aye
D'Iberville	voted	aye
Long Beach	voted	aye
Harrison County (1)	voted	aye
Harrison County (2)	voted	aye
Pass Christian	voted	aye

The motion passed. A copy of the Resolution is attached hereto as exhibit "E".

.....

E. 2 b 1 – Standard Operating Procedures – Notification of Solid Waste Collection Service Complaint – Garbage, Recycling, Rubbish/Trash, Cart

Mr. Ainsworth presented the Standard Operating Procedure for the Notification of Solid Waste Collection Service Complaints for the Municipalities and the County.

Mr. Scharr said the Technical Committee recommended this Standard Operating Procedure be brought before the Board to adopt as a Policy.

Mr. Gombos made a motion to make this Standard Operating Procedure for Notification of Solid Waste Collection Service Complaint a Policy of the Harrison County Utility Authority, seconded by Mayor McDermott. A roll call vote resulted in the following votes:

Biloxi	voted	aye
Gulfport	voted	aye
D'Iberville	voted	aye
Long Beach	voted	aye
Harrison County (1)	voted	aye
Harrison County (2)	voted	aye
Pass Christian	voted	aye

The motion passed. A copy of the SOP is attached hereto as exhibit "F".

.....

E.2 b 2 – Solid Waste Disposal Contracts

Mr. Scharr said they have been negotiating and working on the language for the Solid Waste Disposal Contracts. He said the initial proposal called for \$28.00 per ton for all waste for a fifteen year period. Under the Board's direction the Solid Waste Disposal contract was re-advertised for a shorter term and to separate the municipal solid waste from trash. At the previous meeting the Board gave the Executive Director authorization to enter into negotiations with Waste Management for the municipal solid waste contract. Their last proposal came in initially at \$24.00 per ton for five years and \$19.00 for a ten year term. Mr. Scharr said they have negotiated and are recommending to the Board, an increasing rate that will begin at \$15.25 per ton beginning August 25 with an annual increase of \$1.00 per ton per year for a ten year period.

Mr. Scharr said the critical issues in the negotiations included:

- a) Waste Management agrees to pay the Authority a "host fee" each "calendar" month during which the total tons received in the municipal solid waste landfill exceed 33,333 tons. The "host fee" to be paid will be \$1.00 per ton received for each such ton received in any month over 33,333 tons and shall be shown as a credit on the invoice for the month the excess tonnage was received.
- b) Waste Management was concerned about Authority support for the vertical expansion at their facility, within the next one to eight years. Mr. Scharr said this was part of the negotiations. Mr. Scharr said he supports the idea that the Authority would support a vertical expansion subject to review of the specifics that are submitted.
- c) Waste Management agrees to pay to the Authority a sum in the amount equal to \$1.00 per household, based upon the house count conducted by HCUA and the waste collection contractor during the spring of each year. For the initial contract year, the house count is 68,100 resulting in an initial fee of \$68,100.

(Mayor Hewes arrived)

Mr. Simpson said the Authority, according to this contract is agreeing to support Waste Management's expansion, not to every detail, but in the contract Waste Management has to guarantee they will always have capacity. He added that one of the changes that is still being worked on is the expansion issue. Mr. Simpson said a ten year contract has already been agreed on. He added that Waste Management brought up another point, that in the event an additional fee or cost is put on the Contractor, it will be passed through to the Authority. Mr. Simpson said in conclusion, there are still details to be worked out if the Board approves this contract. The rates presented are only available if it is a ten year contract.

Mr. Scharr said the \$1.00 per ton MS tax has funded programs such as the Waste Tire Grant, Household Hazardous Waste programs, etc. Mr. Scharr said they did a survey of other public agencies in South Mississippi and found that they have disposal costs in the range of \$26.00 to \$33.00 per ton. He has tried to negotiate to reduce the impact up front and at the end of the ten year period it remains below what the current rates are in South Mississippi. He is recommending to exercise the first five year option with a five year extension and reserve the right to exercise five year options up to a total of thirty years.

Mayor Hewes said "that one reason the Authority was able to be afforded the rate they have previously had was the radius component. Waste Management was able to take rubbish or trash from a 100 mile radius except New Orleans. He said that is not changing but it is still in place. If it was profitable in the current Authority rate and the radius rate, then why would we not be in a better negotiating position coming forward as opposed to this huge jump in price. The radius component is still in place, there is one big windfall that is about to happen and it is going to be on the back of our citizens, and I don't think this is a much better situation that we had two weeks ago, I don't think overall, it initially started out for ten years but for the length of it, I do not think we are getting much of a win here. If the landfill is profitable now at the current rates then there ought to be a little more wiggle room on the negotiation moving forward than this magnitude of an increase."

Mr. Dean Brown from Waste Management said the service area is less than it was fifteen years ago, it has been restricted. It was reduced in the year 2000. The majority of the volume does come from Harrison County and they don't see any potential for out of state volumes or any significant increase.

Mr. Simpson said in the exhibit it is written "there will be no CPI adjustment during the term of the contract", it should have read "for the initial ten years of the contract, not for the whole thirty years". Waste Management wants the option to be able to ask for a CPI adjustment. He also said one other adjustment would be the "pass through costs". Mr. Simpson said there is a clause in the contract that the Authority will support the expansion of the facility generally in the accordance with the attached drawing.

Mayor McDermott made a motion to accept the ten year contract with the sliding scale, seconded by Mr. Gombos.

Mayor Hewes made a substitute motion that the Authority ratify a ten year contract at \$15.00 per ton flat, any other material adjustments, be it a request for change or a vertical adjustment will have to be negotiated or discussed at that time, seconded by Mayor Skellie. Mayor McDermott withdrew his original motion.

A roll call vote resulted in the following votes:

Biloxi

voted

aye

Gulfport	voted	aye
D'Iberville	voted	aye
Long Beach	voted	aye
Harrison County (1)	voted	aye
Harrison County (2)	voted	aye
Pass Christian	voted	aye

The motion passed. A copy of the contract is attached hereto as exhibit "G".

Mr. Scharr said another factor in the Solid Waste costs will be previously unidentified requirements of the bond covenants. The Authority Bond Counsel has determined the Authority must provide O&M reserve for all of the wastewater, water and solid waste O&M. Previously the O&M reserve was for the wastewater and a portion of the water O&M costs. The impact for the Solid Waste costs is an increase of ~ \$3 million per year to the budget to get the reserve to where it should be. Mr. Scharr said it was never identified in any audits but was identified in the additional review performed by AVL. The definition for Authority facilities includes water, wastewater and solid waste. Past interpretations included only wastewater. He said Bond Counsel confirmed that the O&M reserve is required for all facilities including water and solid waste. He said the additional costs this year in solid waste will include this increase.

Mr. Simpson said this is a fine technical point that no one has ever caught before. He said it possibly could be phased in over the next three or four years and the reserve will be built up over the next three or four years, but the problem is it will be a finding when the Authority is audited which would mean the Authority would not be in compliance with the bond covenant.

E. 2 b 2 – Trash Class I Rubbish

Mr. Scharr said a ten year contract was negotiated with Team Waste for a cost of \$9.44 per ton for Class I Rubbish which includes \$1.00 per ton MDEQ Solid Waste tax for the term of the agreement. He added that the current contract has had 3,000 c.y. annually that could be disposed by member agencies at no additional cost. Team Waste will allow a cumulative total of 640 tons per year of disposal of trash/Class 1 rubbish annually.

Mayor Hewes made a motion to approve the Team Waste contract for Class I Rubbish disposal for ten years, seconded by Mayor McDermott. A roll call vote resulted in the following votes:

Biloxi	voted	Aye
Gulfport	voted	Aye
D'Iberville	voted	Aye
Long Beach	voted	Aye
Harrison County (1)	voted	Aye
Harrison County (2)	voted	Aye
Pass Christian	voted	aye

The motion passed. A copy of the contract is attached hereto as exhibit "H".

.....

**E. 2 b 3 – Review of Final Report Submitted by the City of Gulfport –
"Review of Cost Apportioned by HCUA"**

Mr. Scharr presented his report as provided in exhibit "I". A general discussion ensued, no action was taken.

Mayor Skellie of Long Beach and Mayor McDermott of Pass Christian stated that they had a hydraulic study done and found that the Authority cannot supply their cities water with chlorination or with enough pressure.

Mr. Gombos stated that D'Iberville is going to spend the money to modify their system so they have adequate chlorination and the water will not be "wasted".

Mr. Riemann said Gulfport can receive water north of the interstate from the Authority's system and they have a water main under the interstate that connects the south system, which would adjoin Long Beach. He said there is a possibility of Gulfport taking the water from the Authority, pass through Gulfport's system and flow into Long Beach at Railroad Street. Mr. Riemann said they could provide a certain number of gallons per day.

A copy of the Review dated August 20, 2015 is attached hereto as exhibit "I".

.....

E. 2 b 4 –FY 2016 Budget – Discussion

Mr. Scharr gave an overview of some major issues that impacted the preparation of the FY2016 Budget. He wanted to meet individually with each Director and recommended to have a Special Meeting to incorporate whatever changes are needed. The Board decided to have the special meeting on August 26, 2015 at 9:00 a.m. Mr. Scharr said the Authority also has to have a Public Hearing for the FY2016 Budget, and will schedule it on September 10, 2015 at 9:00 a.m.

Mr. Gombos asked for a written confirmation from the bond counsel regarding the reserve required.

Key Factors impacting the FY2016 budget include:

1. There is no credit on the debt service (last year's budget included a \$1.9

million one-time credit).

2. The Solid Waste Disposal Contract = \$15.25 per ton municipal waste and \$9.44 per ton for the rubbish. (Last year's budget was approximately \$2.75/ton)
3. The reserve increase has been included to cover for the Solid Waste reserve and 100% increase for the Water reserve.
4. Water System costs, were allocated based on the % of the total system capacity that can be delivered to each member agency.
5. Some debt costs have been re-allocated based on member service agreements to assign debt costs based upon member agency benefits/allocation.
6. O&M Renewal and Replacement fund has been applied to all member agencies.
7. All over/under money remaining with HCUA has been applied, where applicable, to the appropriate member agencies.

Mr. Scharr briefly reviewed the Draft Budget with the Board members.

A copy of Mr. Scharr's memo outlining the Issues is attached hereto as exhibit "J".

.....

F. Executive Director's Report

Mr. Scharr stated that he had no additional report at this time.

.....

(Supervisor Joe Meadows left the meeting)

.....

I. Adjourn - At this time Mayor McDermott made a motion to adjourn, seconded by Mayor Skellie. A roll call vote resulted in the following votes:

Biloxi	voted	aye
--------	-------	-----

Page 9 of 10

August 20, 2015

Gulfport	voted	aye
D'Iberville	voted	aye
Long Beach	voted	aye
Harrison County (1)	voted	aye
Harrison County (2)	voted	absent
Pass Christian	voted	aye

The motion to adjourn passed.



 Harrison County Utility Authority



 Harrison County Utility Authority