

HARRISON COUNTY UTILITY AUTHORITY

May 21, 2015

Be it remembered that a meeting of the Harrison County Utility Authority Board of Directors was held on May 21, 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:

Supervisor Joe Meadows, Harrison County (2), Director
Supervisor Marlin Ladner, Harrison County (1), Director
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
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. David Perkins, Water Coordinator, HCUA
Mr. Seren Ainsworth, Solid Waste Coordinator, HCUA
Ms. Patra Roberts, Office Manager, HCUA
Mr. Reed Bryant, Staff Engineer, HCUA
Mr. James Simpson, Wise Carter Attorneys, Esquire

AUDIENCE:

Mr. Bruce Newton, Vice President, Digital Engineering
Mr. Russ Nobile, Attorney, Wise Carter
Ms. Lisa Verhovshek, Paralegal, Wise Carter
Mr. Jeff Riopelle, Vice President, Knesal Engineering
Mr. Jason Overstreet, A. Garner Russell & Associates
Mr. Derrel Wilson, Utility Partners
Mr. Truett Schiel, Utility Partners
Mr. Ruppert Jemmott, Waste Pro
Mr. Jerry Levens, AVL CPA Firm
Mr. Deborah Akin, AVL CPA Firm
Mr. Bernie Parker, City of Long Beach

Ms. Elizabeth Railey, Consultant, City of D'Iberville
Mr. Damon Torricelli, City of Biloxi

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

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

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Agenda Amendment

Mayor Hewes requested the agenda be amended to add item E. 2 b 7 – CIAP Pineville Project Invoices.

Supervisor Ladner made a motion to amend the agenda to add the CIAP Pineville Project Invoices as item E. 2 b 7, 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.

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Mayor Gilich entered meeting.

A. Public Comments – Mayor Hewes called for public comments. Mr. Scharr introduced the new HCUA Solid Waste Coordinator/Procurement Agent, Mr. Seren Ainsworth.

Mr. Gombos introduced the City of D'Iberville Consultant, Ms. Elizabeth Railey.

B. Approval of Wastewater Claims Docket dated May 22, 2015

Mr. Gombos made a motion to approve the May 22, 2015 Wastewater Claims Docket, 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.

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C. Approval of Solid Waste Claims Docket dated May 22, 2015

Mr. Gombos made a motion to approve the May 22, 2015 Solid Waste Claims Docket, 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. A copy of the Claims Docket is attached hereto as exhibit "B".

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Non-Agenda Item Discussion

There was a discussion regarding complaints of litter from the Waste Pro collection trucks in various areas. Supervisor Ladner stated that he has observed trash blowing from trucks. Mr. Scharr stated that Waste Pro will be asked to address the Board at the next Board meeting regarding the matter.

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D. CDBG - Requests for Cash

On behalf of Gouras & Associates - CDBG Grant Administrator, Mr. Newton recommended the approval of the Requests for Cash in the amount of \$1,017,853.35.

Mayor McDermott made a motion to approve the Requests for Cash in the amount of \$1,017,853.35, based on the recommendation of the Project Manager and Grant Administrator, 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. A copy of the RFC summary is attached hereto as exhibit "C".

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E. 2 a 1 - HARCUA-02 Budget Modification Number 57

On behalf of Gouras & Associates - CDBG Grant Administrator, Mr. Newton stated the budget modification represents no change in the grant amount. This budget modification is necessary to facilitate project closeouts.

Mayor McDermott made a motion to approve HARCUA-02 Budget Modification Number 57, based on the recommendation of the CDBG Project Manager and the Grant Administrator, 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. A copy of the Budget Modification is attached hereto as exhibit "D".

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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 Payment Application is attached hereto as exhibit "E".

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E. 2 a 4 - W19 Greater Avenue Tank – Work Order No. 2 Payment Application No. 8 (\$47,122.79)

Mr. Gombos made a motion to approve W19 Greater Avenue Tank – Work Order No. 2 Payment Application No. 8 (\$47,122.79), 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 Payment Application is attached hereto as exhibit "F".

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E. 2 a 5 - Project Coordination Agreement – Amendment No. 5 – Digital Engineering (\$27,950.00)

Mr. Scharr stated the amendment is the additional costs for project management services provided by Digital Engineering, related to the additional CDBG projects that were approved by MDEQ.

Supervisor Ladner made a motion to approve Project Coordination Agreement – Amendment No. 5 – Digital Engineering (\$27,950.00), 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. A copy of the Amendment is attached hereto as exhibit "G".

Non-CDBG

E. 2 b 1 – Approval of Corrective Instrument Adcock Family

Mr. Simpson stated that in February 2000, the HCUA received a quick take order giving title to a piece of property. The legal description in the quick take order was in error. The property that it described is now being sold and this order does not allow for clear title of the property. This document is to correct the error and release any claims of interest to the property.

Mayor McDermott made a motion approve the Corrective Instrument for Adcock Family Property based on the recommendation of legal counsel, seconded by Mr. Gombos. 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 Quitclaim Deed is attached hereto as exhibit "H".

E. 2 b 2 – Tire Waste Grant – MDEQ Grant Acceptance

Mr. Ainsworth stated this new grant is an extension of funds to the current grant. It has been approved by MDEQ.

Supervisor Ladner made a motion to approve the Acceptance of the Tire Waste Grant, 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 Grant attached hereto as exhibit "1".

Mr. Ainsworth stated that the present contractor for tire waste removal, Polyvulc Tire Recycling notified the HCUA that their business is closed and they will begin picking up their trailers on May 20, 2015. Notice of closure was received on May 18, 2015. He stated that he is in the process of procuring a new contractor. Mr. Scharr indicated that the process would take 2-4 weeks to implement a new contractor.

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E. 2 b 3 – Adoption of Proposed Non-Member Agency Water and Wastewater Rates

Mr. Scharr provided an overview of the Public Hearing for Non-Member Water and Wastewater Rates that HCUA held on May 7, 2015. He stated the attendance of the meeting was minimal, although HCUA took great efforts to ensure the meeting was well-publicized. No feedback received from the meeting has impacted the recommendation to adopt the proposed rates that were brought before the Board at the May 7, 2015 meeting. Representatives from the Public Service Commission were in attendance and were pleased with HCUA efforts.

Mr. Scharr recommended that the Board adopt the proposed rate policy, effective October 1, 2015.

Supervisor Ladner made a motion to adopt the Proposed Non-Member Agency Water and Wastewater Rates Policy, effective October 1, 2015, 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 Rate Policy is attached hereto as exhibit "J".

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E. 2 b 4 – Proposed AVL Engagement Letters

- a. Debt Services Allocation – Time & Materials Not to Exceed \$4,000.00**
- b. Debt Covenant Services – Time & Materials Not to Exceed \$4,500.00**

Mr. Scharr is requesting these two items be tabled to allow HCUA and AVL more time to develop the scope of work required.

Mr. Gombos made a motion to table items E. 2 b 4 a – Proposed AVL Engagement Letters – Debt Services Allocation – Time & Materials Not to Exceed \$4,000 and E. 2 b 4 b – Proposed AVL Engagement Letters – Debt Covenant Services – Time & Materials Not to Exceed \$4,500 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.

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E. 2 b 5 – Presentation and Acceptance of FY2014 HCUA Audit Report

Mr. Jerry Levens of AVL, presented the Board with highlights of the deliverables from their independent audit report for FY2014. The deliverable items include Official Report, Management Letter, Letter of Governance, and Highlights of the Audit Report and Recommendations.

The Highlights of the Audit Report:

Independent **Auditors' Report** Page 2 and 3

- Unmodified opinion, highest level of assurance

Management Discussion and Analysis — Page 6

- \$236 million total award from HUD CDBG
- \$7.9 million current year expenditures
- \$220.4 million of HUD CDBG expended through 9/30/14

Statement of Net Position — Page 12

- \$1.9 million in overbillings (Due to public agencies)
- \$395 million in total investments in capital assets, facilities, etc.', before accumulated depreciation of \$111.3 million
- Negative unrestricted net position balance of \$411 thousand is a result of the increase in the restrictions in the operating reserve fund for the debt service and reserve requirements and Prior Period Adjustment of \$239 thousand (GASB 65 implementation-write-off prior years' debt issuance costs).

Statement of Revenues, Expenses, and Changes in Net Position — Page 13

- Negative operating loss before depreciation of \$407 thousand — is a result of the grant revenues "Emergency management grants" included in non-operating revenue used in the over/under year end calculation
- Depreciation expense of \$8.6 million increases the loss from operations to \$8.9 million.

Derivatives Reported at Fair Value — Page 26

- Interest rate swap effectiveness — determined to be effective in the current year and qualifies for hedge accounting. The fair value change was an increase of \$677 thousand.

- Deferred Revenues — Page 29

- Participating Governments Future Expenses Payment — amounts billed to governments for expected expenses that were not incurred during the current fiscal year of \$784 thousand.

New Pension Standard — Page 30

- GASB 68 *Accounting and Financial Reporting for Pensions* — effective for fiscal years beginning after June 15, 2014, implementation will be required for June 30, 2015 financial statements.

Prior Period Adjustment — Page 32

- Implementation of GASB 65 *Items Previously Reported as Assets and Liabilities* resulted in \$239 thousand decrease in net assets.

Bond Covenant Compliance — Page 38

- The Authority was in compliance with all major bond covenants at 9/30/14.

Reports on Compliance and Internal Controls — Pages 39-42

- Unmodified opinion, highest level of assurance

Financial Statement Findings — Page 46

- None in Current Year

Federal Awards Findings and Questioned Costs — Page 46

- None in Current Year

Summary of Prior Audit Findings — Page 47

- Current status of findings reported in the prior year.

Communication with Those Charged with Governance (Board)

- No significant difficulties encountered, however audit completion was delayed due to delays in obtaining some information and documents requested.
- Audit adjusting journal entries (18) and passed adjustments (1), provided in detail, pages 4 through 22.

Additional Comments Letter (Management Letter)

- Comments and Recommendation — Page 2

- o *Accounting Department Staffing Needs*
- o *Continued Professional Training*
- o *OMB's Uniform Grant Guidance*
- o *Delinquent Interest Payments*
- o *Prior Year Comments and Recommendations Repeated*
- o *Shift from Spreadsheets to an Integrated Business Software System*
- o *Accounts Receivable*

There was discussion regarding recommendations made to improve accounting and operational efficiency with specific focus on the recommendations for increased accounting department staffing needs and the addition of an integrated accounting system.

Mr. Scharr stated he will take the recommendations under consideration and make recommendations to the Board during budget considerations.

Mr. Gombos made a motion to accept the FY2014 HCUA Audit Report, 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 Audit Report is attached hereto as exhibit "K".

Mr. Scharr provided the Board with the FY 2014 Over/Under Calculations Report.

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E. 2 b 6 – Division of Expenses, City of Gulfport – Discussion

The City of Gulfport submitted a letter highlighting their recommendations for cost allocations of HCUA costs to member agencies. Mayor Hewes stated that he wanted to have some options for the Board consideration to provide a basis to work from.

Mr. Scharr stated that he will schedule workshops to address the division of expenses in mid or late June.

No action required. A copy of the Letter is attached hereto as exhibit "J"

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E. 2 b 7 – Approval of Pineville CIAP Project Invoices #15-132, #15-109, and #14-230 – Knesal Engineering

Mr. Wilson recommended approval of three Knesal Engineering invoices for the Pineville CIAP project for the total amount of \$12,936.75.

Mr. Scharr stated that the reason for the late addition to the agenda was the fact that the letter from U.S. Fish and Wildlife Service was not received until Monday, May 18, 2015.

Supervisor Ladner made a motion to approve Pineville CIAP Project Invoices #15-132, #15-109, and #14-230 – Knesal Engineering, seconded by Mr. Gombos. 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.

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G. Executive Director's Report

No Executive Director's Report.

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H. Executive Session

Mayor Hewes requested that the Board enter into Closed Session to determine the need for an Executive Session.

Mayor McDermott made a motion to go into closed session, seconded by Mayor Skellie.

Mr. Simpson stated that there is a settlement conference scheduled for federal court that need to be discussed in Executive Session.

Mayor McDermott made a motion to enter into Executive Session to discuss litigation matters, seconded by Supervisor Ladner. A roll call 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. The Board entered into Executive Session.

No action taken during Executive Session.

Mayor McDermott made a motion to exit the Executive Session and return to normal Open Session, seconded by Mr. Gombos. 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

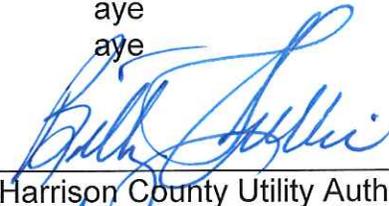
The motion passed. The Board returned to Open Session.

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I. Adjourn - At this time Mayor McDermott made a motion to adjourn, seconded by Mr. Gombos. 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 to adjourn passed.



 Harrison County Utility Authority



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