

MINUTES

March, 2014

CASSATT WATER

Kershaw County and Lee County Regional Water Authority

Agenda

Board of Director's Meeting

10:00 AM

March 6, 2014

- | | |
|--|--|
| 1. Call to Order | Mr. Roosevelt Halley, President |
| 2. Prayer | Rev. Kenneth Carter, Chaplain |
| 3. Secretary's Report | Mrs. Angela McCaskill, Secretary |
| 4. Approval of February, 2014 Minutes | Mr. Roosevelt Halley, President |
| 5. Financial Report | Ms. Donna Tuttle, C.F.O. |
| 6. Board to Consider Digital Assurance Company Agreement | Ms. Donna Tuttle, C.F.O. |
| 7. KCLCRWA Charter from the Secretary of State | Mr. Lawrence Flynn, Bond Attorney |
| 8. C.E.O.'s Report | Mr. Charles Litchfield, C.E.O. |
| 9. Proposed Leak Adjustment Policy | Mr. Mike Rocca, Raftelis Financial Consultants |
| 10. February 2014 Rate Study | Mr. Mike Rocca, Raftelis Financial Consultants |

MINUTES

March, 2014

MINUTES

March, 2014

- | | |
|---|-----------------------------------|
| 11. Board to Consider a Resolution Authorizing Acceptance and Compliance With Recommendations of the February 2014 Water Rate Study | Mr. Roosevelt Halley, President |
| 12. Board to Consider a Resolution for the Issuance and Sale of Water System Revenue Bonds of the Kershaw County and Lee County Regional Water Authority and Other Matters (Master Bond Resolution) | Mr. Lawrence Flynn, Bond Attorney |
| 13. Board to Consider a Resolution for the Issuance of Revenue Bonds Designated Series 2014 | Mr. Lawrence Flynn, Bond Attorney |
| 14. Board to Consider a Resolution for Adoption of Finance Policies | Mr. Lawrence Flynn, Bond Attorney |
| 15. Bond Ratings | Mr. Lawrence Flynn, Bond Attorney |
| 16. Executive Session, Contractual Matter | Mr. Roosevelt Halley, President |
| 17. Next Board Meeting | Mr. Roosevelt Halley, President |
| 18. Adjourn | |

MINUTES

March, 2014

MINUTES

March, 2014

CASSATT WATER COMPANY

Members Present: Mr. Roosevelt Halley President
Mr. Julius Gause Vice President
Rev. Kenneth Carter Chaplain
Mrs. Johnette Caughman
Mr. Mike Davis
Mr. Furman Fountain
Mrs. Ollie Thompson
Mrs. Bettie Toney

Associates Present: Mrs. Angela McCaskill Secretary/Treasurer
Mr. Charles Litchfield Chief Executive Officer
Ms. Donna Tuttle Chief Financial Officer
Mr. William Cox Company Attorney
Mr. Lawrence Flynn Bond Attorney
Mr. Terry Hancock Company CPA
Mr. Mike Rocca (by phone) Raftelis Financial

The meeting was called to order by Mr. Halley.

The invocation was given by Rev. Carter.

Mr. Halley recognized Mrs. McCaskill to present the Secretary's Report. There were no questions or comments.

Mr. Davis made a motion to approve the Secretary's Report. Mrs. Toney seconded the motion. All voted in favor.

Mr. Halley recognized Ms. Tuttle to present the Financial Report. Ms. Tuttle stated that the Financial Report is not ready yet, due to the early Board meeting this month. She commented that the Financial Report will be mailed to everyone as soon as they become available.

Ms. Tuttle discussed the agreement with Digital Assurance Company. She stated that the SEC requires all issuers of tax exempt bonds to disclose information throughout the year to investors. Digital Assurance Company will submit all information as needed in a timely matter throughout the life of the bond. These filings are important and can affect your ratings. There is a fee of \$1500/year and an initial set up fee of \$2500.

MINUTES

March, 2014

MINUTES

March, 2014

Mr. Flynn added that there are some security rules that we must comply with. The SEC states that secondary market disclosure is important. We are making promises to the market that we will provide certain financial information to them. Ms. Tuttle will be working with an online portal, EMMA, to provide that information to the market. If for any reason, we fail to report the information to the market, it could adversely affect us going forward. For this reason, Digital Assurance Company will be of great benefit to ensure that we are compliant with all disclosures.

Mr. Davis made a motion to enter into an agreement with Digital Assurance Company. Mrs. Toney seconded the motion. All voted in favor.

Mr. Flynn stated that we are now a special purpose district as of noon on March 5, 2014. This will allow us to move forward with the bond process. As public officials, commissioners are required to file a Statement of Economic Interest. He added that the deadline we are working toward to acquire the bond proceeds is April 2, 2014.

Mr. Halley stated that it would be beneficial if we can get some documentation regarding what the Board can and cannot do as a special purpose district. Mr. Cox stated that he obtained a hand book from municipalities with some general information. He stated that we can download the information from the municipal association's website.

Mr. Halley recognized Mr. Litchfield to present the C.E.O.'s Report.

Mr. Litchfield thanked Mr. Flynn, Mr. Cox, Mr. Hancock, the staff and Board of Directors for all of their hard work during the transition.

Item 1: Taps

Mr. Litchfield stated that there was 1 tap made in the month of February.

Item 2: Rate Study

Mr. Litchfield stated that Mr. Rocca will discuss this in some detail. He stated that our average customer will see an approximate 84 cent increase monthly. Our high end customers will see the largest decrease. Mr. Litchfield commented that our rates are still lower than surrounding purveyors.

Item 3: Leak Adjustment Policy

Mr. Litchfield stated that we will no longer be able to apply the RoundUp as a special purpose district. Mr. Rocca will present a policy for the Board's review. He stated that there will not be a vote on this item today.

MINUTES

March, 2014

MINUTES

Item 4: Change of d.b.a. Name

Mr. Litchfield stated that we will need to change our name to Cassatt Water Authority or Cassatt Water. Our business name is Kershaw County and Lee County Regional Water Authority.

Mr. Cox recommended that we name it Cassatt Water. He stated that the legal name will be used for all legal documents.

The Board members all agreed to use the name Cassatt Water.

Mr. Gause made a motion to approve the C.E.O.'s Report. Mrs. Caughman seconded the motion. All voted in favor.

Mr. Halley recognized Mr. Rocca, the financial advisor with Raftelis. Mr. Rocca was present via telephone. Mr. Rocca addressed the leak adjustment policy. He stated that the existing leak adjustment policy applies the RoundUp policy proceeds to offset the costs associated with leak adjustments. Mr. Rocca further noted that this policy will be eliminated and that we need to adopt a new, more equitable policy. He stated that he, along with Cassatt Water staff, developed an improved method regarding leak adjustments.

Mr. Rocca directed everyone's attention to the Sample Leak Adjustment form. The form collects pertinent information and allows us to verify and document the customer's leak. Mr. Rocca explained the process of the new leak adjustment policy. He stated that there should be an Administrative charge, for the time spent by employees to figure the adjustment, as well as a raw commodity charge, for the loss of water.

Mr. Davis asked how much we have collected from the Round-Up Policy and how will those funds be used. Mr. Hancock said the amount of money involved is so small that it is insignificant and we should just move on.

Mr. Litchfield stated that we also have the partial payment plan available for those customers who need it.

Mr. Davis made a motion to adopt the leak adjustment policy. Rev. Carter seconded the motion. All voted in favor.

Mr. Halley recognized Mr. Rocca to present the Rate Study. Mr. Rocca's first recommendation was to make rate adjustments beginning April 1, 2014. The intent for the rate adjustment was not to increase revenue, but to amend the rate structure to mitigate the negative impact of the conservation rate. Mr. Rocca explained the changes that he proposed for the rates.

MINUTES

March, 2014

MINUTES

March, 2014

Mr. Rocca recommended Cassatt Water should review the rates every November or December. This will be for the mid-year adjustment. He suggested that the adjustments occur on January 1st, rather than July 1st. Mr. Rocca noted that in comparison with other water districts, we are still on the low end of rates.

Mr. Gause made a motion to adopt the Rate Study Resolution. Mr. Davis seconded the motion. All voted in favor.

Mr. Halley recognized Mr. Flynn to speak about the Master Bond Resolution. Mr. Flynn explained that this resolution outlines our promises to the market place, as well as the consequences if we default on those promises. This will be the governing document regarding the conversion process, terms, security provisions with respect to any bonds we issue, establishes the fact that we must have a trustee, etc. Mr. Flynn stated that the principal payment will be due June 1 and the interest payments will be due December 1 and June 1. Mr. Flynn reminded everyone that Regions Bank will be the trustee.

Rev. Carter asked what the payments would be. Mr. Flynn stated that we would like to pay off the B Bonds as soon as possible because the tax rates are higher. They are 30 year bonds and we would like to pay them off in 10 years if possible.

Mr. Davis made a motion to adopt the resolution. Mrs. Thompson seconded the motion. All voted in favor.

Mr. Flynn discussed the Series Resolution. He stated that this resolution authorizes the issuance of the 2014 A and 2014 B Bonds. The tax exempt portion of 2014 A is not exceeding \$20 million and 2014 B is not exceeding \$5 million. Mr. Litchfield, as the C.E.O., is delegated to determine the final principal amount. This resolution also identifies Regions Bank as the trustee, the amount of the bonds, the interest rate and terms.

The resolution states that the 2014 A Bonds will be used to pay for Phase 1 project improvements. We may borrow money for the capitalized interest for the first two payments.

Mr. Flynn stated that we authorized the funding of a debt service reserve fund. The market has requested a stand alone amount of money, usually equal to one year's debt service payment. That amount comes to \$1.3 million. That money would be set aside in an account with the trustee and not used, unless we have a shortfall and need the money to make the payment.

MINUTES

March, 2014

MINUTES

March, 2014

However, we went to the rating agencies and stated that we have enough cash on hand that it should serve as our own internal debt service reserve fund. The rating agencies agreed and did not see the need to fund it. This is very beneficial for us.

Mr. Flynn informed the Board that we will purchase an insurance policy which will pay on our behalf if we fail to pay the market. This will result in a lower interest rate for Cassatt Water.

Mr. Flynn stated that the 2014 B Bonds will refund the outstanding USDA loans and the TD Bank loan. We will also wrap these bonds with insurance.

Mr. Flynn stated that the most important document is the preliminary official statement. He stated that there are disclosures about the Board members, this system, Mr. Flynn's law firm, Mr. Cox, Ms. Tuttle and Mr. Litchfield. We will also add the provisions on the bond insurance. This document will be sent to the market place, upon the Board's approval. We will also include Mr. Hancock's audit, the bond resolution and the series resolution, economic and demographic information regarding Kershaw and Lee Counties, and the Bond council opinion.

Mr. Flynn went over various forms and reports that will be mailed to the market place. He also discussed the uses and sources of the funds of the series 2014 A and B Bonds.

Rev. Carter asked if the delivery expenses come out of the bond proceeds. Mr. Flynn stated that they will come out of the bond proceeds.

Mrs. Toney asked if we can spend the money from the bond proceeds on anything other than the projects listed. Mr. Flynn stated that we can only use the bond proceeds for the projects.

Mr. Davis asked if we are able to purchase inventory at a discounted price. Ms. Tuttle stated that we would need to use our surplus cash for those types of purchases.

Mr. Flynn stated that we added a provision that allows for capital leases. A lease purchase is not considered debt under SC state law as long as we set aside payments in our budget annually.

Mr. Davis made a motion to approve the resolution to issue revenue bonds designated as series 2014. Rev. Carter seconded the motion. All voted in favor.

Mr. Flynn discussed the Finance Policies Resolution. He stated that it gives Ms. Tuttle and Mr. Litchfield the guidelines for establishing an operating budget, how to invest money, how to comply with tax disclosures, and how to maintain and manage our debt.

Mr. Flynn stated that the Red Flag Policy is to protect our customers from fraud. He stated that these are great operational guides for running a utility system.

MINUTES

March, 2014

MINUTES

March, 2014

Mrs. Thompson made a motion to approve the financial policies. Mrs. Toney seconded the motion. All voted in favor.

Mr. Flynn discussed the ratings page. He stated that we received an A3 rating from Moody's, which is a great rating. Mr. Flynn also stated that we have a stable outlook. Mr. Flynn commented that we received an A Plus rating from S&P, which is exceptional for first time market goers.

Mr. Halley thanked Mr. Flynn for his hard work and dedication.

At this time, the meeting adjourned for lunch.

After the lunch break, Mr. Davis made a motion to go into Executive Session. Mr. Gause seconded the motion. All voted in favor.

Mr. Gause made a motion to exit Executive Session. Mr. Davis seconded the motion. All voted in favor.

Mrs. Caughman made a motion to approve payment to Savage, Royall and Sheheen Law firm in the amount of \$200,000.00 for services rendered. Mrs. Thompson seconded the motion. All voted in favor.

Mr. Cox was asked to come back into the Board room. Mr. Halley informed Mr. Cox that the Board voted in favor of payment to Savage, Royall and Sheheen for retainer fee. Mr. Cox explained that there were many unbilled hours of work on behalf of his firm included on that bill. Mr. Cox informed the Board that the payment will be paid out of the bond proceeds.

Mr. Cox stated that the monthly Board meetings must be given to the media for the public's information at least 24 hours in advance. Mr. Halley stated that the next Board meeting will be scheduled for Monday, April 21, 2014.

Mr. Halley discussed the Board training seminar that he just attended. He stated that it was highly informational and some of the best training that he has ever received.

Mr. Halley commented that it is extremely important the Board establish a mission statement.

Mrs. Thompson stated that she attended the Board training seminar as well and thoroughly enjoyed it. She expressed her appreciation for being able to attend.

Mr. Halley discussed the vacant Board seat and stated that both he and Mr. Gause have talked with a few people that they thought may have been good candidates to fill the seat, but were not successful. Mr. Cox stated that the Board will not be hurt by not immediately filling the seat.

MINUTES

March, 2014

MINUTES

March, 2014

Mr. Cox suggested that the Board takes time to find the right person to fill the position. Mr. Cox also stated that we need to inform the legislature early if we have a candidate in mind, or they will be forced to pick someone.

Once again, Mr. Halley thanked Mr. Litchfield and Ms. Tuttle for their outstanding service and hard work on the conversion and bonds.

Mr. Gause stated that there is 6 acres of land that joins this property that is going up for sale. He asked that Mr. Litchfield and Mr. Halley check into this. Mr. Litchfield strongly urged looking into the property. Mr. Cox stated that he will begin researching the details immediately.

Mr. Davis made a motion to adjourn. Mr. Gause seconded the motion. All voted in favor.

MINUTES

March, 2014

MINUTES

March, 2014

Cassatt Water Authority

Kershaw County and Lee County Regional Water Authority

C.E.O.'s Monthly Report

March 6, 2014

To: Board of Directors

From: Charles Litchfield, C.E.O.

1. **TAPS**

There was one tap made in the month of February.

2. **FEBRUARY 2014 RATE STUDY**

Enclosed in your packet you will see a brief summary of the rate study and recommendations that Mr. Rocca will present by telephone. A copy of the rate study is in your blue loose leaf binder.

The rate adjustment is not addressed as a rate increase but as a restructuring of the rates and is revenue-neutral.

The recommended rate structure will reduce the negative impact of the conservation rate structure and will consist of two blocks instead of four. The base charge will remain the same and the average customer of 6,000 gallons will see a \$0.84 per month increase in their bill. See page 3 Table 2 of the Rate Study in your blue binder for details regarding increases affecting different levels of usage.

3. **LEAK ADJUSTMENT POLICY**

The current leak adjustment policy provides for 100% adjustment. Mr. Rocca will recommend a more equitable leak adjustment policy that will reduce loss of revenue through leak adjustments.

The RoudUp policy has funded the cost of the leak adjustments in the past but as a Special Purpose District we will not be able to continue the RoundUp policy. We are presently researching several practices regarding rates & policies that will change upon transition to a SPD. Ms. Tuttle will comment on impact on lost RoundUp funding & net effect of proposed leak adjustment policy.

4. **CHANGE OF d.b.a. NAME**

While incorporated as Kershaw County and Lee County Regional Water Company we did business as Cassatt Water Company and continued to use CWC on letterhead, bills, signage, and vehicle decals.

In the future we will use Cassatt Water Authority for daily business and will change over as bill stock is depleted signs are replaced, and vehicles are taken out of service.

MINUTES

March, 2014