City Council of Peachtree City
Special Called Meeting Minutes
March 15, 2016
7:00 p.m.

The Mayor and Council of Peachtree City met in a special called session on Tuesday, March 15, 2016. Mayor Vanessa Fleisch called the meeting to order at 7:00 p.m. Others attending: Terry Ernst, Mike King, Kim Learnard, and Phil Prebor.

The purpose of the meeting was:

01-16-06 Discuss/Consider Request for Limited Sewer Expansion to Tyrone

Fleisch said staff would lay a factual foundation for the decision Council would make during a crucial time in the City's history, which would have an effect for the next 20 years.

City Manager Jon Rorie said this same conversation had taken place with a previous Council in 2006. The issues and questions were the same. During the last six weeks, staff had researched and responded to various questions. Rorie said he would facilitate the bulk of the discussion, and thanked staff from Engineering, Finance, and Planning for their work. Rorie added that what was shown on the screen would also be seen via the livestream rather than the people in the meeting, which was different from what was usually done. Those watching on their computers would be able to see the PowerPoint presentation.

Rorie said the presentation would provide a system overview of the aging infra-structure; look at the "projected" surplus capacity that existed in the sewer system; review whether the rate structure was appropriate to cover bond debt, operations and maintenance, and provide for replacement of aging infrastructure. As a business decision, additional rate payers would buttress against future rate increases. As a policy decision, the long-term downside would be a loss of capacity that would be expensive to recover. Staff would also provide a recommendation for consideration. Rorie said staff was not suggesting a plant expansion was necessary, but wanted Council to look at what was presented in terms of what could be needed in the future.

Dan Davis of Integrated Science & Engineering (ISE) gave an overview of the sewer system, which included two wastewater treatment plants [Rockaway with a 4 million gallon per day (MGD) treatment capacity and Line Creek with a 2 MGD treatment capacity], 35 pumping stations, and 200 miles of force mains and sewer lines. He continued that it was a "developer's grade" system that had been built in the early 1980s by the City's developer, and 75% of the system had been in service over 20 years. Davis explained that developers and builders built what fit their business models, which was how the City's system was designed and built.

The City acquired the sewer system in 1997 for $27 million ($16 million went to the owner of the system, $6 million was used immediately for upgrades, and $5 million for additional upgrades, acquisition costs, and working capital). During the last 10 years, the Peachtree City Water and Sewerage Authority (WASA) had been proactively rehabilitating the system.

Because it had been built to developer's grade, the sewer system had required love and attention since the citizens took it over. He estimated that $6 – $7 million had been spent over the last 10 years. This year alone, WASA would spend $3 million in upgrades to the system. In 2011, RedZone performed an extensive evaluation, with the lines inspected by a television camera, and grades assigned to the manholes and sewer lines. The reason this had been done was to begin addressing the intrusion & infiltration (I&I) into the system, which robbed from the

system's capacity. As rainfall events occurred, there was a surge of rainwater into the system, which eventually made its way to the treatment plants. Because the lines sometimes sat on the groundwater table, I&I also continuously occurred since the lines were not tight. Spending money on rehabilitating gravity lines was expensive, and it had to be carefully thought out. In assessing the system, the manholes and lines in the worst condition were the priority, then they worked their way up the line. What was done now, but would also have to be redone in 10 years due to the caustic nature of sewage. It was a continuous effort.

There were 35 pump stations in the City. Davis said the City was built by a developer, and placement of the sewer system was market driven. Davis recalled the developer wanted to put $465,000 homes in the Kedron Village area, and it would have cost a great deal to extend the gravity lines to the area, but building a pump station was cheaper. A municipality would look at a 20-year horizon, where a developer looked at a two-year horizon. Davis said that, had the system been planned to a municipal standard from the beginning, there would have been a better maintenance outcome today. There would have been only 20 – 25 pump stations, which were a daily problem, according to Davis.

Wastewater treatment plants (WWTPs) were generally planned for a 30-year horizon. Rockaway was built in 1988 for 2 MGD, and it was increased to 4 MGD in 2002. Line Creek was commissioned in 1980 for 1 MGD and was expanded to 2 MGD in 1985. Davis continued that, with proper care and equipment replacement, WWTPS generally lasted more than 50 years. Equipment was continually replaced. The expansion process usually was initiated when a plant reached 80 – 85% capacity. Davis said he recommended 80%.

The Georgia permit types for wastewater treatment included land application, which addressed re-use and required restricted access; National Pollutant Discharge Elimination System (NPDES), which allowed direct discharge of treated water into a body of water; and seasonal discharge/reuse (applied to water bodies where a pollution problem was seasonal).

Flows were guided by land use. Davis said a 14-acre tract with apartments generated more flow than 14 acres in Smokerise, which had one-acre or larger residential lots. Davis continued that the objective of wastewater treatment was to separate solids from liquids (effluent) and practically deplete the toxicity of each. The solids were treated and taken to a landfill, land applied, or composted. The effluent was treated and discharged into streams/rivers, or land applied. The Environmental Protection Division (EPD) determined the level of treatment required on a case-by-case basis for each jurisdiction, and determined the amount of discharge allowed into streams. When treated effluent was discharged to streams, the assimilative capacity (the ability of a body of water to cleanse itself of waste waters or toxic substances without deleterious effects and without damage to aquatic life or humans who consume the water) of the stream was allocated/regulated by the EPD in pounds (lbs)/day.

Flows forecasts were based on industry standards and the state's specific planning guidelines. Flows were guided by land use, and treatment plants were designed hydraulically for storm events to achieve permit requirements. Davis explained that one of the issues with capacity was I&I, saying that during a rainfall event, I&I could be five times the amount of daily flow. The Rockaway plant was designed to accommodate 10 MGD during significant rainfall, and the average flow was 2 MGD. The Line Creek plant was hydraulically designed for 5 MGD, and the average flow was 1.2 MGD.

Rorie noted that since July 1998, the number of customers had increased from 8,701 to 10,700 in October of 2015. While the number of residential customers had increased, water usage had

decreased from a high of 160 MGD to just over 100 MGD per day due to efficiencies that had reduced residential usage, as well as the loss of Photocircuits. Industrial customers had grown from 27 in July 1998 to 41 in October 2015. When Photocircuits closed in 2005, water usage dropped from a high of 22 MGD to approximately 5 MGD, or a $450,000 drop in revenues for WASA.

Rorie said the top 10 WASA sewer users from October 2014 to September 2015 included Hoshizaki [17.5 MGD, 47,955 average daily flow (ADF)], Balmoral Village (16.8 MGD), Wyndham Peachtree Conference Center (13.7 MGD), Dolce-Peachtree Atlanta (13.7 MGD), Twiggs Corner Condominiums (10.9 MGD), Shiloh Mobile Home Park (10.8 MGD), The Retreat at Peachtree City (9.6 MGD), Line Creek Parkway/Camden Apartments (9.6 MDG), GE [Retreat] Apartments Kedron Village (8.5 MGD), and Fairways Peachtree City Apartments for a total of 117,050,740 MGD or an average of 320,687 gallons per day. The top 10 customers included two conference centers, seven multi-family developments, and one industry.

Rorie look at the demand for sewer usage in 2015, noting WASA had 10,699 current customers (10,166 residential, 26 multi-family, 436 commercial, and 41 industrial). The treatment plants had a combined capacity of 6.0 MGD gallons per day (GPD) (both acronyms are used for rates of flow of a liquid, MGD is appropriate for small flows, how much an industry uses and the latter is for larger flow such as the total amount of effluent). The customers used 3.2 MGD, which was down from 3.7 MGD in 2002. The surplus capacity of the system was 2.8 MGD. Rorie defined "surplus" as capacity not forecasted for future use.

WASA currently had approximately 2.13 GPD set aside for committed industrial flows (0.28 GPD), Hip Pocket septic tanks (0.02 GPD), industrial property (684 acres X 587 GPD), commercial property (176 acres x 367 GPD), office/institutional (51 acres x 367 GPD), church property (63 acres x 367 GPD), build-out population (5,360 acres x 84 GPD), Braelinn Baptist Church, Pathway Communities property, west side school site, and a 10% safety factor of 5.3 MGD. The total was 5.83 MGD, which led to the 6 MGD capacity.

Rorie continued that people had said everyone in the City should be on sewer, so the excess capacity should be saved. He pointed out the R-43 and Estate-Residential (ER) zoning had been designed to allow for on-site septic system, which included the unsewered areas of Crabapple, Smokerise, and Carriage Lane. Other areas without sewer included Robinson Road, Hip Pocket, and Huddleston Road. One possible result of having sewer in those areas was it could lead to rezoning requests.

Rorie pointed out that Hip Pocket existed prior to the enactment of the R-1 zoning ordinance, which was adopted in 2008 to address homes on lots of 10,000 square feet or more built prior to the ordinance enactment. Rorie said there were 100 lots, with approximately 30,000 ADF. The Hip Pocket Road area would not be allowed to be developed today without public sewer. Sewer was available in some areas along Hip Pocket, and people had made a choice to not hook up at this point, but the capacity should be reserved.

The zoning along the Huddleston Road corridor was Light Industrial (LI) and General Industrial (GI. There were 46 lots (80 acres) on septic on Huddleston Road, and capacity was reserved also. Rorie questioned whether all the property owners wanted to be on sewer. It might be something Council would have to mandate.

The discussion continued with the remaining developable lots. Rorie said the City was not built out, but it was close. There were 1,410 undeveloped lots left, including the West Village. There

were 304.5 acres (not including the West Village) of ER and R-43 zoned property left, and septic systems were permitted on those tracts. There were 65 tracts of platted undeveloped industrial lots and 328 acres of undeveloped industrially-zoned land. Undeveloped retail (platted lots) included 16 tracts and 28 acres of undeveloped commercially-zoned land. There were 14 tracts of undeveloped office (platted lots), or 16 acres of undeveloped land zoned for offices.

Rorie discussed the sewer rate structure, which included $24 for bond debt, $2 for capital expenses/renewal & extension (R&E), and the remainder of the bill covering the actual cost of sewer treatment. He said he did not wash his cars at home or irrigate his lawn, and his family used 125 average daily flow (ADF) (which was one-third of the planning estimate of 350 ADF for a residence).

The estimated sewage flow rates were a planning number, Rorie continued. It was critical to understand planning vs. reality. The flow rates were based on similar projects. Based on the projects on the books, 471,610 ADF had to be reserved. Those projects included the Overlook retail center (9,800 ADF), Sprouts retail center (4,300 ADF), Chick-fil-A on SR 54 West (3,960 ADF), MOBA office/warehouse on SR 74 South (8,750 ADF), Marriott Residence Inn-110 rooms (11,000 ADF), Fairfield Inn-81 rooms (8,100 ADF), The Gates-90 lots (27,000 ADF), Cresswind-650 lots (195,000 ADF), and Everton-679 lots (203,700 ADF). Rorie said if the calculations and research were consistent, use would continue to decline, with the surplus in the system between 1.3 MGD and 800,000 GPD.

In staff's calculations, Rorie said 600,000 gallons was set aside as the 10% reserve first. Everything related to the original engineering was reserved, as well as 500,000 MGD for future projects. He doubled the amount used by the top 10 users and added an economic development piece. Staff's calculations were consistent with what had been discussed in 2006. The expected surplus was between 1.3 MGD and 800,000 GPD. For planning assumptions, the possibilities for 800,000 GPD could be used for 23,000 industrial employees (35 GPD/employee), 2,666 residential properties (300 GPD/residence), 16,000 restaurant seats (50 GPD/seat), eight million square feet of retail space (100 GPD/1,000 square feet), or 8,000 hotel rooms (100 GPD/room), or any mixture of those possibilities. Rorie said those numbers were something to consider when planning for the future.

Rorie said the City should not "mess" with the sewer rate structure as it was currently set up. People talked about the rates and wanted them lower, but the rates made sense when looking at aging infrastructure.

Rorie referred to a 2015 study done by the University of North Carolina on water and wastewater rates and rate structures in Georgia. There were four myths about rates, he said. Myth #1 was that higher rates were bad, Myth #2 was that comparing rates was simple, Myth #3 was that pricing was simple, and Myth #4 was that promoting conservation required increasing block rate structures.

Rates determined how much revenue a community would have to maintain vital infrastructure. Neighboring utilities with similar customer bases could have differing costs/rates structures based on the age of the system, geographic location, source of water, treatment standards, and demand. Rates should be set to cover debt, operating expenses, and future capital improvements. Financial sustainability was a priority.

Base rates contributed to rate stability because they did not vary from month-to-month regardless of consumption. Larger utilities had lower base charges than smaller utilities due to

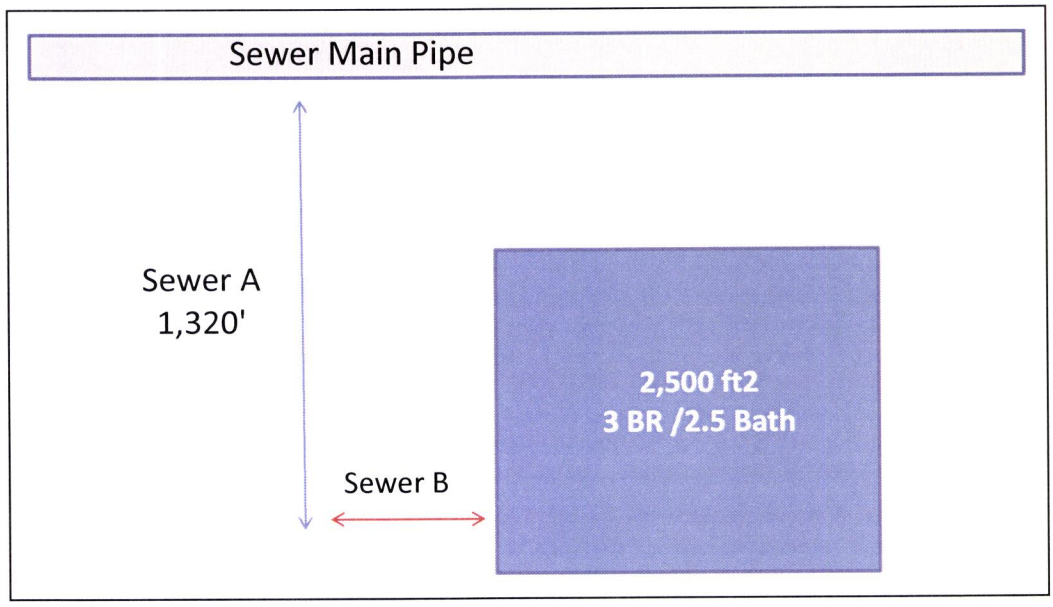
larger revenue stream from rate payers. WASA's base charge was $26 for zero gallons to cover bond debt and R&E. The consumption rates were based on 1,000 gallons of usage, and rates were higher for non-residential customers. The consumption rates were to cover operations and maintenance of the system, while the base charges covered the bond debt.

Rorie continued that the bond resolution for the 2013 bond (Appendix D-13) required WASA to provide for 100% of the expenses of operation and maintenance and for the accumulation in the revenue fund of a reasonable reserve, which was 100% of operation expenses plus a cash reserve. The pledged revenues must be produced each fiscal year and must be sufficient to cover 110% of the debt service requirement on all bonds outstanding for the year of computation.

Rorie reiterated that all rate payers paid the $26 base charge. Residential consumption rates were calculated at $4.65 per 1,000 gallons of metered water. Commercial consumption rates were calculated at $6.15 per 1,000 gallons of metered water.

Residential connection fees for all areas of the City except the Wynnmeade/West Village Service Area were $1,750 per equivalent residential connection (ERC), which was considered to be 300 gpd. The fees for the Wynnmeade/West Village Service Area were $2,250 per ERC. Connection fees for all other uses, including apartments, commercial, or residential were $3,050 per ERC. The idea was the user was purchasing the capacity and the strain it was putting on the system. The rate structure for Wynnmeade/West Village was different because of improvements that were made in the area.

Rorie continued that the Sewer A line in the drawing below was usually paid by the developer to WASA, then the cost was parceled off to the builders and buyers. Sewer A belonged to WASA. Sewer B was paid by the builder, and it would belong to the homeowner. The connection fee had to be paid to discharge waste into the system.



Rorie went over the O&M expenses from WASA's 2015 financial report, which showed operating revenues (charges for services) at $9,498,954. Total operating expenses were $7,043,259. Non-operating revenues were $14,600 from interest income, and interest expense was $839,268. The

change in net position was $1,631,027. WASA was paying bond debt and needed funds in the cash reserves to pay for burst pipes and to maintain the system.

Rorie said people could argue the sewer rates were high compared to another City's, but debt and costs of operating the system determined the rates. It was important to assess the condition of the system so it could be maintained or it would cost more in the long run. This was not the time to discuss the rate structure, but it could be done in the future. The current rate structure was consistent was what was required to cover bond debt, operation & maintenance, and have a cash reserve.

Tyrone's request was for 350,000 GPD. Tyrone currently had an allocation of 250,000 GPD from Fairburn, with a current average daily flow (ADF) of 118,000, or 47% of the current capacity and an obligated liability of 100,000 (40%). The projected ADF at build-out was 218,000 (87%). Tyrone currently had a "surplus" capacity of 32,000 GPD. The requested increase in allocation was 100,000 GPD. People were suggesting there would be massive growth in Tyrone. Rorie said land would develop in the future, and the question was the density of the development.

Rorie said the possibilities for 130,000 GPD included 3,714 industrial employees (35/employee), 433 residential properties (300/residence), 2,600 restaurant seats (50/seat), 1.3 million square feet in retail space (100/1,000 square feet), or 1,300 hotel rooms (100/room). Rorie said another 100,000 GPD would not cause Tyrone to become a metropolis, and it would not lead to unrestrained growth. Tyrone had commitments, and 130,000 GPD meant only another 400 residential properties. How the allocation was used was Tyrone's business.

Rorie discussed the cost to expand the treatment plants, noting the costs varied for the different types of plants. The City needed to know the value of the surplus capacity, and assess the potential.

Davis said there were a number of variables to be considered, and expansion costs were based on an economy of scale. To expand the Rockaway plant by 350,000 GPD, the cost would be $14 – $20 per gallon or $4.9 million. The cost per gallon dropped to $12 – $18 to expand the plant by 500,000 GPD, or $6 million. The cost to expand the plan by 1,000,000 GPD was $10 million ($10 – $16 per gallon). An increase of 2,000,000 GPD would cost $8 – $14 per gallon, or $16 million.

In 2008, the City of Fayetteville expanded its Whitewater Creek treatment plant from 3.75 MGD to 5 MGD for $12 million ($9.60/gallon). It also included improvements and modernization. The system had 24 pump stations, 122 miles of sewer line, and an ADF of 2.04 MGD.

Currently, the City of Senoia had a 0.499 MGD spray field application that was at 63% capacity. Senoia had 1,600 customers (1,520 residential and 80 commercial/industrial). The ADF was 314,000 GPD, and the build-out of the current plans for 1,064 residential projects would equate to 85% capacity. Senoia was exploring an increase in capacity, and had asked for a discharge into Line Creek just below where the City discharged wastewater, Davis said. The plant construction would be for 1 MGD. It would take four to five years for design, engineering, and construction at an estimated cost of $10 – $12 million.

Planning an expansion was a long, arduous process, and that was the reason surplus capacity existed in the system, Davis continued. The tasks included requesting the allocation (six months for response, 20 minutes to write one-page letter), revising the watershed assessment and water protection plan (18 months and can run concurrently with other steps), completing an anti-

degradation review/economic analysis (three months), preparing an environmental information document (three – six months), conducting stakeholder/public meetings, completing a design development report and submitting it to Georgia EPD for approval, preparing an NPDES permit application, completing engineering plans and specifications and submitting them for permitting with Georgia EPD, advertising for bids and construction, preparing operations and maintenance manual, and final permitting and commissioning.

Rorie noted that surplus capacity existed in the system. The rate structure should be maintained at its current level at this time to address the aging infrastructure and potential changes in treatment standards. There would be a permit review in the next few years, too. Future plant expansion would come at a cost, but the cost could be shared over a larger base of rate payers.

Benefits to extending sewer to Tyrone included increasing plant efficiency and fixed costs against variable costs. The rate structure would stabilize against simple inflation, and there would be some control over growth along the Gateway area (SR 74 from I-85 to Peachtree City). The inter-basin transfer between the Flint and Chattahoochee Rivers would be corrected. Something could happen with the closed Tyrone Elementary School if sewer was available and more room was needed at other schools due to the build-out of the West Village. There would be planning between municipalities to address quality of life issues. Previous lost revenues would be replaced.

Staff's recommendation was to, by City Council resolution, authorize WASA to extend sewer outside the City into the existing limits of the Town of Tyrone for the purpose of providing a maximum sewer treatment capacity of 350,000 gallons per day with the Town of Tyrone, subject to specific conditions and the approval of an intergovernmental agreement between the City of Peachtree City and the Town of Tyrone.

Rorie recommended the following conditions be considered in an intergovernmental agreement:

- *Tyrone pays all construction costs associated with force main installation and upgrades to WASA collection system*
- *Tyrone pays connection fees based upon current WASA rate structure of $1,750/ERC*
- *Tyrone adopts City's pre-treatment standard and sewer ordinance.*
- *Tyrone customers charged at the same rates as City customers*
- *Tyrone transfers sewer assets such as lift stations, pipes, etc., to WASA*

Variables/Cost Structures

- *Route up Senoia Road instead of SR 74*
- *To encourage economic development or redevelopment in certain areas of the City, revenues could be set aside for sewer expansions.*

Rorie said he was not suggesting Senoia Road as the best route, but the route was important. The best route would be based on engineering standards, cost, and the potential for growth and development along the corridor.

Rorie asked Council if they wanted to revise the March 17 agenda to include a draft resolution of intent to extend the sewer based on an intergovernmental agreement that would be a separate document. Fleisch asked if a resolution was necessary to proceed with the decision.

City Attorney Ted Meeker said a green light was needed to proceed or Council needed to have everything stop. King said the final agreement should be between the City, Tyrone, and WASA and agreed upon by all parties. Ernst said the resolution was a starting point, and he supporting putting something together. Rorie said a draft resolution was ready, and he would ask City Clerk Betsy Tyler to send out a revised March 17 agenda. Council would vote on the resolution then.

Fleisch opened the floor for comments from the public.

Doug Tucker said he supported the resolution, and he hoped a decision would be made on March 17. He would like to see copies of the presentation and he would like to see an extended financial model. The citizens had a lot invested in WASA, and he would have more confidence in a three – four year outlook. Rorie said the presentation would be on the website the next morning. Learnard agreed with Tucker on a longer financial outlook, saying she would also like to see a five – 10 year capital improvement plan.

Dennis Chase said he was concerned about writing off the Smokerise and Stoneybrook subdivisions so quickly for conversion from septic to sewer, saying there were issues with Flat Creek's water quality that were possibly due to leaking septic systems. More research needed to be done before saying there would be no sewer in those subdivisions. He was not sure Line Creek had the assimilative capacity to handle much more wastewater, and a land application system should be considered.

Anthony Robinson said he liked the idea of extending sewer to Tyrone, but questioned why the town wanted to be part of another entity's system since it had just been dropped by Fairburn. He had concerns about the City extending capacity it might need in the future.

Ann Marvin said she lived two blocks from City Hall, and her home was still on septic. She had not had any problems with her system, but she had concerns. It did not make sense to go outside the City limits when there were still homes that had been not provided for. She asked when the sewer system might be extended to all homes along Hip Pocket. Rorie said that was one of the reasons for having the excess capacity. Putting that area on the system would be an engineering decision.

Eric Imker said he liked the idea of moving forward with the resolution. The key document would be the intergovernmental agreement with the list of conditions. There should also be a timetable to develop the agreement. The City needed to inform the citizens and make sure they understood what was in the agreement. The conditions needed to be spelled out specifically. The intergovernmental agreement was the enforcing document. Imker said it was incredible there would be no decrease in cost to City residents, and the system should not be expanded unless it was to help Peachtree City residents lower their sewer bills.

There being no further business, Ernst moved to adjourn at 8:25 p.m. King seconded. Motion carried unanimously.

Pamela Dufresne, Deputy City Clerk

Vanessa Fleisch, Mayor