

**Minutes of the Board of Commissioners  
East Sevier County Utility District  
November 9, 2023**

The monthly meeting of the Board of Commissioners of the East Sevier County Utility District (“the District”), was held at the District’s Offices on November 9, 2023. Commissioners present were Dan Barnett, Secretary/Treasurer, and Eddie Crosby. Others present were Bert Underwood, Wastewater Operations; Jeff Bragonier, Water Operations; LaDonna Holiway; Gavin Smelcer, Owings, Wilson & Coleman, General Counsel for the District; and Tim Ham, Tennessee Utility Assistance, LLC (“TUA”).

Mr. Barnett called the meeting to order at 5:32 p.m.

Approval of Minutes of Prior Meetings

The Minutes of the Board of Commissioner’s October 19, 2023, meeting were presented. Mr. Crosby moved to approve the Minutes. The motion was seconded by Mr. Barnett and carried unanimously.

Announcements

Mr. Barnett announced that the District had entered into a management agreement with TUA and introduced Tim Ham of TUA. Mr. Ham introduced himself to the District’s customers and described the structure and background of the Tennessee Association of Utility Districts (“TAUD”) and TUA; informed the District and its customers that TUA’s goal is transparency, trust, and to help the District operate and function as a regular utility district should operate in Tennessee. Mr. Barnett gave TUA a written summary of the status of the District. (A copy of the summary status is attached hereto as **Exhibit A**.)

Mr. Barnett announced that he had attended a recent leadership conference held by TAUD where he met and had discussions with representatives of United Billing, who will be operating the District’s billings, and with Jackson Thornton, who will performing a rate study for the District.

Review of Financials

Mr. Barnett presented financials to the Commissioners for review. For the month of October, the District began with an operating account balance of \$138,147.22; had revenues of \$160,016.04 and expenses of \$128,172.38, with and end of month balance of \$169,990.88. The operating account balance as of today was \$156,971.95. It was noted to Mr. Ham that the District considers \$104,000 of that balance to be restricted, being customer deposits.

Mr. Barnett noted that, going forward, the District will be working to provide a breakdown of revenues for the Commissioners, showing sewer and water revenues separately.

## Report from Manager

- A. Water System Report: Mr. Bragonier gave a report of the District's water systems. The District had King's Water Systems out to pull out and clean filters at Well D; King's will be coming back to retest those filters. The District will be flushing the pipes to ensure clean water. Otherwise, the water quality in Well D is good.

Mr. Bragonier reported that the water quality in Well AB is good and has been in compliance for the last two (2) months. There was a problem with the chlorine supply, but was corrected the next day.

Mr. Bragonier reported that there had been two (2) minor leaks in lateral service lines. These leaks did not interrupt the water service to customers.

Mr. Barnett asked customers to report any change in water color or quality based on rainfall.

- B. Sewer System Report: Mr. Underwood gave a report of the District's wastewater operations. The District is currently waiting on delivery of eight (8) to ten (10) pump kits. Mr. Underwood reported that service call volume has been normal in the past month, and that the District did make one (1) repair at Smokey Mountain Ridge, where a bear had broken into the vault and destroyed wiring systems.
- C. Personnel Report: Mr. Tim Ham gave a background on TUA's goals for the personnel of the District. Mr. Ham stated that it would be best for the District to have employees instead of contract labor as it is now; however, TUA will continue to operate with the three (3) contract labor crew for now. TUA's goal is to have an employee at the District's office at 1529 Alpine Drive at least on a part-time basis (possibly Monday, Tuesday, and Wednesday, 8 AM to 4 PM). After office hours and on weekends, the District will have an answering service to take phone calls from customers. Mr. Ham reported that TUA anticipates that TUA's fee will decrease as the District hires employees and establishes more consistent revenues.

## Unfinished Business

- A. Rate Study: Mr. Barnett noted that Mr. Overbey, general counsel for the District, had contacted Mr. Ross Colona of the Tennessee Board of Utility Regulation ("TBOUR") requesting a six-month postponement of the rate study ordered by TBOUR. Mr. Smelcer stated that, according to documents from TBOUR's October 26, 2023 meeting, Mr. Colona recommended that TBOUR grant the District an extension to contract for a rate study to April 30, 2024, and to submit the rate study to TBOUR by September 30, 2024.
- B. MG Group Audit: Mr. Barnett presented a list of MG Group's "must haves" to prepare an audit of the District's financials. Mr. Barnett stated that, while the District had hoped to have the audit completed by November 27, 2023, that date will need to be extended. Mr. Ham agreed. (A copy of MG Group's "must haves" is attached hereto as **Exhibit B**.)

C. Discussion of Witt Utility Billing: Mr. Barnett stated that the District has payables to Witt Utility District arising out of the District's management agreement with Witt that just ended. It will take about six (6) to eight (8) weeks to review those bills and determine what the District owes Witt Utility. Additionally, the District is working to ensure that it gets District equipment and materials back from Witt that Witt used in operating and managing the District.

D. ESCUO Sewer and Off-Site Sewer Systems:

Forgotten Forest: Mr. Barnett reported that the District holds the State Operation Permit for this off-site sewer system, but that there was never an agreement put in place between the developer and the District; however, the District is operating the system at this time. Mr. Smelcer reported that his office had drafted a wastewater service agreement for the District and the Development and that the Developer has agreed to all terms except the District's \$1,500 tap fee specified in the agreement. Legal counsel will contact the Developer regarding the tap fee provision and report back at the next meeting of the Board.

Bear Creek: As to Bear Creek, Mr. Barnett reported the District had received a notice of violation from TDEC and that the development's HOA had sent a letter terminating the agreement with the District for the operation of the system. Mr. Barnett reported that the District had fixed the broken pipes but does not intend to submit a corrective action plan to TDEC due to the engineering cost. At this time, the District continues to remain the operator of the system according to the State Operation Permit issued by TDEC. Mr. Smelcer stated that he had had conversations with Greg Mize and Robert Ramsey at TDEC regarding how the District could terminate its State Operation Permit for Bear Creek. Mr. Smelcer reported that the District had two (2) options: (1) transfer of the State Operation Permit to IRM, Inc., who has been retained by Bear Creek to operate Bear Creek's system. This would require a transfer agreement between the District and IRM, Inc. setting forth a transfer date for responsibility for the system. TDEC prefers this option. (2) The District can notify TDEC that Bear Creek has terminated its agreement with the District and request termination of the State Operation Permit.

Considerable discussion was had regarding whether to agree to a transfer or termination of the District's State Operation Permit for Bear Creek. The District's Board directed legal counsel to initiate a transfer of the State Operation Permit to IRM, Inc., by drafting and negotiating a transfer agreement with IRM, Inc., which agreement will be presented to the Board and considered for a vote at a later meeting.

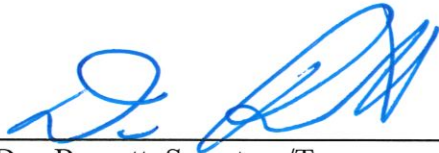
### New Business

A. Discussion of Names Submitted for Commissioner Vacancy: The District's Board of Commissioners received applications for the vacancy on the Board of Commissioners. The applicants gave information about themselves and why they thought they would be good Board members.

Commissioner Crosby made a motion that the names of Lisa Hawthorne, Louie Fromm, and Edward Morgan be submitted to the County Mayor in that order for consideration of appointment to the District's Board of Commissioners. Commissioner Barnett seconded the motion and it carried unanimously.

Hear From District Customers: Various customers addressed the Commissioners with their concerns and positive comments.

There being no further business, the meeting was adjourned.



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Dan Barnett, Secretary/Treasurer

## TAU Status/Issues Summary

### Finances

Refer to last Alliance board package to see water/sewer revenue relationship.

#### Account Breakdowns

Operating Account #9872 – 10/31/23 Balance - \$169,990.88 This is our operating account. 98% of the activity goes through this account.

Construction Account #1613 – 10/31/23 Balance - \$3,162.77 This account is to be dedicated to the USDA loan processing for the sewer plant construction. These funds are to be used for no other purpose other than activities related to the completion of the construction related to the sewer plant USDA loan.

Account #2598 – 10/31/23 – Balance - \$5,048.85 This account requires occasional transfer of funds to replenish balance. Monthly automatic drafts to USDA for loan payments of \$325.00 and \$1,667.00 respectively. There are two other USDA payments drafted out of the operating account. No other activity has occurred in this account.

Customer deposits total \$104,027.49 based upon Alliance's February board package. These deposits are within the bank balances above with Alliance stating that there was \$104,027.49 as restricted funds. Alliance took the records with them so we have not who has deposits.

Muni-Link was the software used by Alliance. We could not get into the system and were run in circles between Alliance and Muni Link. We have recently paid Muni Link a subscription fee in order to gain access to the records. In the meantime we were not able to bill about three months of services and then started billing after rebuilding the customer base. Not confident in the new customer data base but anxious to see a comparison of Muni Link data with the newly built data base. The initiation of data acquisition has been delayed until TUA can be involved.

Once Alliance was gone we discovered an number of unpaid bills and unmet commitments made by Alliance. Those bills have been caught up. The payables now center around the package presented by Witt Utilities, approximately \$100,000 in legal fees and Ardurra invoices totaling \$12,972.89. There is still a balance with SOS which is the pump kit supplier and may have a balance with Big Orange Electric which does a lot of our installs. Hopefully LaDonna will have input on this at our board meeting.

The USDA loan for the upgrades in the sewer plant still has \$25,200 left. We have been informed that these funds need to be spent immediately or they will be forfeited. The money is restricted to the sewer plant only. We have been approved to spend \$8,023.53 for a sewer flow meter from Kazmier & Assoc. USDA is in the process of sending us the funds. Other uses they have indicated they could approve include a new gate for chemical delivery - \$5,000, extended pump rails - \$2,500 and new chemical feed pumps and back ups - \$3,000. USDA needs bid information for these items before approving and Bert is working on this information.



## **Grant Status**

ESCUD has a grant for \$50,000 that was originally slated for line meters to identify water flow and isolate leaks. As we had fixed the vast majority of leaks we worked to get these funds redirected to use to pay for a rate study and also an Asset Management Plan. The redirect has been approved and are awaiting the funding.

\$125,000 ARP fund allocation from Sevier County. These funds were assigned to ECSUD as a part of the county's allocation. Originally, these funds were earmarked to perform a study to determine the feasibility of bringing water from another utility to sell to ESCUD. Once we were able to solve the well issues and determined the poor condition of the distribution system we decided that outside water was not feasible due to preliminary cost of extension as well as at the time we were experiencing 70% water loss. We therefore, have requested that the money be redirected to perform engineering for filtration at well A/B. Currently this well has no filtration. This redirect requires approval from TDEC and the Mayor of Sevier County. Both have verbally agreed but written approval needs to be acquired. The Mayor would like to see TDEC's written approval before he approves.

We have been awarded an \$822,000 grant to develop a new well. This is a 100% grant with no repayment or matching. Paperwork was developed by USDA but had Jerry Hayes as the signature. This paperwork needs to be redone once new president is selected.

We have applied for a second grant for filtration for the new well in the amount of \$1.6 million. Application has been made and will await a response.

The vision behind these latest grants is to have a new well, filtration and tank for the utility. A new well would give us 4 working wells with three of them capable of providing water individually for the system in the event necessary on an emergency basis. It would be great to have two 100,000 gallon tanks to replace the existing 200,000 gallon tank that is 50 years old and has not been maintained but could function reasonably well with one 100,000 gallon tank. Desire to have one of two scenarios – well A/B with filtration for those wells feeding the 200,000 gallon tank or 2) Wells A/B and the new well with one main filtration building and one main storage tank. Long term goal is to retire Well D and its filtration.

## **Issues**

Meters were replaced with manual read meters. We still have the old electronic meters. Do we rehab those meters and do a replacement again?

TDEC wants a close out write up on the Non Compliance for the sewer plant that was issued in 2017. The USDA loan financed the repairs and are complete but Alliance and McGill Engineering did not close out with TDEC. TDEC has given multiple extensions but still not done. McGill has indicated they have completed their requirements and will not do anything additional.

The remaining funds under the sewer loan were discussed in the finances section above.

TDEC has informed us that the sewer plant typically processes 40,000 to 50,000 gallons a day. During rainy periods the plant processes 400,000 to 500,000 gallons per day. Bert has identified one line that runs up a logging road that is a dead line. Believes it will greatly help if we closed off this line. The \$8,023.53 sewer flow meter discussed above will help isolate other areas where we have storm water incursion.

### **Insurance – we have no insurance**

ESCUD has not submitted a budget that had a deadline earlier in the year.

ESCUD has 10 remote sewer treatment systems mostly in Sevier County but in other areas as well. None of the systems were maintained during Alliance's tenure. Bear Creek Crossing is one system where the HOA had had enough and wanted out. We negotiated a termination but is hung up on our desire to be released from any liability. They informed their owners to quit paying fees to ESCUD beginning October 1<sup>st</sup>. In the meantime TDEC issued a Notice of Violation for discharge of raw sewage into a stream and other deficiencies. We corrected the line break causing the discharge immediately in October but have not responded to the Notice of Violation. We have not received any notice from the HOA regarding who the new operator is and we still hold the SOP.

Forgotten Forest is a new system that Alliance agreed to take on last year but never did an operating agreement. We are in the process of negotiating an agreement with the developer and are close to finalizing but the process has been difficult as the developer says Alliance did not discuss any charges or terms.

Confident we have other issues at other systems but have not dug in to find any particulars with any of the systems. Alliance consistently said these sewer operations were a money maker and subsidized the water operation. Turns out that that is true because they did not spend any money to maintain the systems so the monthly fees went straight to ESCUD and their monthly fee.

ESCUD "Must Haves"

*MG Group*

1. Accounts payables (amounts owed at 6/30/23)
2. Cash disbursements
3. g/l for Jan – Jul 23
4. invoices for Inventory
5. invoices for capital assets
6. Board minutes
7. Receipt testing
8. Related party tests
9. Cash receipts
10. Bank statements July 22 to July 23
11. Rates being charge
12. Bond payments
13. Trial Balance at 6/30/23
14. Cyber security plan
15. Payroll records
16. Accounts Receivable at 6/30/23
17. Customer Deposit list at 6/30/23

