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PRIVILEGED AND CONFIDENTIAL  
ATTORNEY-CLIENT COMMUNICATION

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**MEMORANDUM**

To: Oconee Joint Regional Sewer Authority, South Carolina  
From: Pope Flynn, LLC  
Re: Summary of Reconstitution, including Acquisition of Sewer Collection Infrastructure  
Date: February 25, 2025

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Oconee Joint Regional Sewer Authority, South Carolina (the “*Authority*” or “*Joint Authority*”) is a body politic and corporate, and a joint authority sewer system organized under Title 6, Chapter 25 of the Code of Laws of South Carolina 1976, as amended (the “*Joint Authority Act*”). The Authority was created in 2007 under the provisions of the Joint Authority Act by its three member-municipalities (collectively, the “*Members*”)<sup>1</sup>: the City of Seneca, South Carolina (“*Seneca*”), the City of Walhalla, South Carolina (“*Walhalla*”), and the City of Westminster, South Carolina (“*Westminster*”).

Based on funding from the South Carolina Rural Infrastructure Authority, the Joint Authority engaged a team comprised of W.K. Dickson & Co., Inc., Willdan Financial Services, and Bolton & Menk, Inc. to prepare a regional feasibility planning study, which was formally adopted by the Oconee Joint Regional Sewer Authority Commission, as the governing body of the Authority, on September 9, 2024 (the “*Study*”). The purpose of the Study was to determine long-term sewer service options within Oconee County, South Carolina (the “*County*”). Contemporaneously with the Study, the Joint Authority also undertook its “Oconee County and Western Anderson County Sewer Master Plan” (the “*Master Plan*”). Major infrastructure recommendations in the Master Plan include: developing plans to expand the Coneross Creek Wastewater Reclamation Facility (the “*Coneross WRF*”); updating the regulatory checkbook to gain permitted capacity at Coneross WRF; reducing pump station infrastructure and wastewater travel time; and working with Members to improve collection infrastructure.

Based on the terms of the Study and the Master Plan, Pope Flynn, LLC, prepared a memorandum dated November 26, 2024 to describe options for the reorganization of the Joint Authority. The material determination of such memo was that the Joint Authority be reconstituted with a complete revision of its governance documents. Additionally, and subsequent to the release

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<sup>1</sup> For purposes of the reconstituted Joint Authority, such term would also include the County (as defined herein) once or if it is added as a Member.

of the memo, the ad hoc committee studying the Joint Authority recommended that the sewer collection systems owned and maintained by Seneca, Walhalla, Westminster, and any other contributing public satellite sewer system be conveyed to the Authority such that all sewer treatment and collection services in the County would be performed exclusively by the Joint Authority. This memorandum attempts to outline (at a high level) the steps for reconstitution of the Joint System, and conveyance of the Members' collection systems to the Joint Authority.

**1. Governance Structure**

- The Authority shall be reconstituted to include the County as a Member.
- The governing body of the Authority shall be a five-member commission (the "New Commission"), with representatives as follows:
  - One representative from the County;
  - One representative from Seneca;
  - One representative from Walhalla;
  - One representative from Westminster; and
  - One additional member, with the method of appointment to be determined.
- Draft legislation has been proposed to amend the Joint Authority Act to permit the fifth member to be appointed by the Governor upon the recommendation of the legislative delegation from Oconee County.

**2. Operating Agreement**

- A new operating agreement shall be executed with a minimum term of 40 years.
- The agreement shall define governance, financial obligations, operational responsibilities, and dispute resolution mechanisms.
- Operating agreement shall require the board member to be a customer, and shall include a restriction that no representative of a Member serving on the New Commission may be an officer or employee of the appointing member. Further, no ex officio appointments shall be permitted.

**3. Voting Mechanism**

- General matters shall be determined by per capita voting.
- Debt-related matters shall be subject to weighted voting based on an agreed-upon formula.

**4. Expansion & Debt Parameters**

- A framework shall be established for funding system growth, including capital improvements and infrastructure expansions.
- Preapproval mechanisms shall be established for financing certain projects.
- Member approval requirements shall be clearly defined for all other debt issuances.

**5. Addition of New Members**

- The Authority shall establish clear parameters and a defined mechanism for admitting new members.

**6. Rate Structure**

- An equitable rate structure shall be developed, ensuring fairness across all Members and customers.

**7. Regulatory**

- Joint Authority to develop stringent sanitary sewer permit requirements that clearly define system requirements for all Members (and any other dischargers).
- Authority to conduct regular inspections of sewer collection network (based on Department of Environmental Services standards) and establish clear rules and enforcement requirements.

**8. Acquisition of Municipal Collection Systems**

- Reconstitution shall provide that the Authority shall have the power to provide retail sewer services within its service area.
- The Authority shall acquire the respective sewer collection systems currently owned and operated by Seneca, Walhalla, Westminster and any other contributing public satellite sewer system.
  - Phased implementation may be considered if immediate acquisition is not practicable.
- Conveyance of systems to be conducted by ordinance of each respective Member. No referendum is required as a result of the Supreme Court's determination in *Sojourner v. St. George*, 383 S.C. 679 S.E.2d 182 (2009).
- Review of outstanding utility debt obligations of each Member is required, and consideration must be made as to limitations for sale of system components secured by revenues of sewer systems, respectively:
  - Walhalla (combined water and sewer)<sup>2</sup>
    - \$17,945,000 principal amount still outstanding on originally issued \$20,620,000 Water and Sewer System Revenue Bonds, Series 2018.
    - Various capital leases secured by utility system assets.
  - Seneca (combined water, sewer and electric)<sup>3</sup>
    - \$890,000 principal amount still outstanding on originally issued \$8,350,000 Combined Utility System Refunding Revenue Bonds, Series 2012.
    - \$460,015 principal amount still outstanding on originally issued \$3,762,930 Combined Utility System Refunding Revenue Bonds, Series 2020.
    - \$537,729 principal amount still outstanding on originally issued \$1,993,633 Combined Utility System Revenue Bond, Series 2007 (South Carolina Drinking Water Revolving Loan Fund).
    - \$6,943,035 principal amount still outstanding on originally issued \$11,528,750 Combined Utility System Revenue Bond, Series 2014 (South Carolina Drinking Water Revolving Loan Fund).
    - \$4,791,937 principal amount still outstanding on originally issued \$6,031,455 Combined Utility System Revenue Bond, Series 2007 (South Carolina Drinking Water Pollution Control Revolving Fund).
    - Potential capital leases secured by combined utility system assets.

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<sup>2</sup> Source: 2023 Audited Financial Statements

<sup>3</sup> Source: 2024 Annual Comprehensive Financial Report

- Westminster (combined water, sewer and electric)<sup>4</sup>
  - \$8,260,000 principal amount still outstanding on originally issued \$8,260,000 Combined Utility System Revenue Bond Anticipation Note, Series 2023<sup>5</sup>.
  - Originally issued \$369,947 Combined Utility System Revenue Bond, Series 2022 (ConserFund Loan).
  - Various capital leases secured by combined utility system assets.
- The terms and conditions of acquisition, including valuation, financial considerations, and transfer processes shall be reviewed and considered.

**Next Steps:**

- Finalization of governance details and appointment process for the fifth New Commission member.
- Make arrangements to file proposed amendments to the Joint Authority Act.
- Confirm approval/consent of Members for conveyance of sewer collection system.
- Development of financial models and legal framework for asset transfers and debt structuring.
- Create timeline for implementation of reconstitution.

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<sup>4</sup> Source: 2024 Audited Financial Statements

<sup>5</sup> To be taken out by long-term financing with United States Department of Agriculture, Rural Development.