

STONE MOUNTAIN MEMORIAL ASSOCIATION
DEVELOPMENT AND FINANCE COMMITTEES MEETING
February 18, 2008

A joint meeting of the Development and Finance Committees of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, February 18, 2008, at the Stone Mountain Inn at Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Bill Chappell, Chairman
Greer Johnson
Mike Pentecost
Brent Brown

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Mark Baxter, Chairman
Ray S. Smith III
Joan Thomas

OTHERS PRESENT

Curtis Branscome, C.E.O.
Bob Cowhig, Director of Planning and Construction
Gail Durham, Director of Finance and Secretary
Gerald Rakestraw, HFEC

Richard Beckworth, SMMA Maintenance Supervisor

Call to Order

The meeting was called to order by Chairman Mark Baxter.

Presentation on Water and Sewer Improvements

Mr. Cowhig introduced Mr. Peter Capponi with O'Brien & Gere Engineers. This firm was retained by SMMA in September of 2006 to evaluate the water and sewer systems in Stone Mountain Park. The evaluation began in November of 2006 and was completed in November of 2007. Their recommendations provide a plan for what needs to be done and the financial estimate is in line with our original budget.

Mr. Capponi stated that he has been with O'Brien & Gere for over 20 years. He presented an overview of the company and areas in which they specialize. Mr. Capponi stated that SMMA was not alone in dealing with aging infrastructure. He said that this is a problem facing many cities, counties and municipalities throughout the United States today.

The existing mapping for the water and sewer systems has been updated. The sanitary sewer and manholes were examined and the pump stations were evaluated. The water distribution system around the Park was evaluated and rehabilitation opportunities were identified. A preventive maintenance program will be developed for use after the rehabilitation efforts are completed. O'Brien & Gere has worked closely with Richard Beckworth on identifying the existing infrastructure and interactive computer technology is utilized for this process.

Almost 40,000 linear feet of sewer pipe has been looked at with close circuit television inspection. There are 285 manholes on site. Die and smoke testing has also been used to detect leaks or breaks in sewer lines. All 12 pump stations have been inspected. Almost 70,000 lineal feet of water lines have also been inspected. There are some areas of repair that have been identified and some updates have been recommended. A schedule of implementation will be followed to accomplish these rehabilitations. Mr. Capponi showed pictures of certain water lines, manholes, and sewer lines that needed repair or replacement. There are certain processes such as cleaning and lining pipes that can be done today with new technology.

Mr. Pentecost asked what percentage of clay pipe was located in the Park and could this type of pipe be lined. Mr. Capponi stated that this type pipe was suitable for the re-lining process. This creates a pipe within a pipe. The City of Atlanta and municipalities all over the country are doing this type of work. Ms. Johnson asked what type of material was being used in the new formed pipes. Mr. Capponi said it depends on the situation and a lot of times an epoxy type material or polyurethane is used. These materials are very pliable until you apply heat and they harden with the cooling process. Mr. Chappell asked what the life of these materials was. Mr. Capponi stated that these materials would last about 25 to 40 years. Mr. Branscome added that the use of these materials are relatively new and have not been in the marketplace long enough to verify their true period of longevity.

Mr. Capponi said they have also looked at future water needs and capacity for the proposed Water Park and increased capacity for fighting fires. The infrastructure is about what O'Brien & Gere expected it to be for its age. There are definite areas that need repair and rehabilitation and there is a program in place to accomplish this. Mr. Branscome stated that the system was built incrementally over time. There were changes in materials and methodology during this 40 year span and there were no set standards for planning and installing these systems. The objective is to have everything up to current code standards with quality and durability to withstand the next 40 years.

Ms. Johnson asked if the new systems would meet the environmental standards required. Mr. Capponi stated that the work will keep the sewage in the places it needs to be. The water can be transferred more efficiently and the pumps will be more efficient. He said this will be a very "green" upgrade for the Park. Ms. Johnson said she was concerned about the amount of ground disturbance. Mr. Capponi said that unless a total pipe needed to be replaced that a lot of the work would occur underground by slip lining the pipes.

Bob Cowhig said that because the work will be widespread throughout the Park that the HFEC group will be closely involved with any work that occurs. Mr. Branscome asked if the work recommended could be completed with the existing budget. Mr. Cowhig stated that the estimates were within the budget.

Review of Amended Capital Budget

Mr. Branscome reviewed some timing differences that were necessary in the capital program plan. Projects completed in 2005 and 2006 were identified. The radio system upgrade that includes the installation of fiber optics is proposed to be moved from 2007 to 2008. The fiber optics will allow us to interconnect and monitor our security cameras. Southern Bell would not allow us to install the fiber cable on their poles and Georgia Power finally agreed to allow us on their poles after they complete a stress analysis to make sure the poles are safe. They will also require about \$5-10 million of liability insurance from SMMA which will cost about \$15,000 per year.

The \$900,000 for property acquisition has been deleted from 2007 because we do not see any options that meet our criteria of being vacant, adjacent and reasonably priced.

\$800,000 has been added to the 2008 water and sewer system and the Evergreen ballroom has been shifted to 2008. Most of the work on the ballroom will occur in 2008. The Triangle parking beautification project will also be completed in 2008. The Services complex will consolidate our fleet service, landscape, road and facility maintenance activities into one location. This new facility will be located on the site of the old prison and will have primary road access from the City of Stone Mountain. This project is in design and we will start construction in 2008 as opposed to 2010.

A major repaving project will be completed in 2008 from Stonewall Jackson to where it intersects with Robert E. Lee Boulevard at the lake. We will completely repave the two lane one-way portion of Robert E. Lee from Confederate Hall around to the Grist Mill. We have shifted \$500,000 from 2009 to 2008 for this work.

The Water/Sewer System work has been reduced by \$500,000 for 2008. Additional funds have been moved into 2009 from 2012 because we have shifted the timing on this work based on the study Mr. Capponi presented earlier. The total budget for the 2009 work is now \$4 million.

The Lake Siltation Project has been removed. The cost and interruption of business from lowering the lake is not feasible at this time. When and if the silt causes a disruption in operating the Riverboat we will visit this issue again. Mr. Baxter inquired if there was a way to measure the amount of increase in silt from one year to the next. Mr. Branscome and Mr. Cowhig said they would investigate the possibility of this.

Mr. Branscome said that Ms. Durham had looked at the cash flow and presented a schedule that included operational and capital cash requirements for 2007-2012. Ms. Durham reviewed the schedule and stated that the projected cash flow indicated that cash will drop about \$10 million by the end of 2008, but will recover to \$23 million by the end of 2012.

Discussion of Policy for Financing Park Facilities

Mr. Branscome said that SMMA financed the expansion of the Evergreen Ballroom. We incorporated this with the last lease amendment and we will receive an increase in rent payments each year that equal an interest rate adjustable with the Libor overnight rate. This rate is more stable than the Federal Reserve rate. The ballroom project is also projected to produce increased revenues which in turn provide SMMA with a 5% return on that.

SMMA will be approached to provide more financing and our cash flow would continue to provide us the opportunity to do this. The question is what could and what should we finance. Any capital improvements to the Park would remain an asset for SMMA

should HFEC walk away from the operation. Mr. Smith said he thought the decision would need to be made on a case by case basis. He also said that some guiding principles should be developed to help the Board with the process. Mr. Branscome stated that the Yellow Daisy parking lot is a typical example, but would not provide additional revenue. This is 15 acres of asphalt that is basically a maintenance project.

Mr. Baxter stated that one factor is whether the project would shift legal responsibility from the tenant to SMMA. If this is the case, some commensurate benefit should be offered to SMMA. We do not need to be the bank for HFEC. In the case of the ballroom, SMMA has built the building and leased it to HFEC for additional rent. The parking lot is a different situation.

Mr. Branscome stated that he has agreed to fund up to \$300,000 of water saving equipment, like waterless urinals, with the understanding that HFEC will calculate any savings from the water bill from DeKalb County and reimburse SMMA the difference between the water bill for 2007 and 2008. This payback would occur until HFEC has reimbursed \$350,000 to SMMA. The Committee did not have a problem with this type arrangement. Ms. Johnson asked how long this payback would take. Mr. Branscome stated that it could be quite some time because the rates may be increased due to supply and demand. If the rate goes up the savings could be negligible or non-existent.

Mr. Branscome said that looking at the financing will be handled on a case-by-case basis. SMMA will not undertake any projects related to maintenance. If a project enhances our property or our asset it will be evaluated.

Mr. Baxter asked how property contingent to the Park is evaluated for purchase. Mr. Branscome stated that we have people who look at this for SMMA. Mr. Branscome stated the properties all have houses except for the church property outside the West Gate and it did not meet our budget. Mr. Branscome said you could probably purchase four houses for over a million dollars. The lots are not very large either. Mr. Baxter said that the Mincey Road houses are intrusive and that he would be more interested in that acquisition to expand our boundary another 100-200 yards. Mr. Branscome stated that he has a good contact with Cushman-Wakefield and will contact them to watch for properties at a good price. Mr. Smith asked if it would be possible to sell the airport property in order to acquire other properties. Mr. Branscome said this is 62 acres and would require permission from the General Assembly. SMMA acquired this for about \$40,000 per acre. We are maintaining this property as an accommodation for the tennis facility.

Meeting adjourned at 12:10 p.m.

Notes taken by
Gail Durham, Secretary