

BOARD OF PUBLIC WORKS

Vision

The Board of Public Works exists to improve the quality of life of the customers we serve.

Mission

We are dedicated to providing our current and future customers with utility and other value added services in a safe, reliable, and economical manner consistent with sustainable growth, community involvement, and environmental stewardship.

Regular Meeting of the Board of Public Works was held in Lewes City Hall, Council Chambers, 114 East Third Street, Lewes, Delaware on Wednesday, September 28, 2011 at 7:00 p.m.

Board Members Present:

C. Wendell Alfred
D. Preston Lee
Jack Leshner
James N. Richmann
Candace Vessella

Ex-Officio Members Present:

James L. Ford III – Lewes Mayor
Paul Eckrich – City of Lewes Manager
Fred Beaufait – Lewes City Council
Ted Becker – Lewes City Council
Victor Letonoff – City of Lewes Council
Barbara Vaughan – City of Lewes Council
Darrin Gordon – General Manager
Glenn C. Mandalas – Legal Council

Others Present:

Russ Tatman – URS
Kara Nuzback – Cape Gazette
Angelica Spanos – WBOC
Bill Cowan – Resident
Tim Crowley – Resident
Harry Faust – Resident
Charles H. Howard – Resident
Robert Kennedy – Resident
Jeff Mitchell – Resident

1. Welcome, Call Meeting to Order and Pledge of Allegiance

At 7:00 p.m., President Alfred welcomed everyone, called meeting to order and led Pledge of Allegiance. Moment of silence held for our troops serving our country.

2. Roll Call

President Alfred stated all Board Members, Mayor James Ford, General Manager Darrin Gordon, and Glenn Mandalas, Legal Counsel are present.

3. Revisions and/or Deletions to the Agenda

Darrin Gordon requested to remove Item #5. Mr. Mandalas has reviewed and has some questions remaining. President Alfred confirmed Item #5 will be removed from the agenda.

4. CONSENT AGENDA:

President Alfred asked for requests to remove any Consent Agenda items; Item #5 removed.

- a) Receive General Manager Monthly Report.
- b) Receive Severn Trent Report for August.
- c) Receive President Report.
- d) Receive Vice-President Report.
- e) Receive Secretary Report.
 1. Approval of Minutes dated August 24, 2011.
- f) Receive Treasurer Report.
- g) Receive Asst. Treasurer Report.

James Richmann motioned to accept Consent Agenda, Preston Lee seconded, and motion unanimously carried.

OLD BUSINESS

5. It is recommended that the Board accept the University of Delaware contract amendment. (D. Gordon/G. Mandalas)

Item removed.

6. It is recommended that the Board of Public Works approve the annual adjustment to the Wastewater Impact Fees. (D. Gordon)

INFORMATION:

Darrin Gordon said back in 2007, an Engineering Study looked at Impact Fees for the sewer served by Lewes BPW. A map distributed to everyone was referenced. New construction – a new person building a home and coming into BPW existing system has an impact beyond their existing property. This impact fee takes into consideration what the impacts will be. Engineers considered each area. A regional area has approximately 11 impact areas. The 2007 resolution designates every year adjustments are made by a given amount taken from Engineering News Record, an authoritative construction industry news magazine widely accepted, associating Lewes BPW with Philadelphia region. Mr. Dave Athey of Duffield and Associates has reviewed and come up with numbers with a material increase of approximately 5.6%, a labor increase of 2.6%, and weighted increases of 3.2%. A chart indicates the impact on the costs. Please consider the recommendation and approve.

ACTION:

Preston Lee read Resolution No. 11-006 into the record. Preston Lee motioned to approve Board Res. 11-006, James Richmann seconded, and motion carried unanimously.

NEW BUSINESS

7. Open forum/general discussion on the Board of Public Works Financials per July 2011. (D. Gordon)

Darrin Gordon referenced Statement of Revenues and Expenditures as of 7/31/11.

- Operating Revenue: For four months in current fiscal year, total revenues are down by 3.3% [same 3.3% coming out of Electric; Board was aware would happen.]
- Industrial Revenue: Down most at 11.2% below budget; Board also aware of this happening as well. With rate changes and rate adjustments, Commercial would go up a little more and Industrial would be lower as designed and proposed by Consultant.
- Operating Expenses (OE): Salaries, Wages, and Benefits show a 5.3% increase. Explanation is in Electric Department showing an increase of 20.6% due to early retirement incentive program. Employees retiring have taken incentive program spaced out over time except one who took one lump sum causing spike at this time. Will average out over next eight months.
- OE: Repairs and Maintenance shows a 47% increase. A couple of months ago, issues within Water Department have been aggressively addressed by having an Engineer work to ensure would not happen again. \$36,000 was well spent correcting SCADA system with new auto dialer and work on replacing and adding standby pumps for reliability.
- OE: Support Services has an 11.5% increase with large bulk coming out of Electric across board for total increase of about \$130,000. J. W. Wilson Report, a \$137,000 expense, is part of these costs at one lump sum.
- Electric graph shows an anticipated deficit. PPCA on everyone's bill has been a negative number for last four months. A 12-month rolling average is used to smooth effects of increases in electricity costs. Rates went from 58 cents to 63 cents and bills are slowly adjusting. Everything is where it should be.
- Water graph shows above "0" for first time in many years and rates are effective.
- Sewer graph shows above \$50,000; last year deficit was about \$125,000.
- Stormwater is also above about \$7,000.
- Total graph indicates July 2011 numbers as compared to last year are reflection of Electric PPCA. As expected, we are on track.

Mayor Ford asked for explanation of Other under Operating Revenue. Darrin Gordon responded "Other" includes impact fees, penalties, etc. and are not a steady income stream.

Candace Vessella will put this report on website to show BPW is sound and moving in right direction.

8. Open forum/general discussion on the J. W. Wilson "Report to the Board of Public Works of the City of Lewes, DE Analysis of Available Options for Providing Cost-Effective Utility Services." (D. Gordon/C. Vessella)

INFORMATION:

Darrin Gordon gave slide presentation:

- January 2010, Bill Andrews with DEC VP's informed BPW of an interest in buying Electric Utility of BPW.
- Board decided their job as BPW was to give consideration due diligence and find out if best option for Lewes.
- The then GM went to RFP looking at offers of several firms; J. W. Wilson Group out of Washington DC was selected. Impartiality was a reason as they did not know BPW or Coop but were very knowledgeable and experienced throughout U.S. with several people saying to sell and several saying not to sell. The firm has testified before Congress and is very well respected.

- Their report has been available since August 2011. Report is 38 pages.
- Work done is quite inclusive. Direction of report was to look at all BPW efforts and all of BPW business model specifically Electric Department as biggest and most vital part of BPW organization.
- Important point is difference between interdependencies and subsidies. Subsidies [take something and give to another] are not desirable. Interdependency involves an organization that relies on each other and works together. An interdependency of BPW is support staff including me as General Manager, employees in front office, and meter readers who are paid through a percentage of each BPW organization [approximately 62% from Electric; 17% from Water; 15% from Sewer, and 6% from Stormwater]. By taking away 62% of Electric, other three organizations would be required to make up the difference; that is not a subsidy; that is interdependency. Report made this point very clear.
- Report looked at BPW today and BPW's relationship with City involving: (1) a PILOT payment [payment in lieu of taxes; would be franchise fee if BPW was not a subsidiary of City; Consultant confirmed this is absolutely appropriate]; (2) BPW pays rent to City for our building; (3) City pays BPW for providing their utilities and City has reduced usage by 20% through time.
- Report looked at: (1) Electric System with very positive comments about system [very young for an electric utility with an average life of 10 years old; it is very new and reliable; there is expansion in areas providing efficiency and cost efficiency within system.
- Coop has better rates than BPW at this point; DEC \$111.72/1000 kWh; Lewes \$1.38/kW.
- Dover is reported to be considering and coverage showed lowest rate is Coop; Lewes BPW has second lowest rate in State and lowest rate of all municipalities.
- For Water, Report stated on pages 9 and 10, "On the other hand, if the electric utility is not sold, BPW operations of the Lewes water utility will remain the most economical choice." BPW has very good water rates.
- Report gives price for value of electric system; using all options, average was about \$17 million. At 2010 meeting, Mr. Andrews speculated \$12 to \$14 million. Offer was not an official written proposal and none ever received.
- Financial status of Coop is very good.
- BPW electric rates include (1) commodity cost and (2) fixed costs. Commodity costs are from Constellation who has all the generators; BPW simply buys from them and acts as a distributor [same as Coop]. Consultant looked at fixed costs very carefully for BPW and Coop; BPW's fixed costs are less compared to Coop's; even though denser area, BPW runs utility very efficiently.
- Report also examined BPW going with DEMEC by taking Constellation's commodity charge. Today, using 2009 numbers, BPW was behind Coop on an annual basis \$228,000 with customers paying more; but in 2015, BPW customers would pay less than Coop by \$144,000 a year. Number is conservative and does not take into account current reduction in employees.
- Real net value with PILOT payment is \$21 million net present value and \$25 million looking at provisions to City on an annual basis.
- Final summary coming out of report: (1) BPW needs to begin looking at acquiring power through DEMEC allowing BPW to be competitive through power purchasing process with Coop. (2) If BPW keeps electric, BPW keeps water and sewer. Interoperability works offering a whole package. (3) City absorbing BPW will not reduce costs or improve management, services or quality. BPW standing apart from City works. (4) Loss of electric by selling would be about \$1 million a year deficit to citizens of Lewes.
- Everyone should read report on website: Click on BPW Utility and click on BPW News for J. W. Wilson Report. Will give absolute confidence in what BPW brings with electric, water and sewer.

Questions:

Harry Faust: (1) Q: Has BPW gone to Coop since \$12-14 million offer? A: No, felt due diligence was to obtain unbiased report. (2) Q: Has BPW followed up by going over Wilson Report with Coop explaining why it does not make sense to sell? A: Not addressed with Coop and Coop has not come to BPW. BPW paid for published report and knows Coop has had report analyzed. J. W. Wilson's consultants, Mr. Andrews' group, went to DEC as in report. (3) Q: Is BPW \$1.38/kW rate valid today because in 2010 took my bill and divided total number of kW's into total bill and came to over .15%? A: Decimal points are critical; BPW rate should have been .138. Q: In summertime, rate is over .12; eight months not summertime, rate is .11. In whole year for personal bill, savings would be \$57 every month. In these economic times, if true, savings would be a great help to people. (4) Q: Another point is electric is needed to maintain sewer and water. For a building outside of town, claim is County sewer is highest in country yet pay more per EDU to BPW. Have 5 EDU's outside city; with BPW sewer for one EDU costs at least \$60/mo. Also being charged for sewer when spraying flowers; understand people who lease sewer plant have a guarantee for how much money they get. A: Clarification: sewer plant is not leased to Severn Trent; Severn Trent operates sewer plant and is paid a service fee. Q: You hire them? A: Correct. (5) Q: If BPW receives \$14, \$15, or \$17 million from DEC, wouldn't interest pay more than getting now? A: Not today. Q: You make \$580,000? A: Will not make that in interest. ***Darrin Gordon will go over Mr. Faust's bills and numbers; also a Board Member will discuss questions about bills.***

Charles Howard: Q: For 2015 projection, how does BPW know DEC fees will be in 2015? A: Numbers are from Consultant who worked with Bill Andrews. Q: I thought you compared to what DEC is charging today? A: No.

Robert Kennedy: Commended Board for commissioning study of available options for providing cost-effective utility services. Read report on line and it succinctly sets forth essential factors how best to provide future utility service for citizens of Lewes. Unless conditions change dramatically from assumptions in report, I am in favor of Board retaining ownership and control over all current utility operations and Board remain independent entity responsible for providing utility service rather than having responsibility transferred to City. Furthermore, Board should actively pursue ways to

reduce costs as set forth in report. Fortunate to have utility operation under local control that responds promptly to service outages, has up-to-date reliable infrastructure, and has very competitive utility rates with other investor-owned and municipal systems. In favor of retaining utilities for benefit of citizens of Lewes while encouraging Board to aggressively find ways to further reduce costs for providing utility services to all.

Bill Cowan: (1) Q: Board is doing due diligence and has a tentative offer from DEC? A: No offer; just 2010 discussion. (2) Q: They did give Board a proposal: A: Yes, they made presentation in 2010; Board said no but decided it would be appropriate to find out if proposal was something Board wanted to consider which led to Wilson Report. (3)

(3) Q: If process is in place to try to purchase electric utility and Board is doing due diligence, why not work with them on the due diligence? A: The informal offer through discussions with DEC primarily revolved around the financial aspects. Well-qualified Board Members did due diligence independent of Wilson Report. A thorough analysis of balance sheets for DEC and BPW was done for purpose of independently considering this opportunity. Board did independent assessment arriving at similar numbers as in Wilson Report for \$21 million. DEC was very interested in adding Lewes to their customer base because they are geographically contiguous; certain economies of scale could be accommodated by merging the operations plus Lewes is more modern and up-to-date. Discussions followed describing Board's thought processes and decisions with questions from residents about Wilson Report expenditure.

Charles Howard: Q: If DEC offered \$25 million and hypothetically BPW accepted, would Board be able to sell without any other involvement from the City? A: Not at all. Mayor Ford said process would be initiated by City Council; there would be a referendum vote at some time period after initiation process. Decision would be made by a City Resident vote.

Jeff Mitchell: Said citizens were blamed for resident's anger and were told questions would be accepted but Board did not want any argument while looking at us. Board apologized to Mr. Mitchell and everyone.

Bill Cowan: Q: Assume deal with DEC is dead? A: A resolution will be presented now.

ACTION:

Candace Vessella presented and read into record Resolution 11-007 establishing Board's position on disposition of BPW dated September 28, 2011 stating it is not in best interests of City to sell in whole or in part the electric utility. Candace Vessella presented a statement clarifying Board's position on resolution and Wilson Report at present time. Candace Vessella made a motion for Board to pass Resolution 11-007, James Richmann seconded, and motion carried unanimously.

9. Open forum/general discussion on Canary Creek contract amendment to allow a reduction of Bond as the phasing of the project is completed. (D. Gordon/G. Mandalas)

INFORMATION:

Darrin Gordon said Canary Creek project is moving along exceptionally well and has agreement with City and BPW dealing with the bond. Agreement breaks project into three phases requesting as phases are completed, bond be reduced appropriately per phase. Most concerns involve City, however, BPW is requesting two changes in the agreement:

- (1) Under Section 6.3 Reduction of Bonds for Partial Construction, added words "...whichever is less."
- (2) Under Section 6.4a Final Inspection and Acceptance of Partial Construction, added two sentences at end of paragraph which were accepted: "Acceptance does not infer the beginning of the 1-year warranty period. The warranty period begins on the first day of continual use by a permanent resident." Added statement maintains BPW's warranty at that time as BPW exists now.

ACTION:

Darrin Gordon requested Board to act on amendment and inform City/Mayor Ford BPW does not oppose amendment as written. Glenn Mandalas reviewed contract amendment and pointed out he represented Canary Creek developers as they came through and has not offered whether a reduction in bond makes good sense from a policy perspective; but the legal sufficiency of the document is correct and amendments are correctly incorporated.

Preston Lee motioned to accept modifications to agreement with Canary Creek to release a portion of the bond as work progresses, Candace Vessella seconded, and motion carried unanimously.

10. Open forum/general discussion on the update of the Bay Avenue project. (P. Lee/D. Gordon)

Preston Lee said meeting last night was well attended with excellent questions and discussion of important items.

Highlights:

1. Bay Avenue sewer discussion centered on use of cured-in-place repair of sewer rather than open-cut replacement [very well accepted by residents].
2. Bidding independently from rest of project was discussed since does not affect construction of road or water line; because a specialty construction process by certain contractors, could move forward as soon as possible before rest of construction takes place.
3. Darrin Gordon suggested bidding water separately. Sewer has been decoupled and decoupling water is being discussed. Emailed GMB and URS representatives asking about pros and cons; will inform Board of responses. Tonight wanted to take action by asking to move forward with sewer work but need to wait to do in concert with 10/13/11 meeting. Preston Lee added directional drilling of water is a specialty although many general contractors have capability as well as being able to do the road at the same time; will wait for GMB and URS responses.
4. Directional drilling to avoid open cutting was also well received. With minimal construction above ground, disturbance, potential destruction, or relocation of public and private property will be minimized.
5. Street was most discussed topic and does not directly impact BPW. Whether width of road and final paved section would be 10 or 12 feet was reviewed with leanings toward 12 feet. Providing a 2-ft. shoulder all the way down to

facilitate access by Fire Company with ability to have secure area for their outriggers was discussed; shoulder would not be paved but a stabilized shoulder.

6. Width of clearing required is important and needs to be resolved as project moves forward.
7. Use of pervious or non-pervious pavement to help improve drainage along roadway had pros and cons. My personal feeling is pervious pavement is not very effective and is expensive to install and maintain. City and Board need to resolve. Who is responsible for long-term maintenance of the road if pervious is installed? If considered a drainage structure, does BPW maintain; if Board does not agree with its use, is it BPW's responsibility? This will be decided at 10/13/11 meeting.
8. Stormwater ties back into pavement and design criteria for the road. My understanding of situation is we should be very careful when promising major improvements to storm drainage in the area. There is very little to be done whether porous pavement or not. Not sure if stressed enough at meeting and should be stressed at upcoming meeting because drainage cannot be significantly improved.
9. Since unable to attend 10/13/11 meeting, will pass my thoughts and comments on to members of Board and City. James Richmann commended Street Committee Chairman, Mr. Becker, for his conduct of the meeting. In terms of strong interests held on both sides, Ted Becker did an excellent job moderating and mitigating. Preston Lee agreed. Mayor Ford thanked Deputy Mayor Becker and all members of Street Committee and prior members of Street Committee. Project is very challenging, one of the most difficult projects City and Board face collectively, and challenging for community as well. Ted Becker responded saying process has been cumbersome and expensive; plan should move forward this winter and be finished by summer season. Since so many people attended, 10/13/11 meeting may be held at Library.

11. Open forum/general discussion on the update of the Water Production Plant. (D. Gordon)
INFORMATION:

Darrin Gordon referenced Task Order # 26 from URS to design, provide permitting, and provide the bidding of the new Water Treatment Plant proposed to be built at well field. Tidewater interconnection was removed by task order. Will still require a stub out for it; when time comes, Tidewater said we will share the engineering with them which is better way to go. Total bid amount is \$120,100. Recommendation is Board give approval to move forward. President Alfred confirmed money is in the budget. Darrin Gordon said entire budget amount is about \$900,000. Completion date from start to finish is around 18 months.

ACTION:

James Richmann moved for approval of bid from URS and asked General Manager to execute a relevant contract with monies to be taken from current approved Capital Budget; Preston Lee seconded, and motion carried unanimously.

12. Open forum/general discussion on the Public Power Week celebration of the Board of Public Works and outreach efforts. (C. Vessella/D. Gordon)

Candace Vessella gave brief update.

1. Monthly bill stuffer to be in September billing was postponed because Hurricane Irene interrupted normal business; first information paper will be introduced in October billing system.
2. Information papers have been posted on website; "Frequently Asked Question" button will be on BPW web page. Information is being distributed at public events.
3. Most recent paper, 6th in the series, "Why do I pay the BPW Stormwater Charge if I do not have a catch basin in front of my home?" has been issued, posted, and being distributed.
4. Public Outreach had a very nice welcome at Historic Lewes Farmers Market on September 17, 2011. General Manager, Jack Leshner and Preston Lee were there; we answered a lot of questions. People were happy we were in public domain and were welcomed to the inaugural visit. Mary Conte of Farmers Market has invited BPW to come back whenever we want; I suggested next summer may come twice during summer to do outreach.
5. Coffee was held this week on 27th. General Manager and I answered questions; Henry Evans, Cape Gazette, stopped by. First of Coffees and Ask the General Manager series completed; October 25 plan to be at Lewes Bake Shop on Second Street with Darrin Gordon answering questions.
6. This Saturday, 10/1/11, will have table at Historical Society Craft Fair from 9 to 11:30 a.m. Board members are invited to be there; will give out White Papers and light bulbs.
7. Customer Satisfaction Survey completed by consultant; results reported next month with summary on web page.

Public Power Week Update:

Darrin Gordon said Public Power Week is a national week members of American Public Power Association celebrate. This is 25th year and BPW will participate. Everyone is invited on October 8, 2011 from 10 a.m. to 1 p.m.; light bulbs will be given away and will be prizes; bring a camera to take picture of ride 70 feet in the air in bucket truck. As discussed with Wilson Report and the Cooperative tonight, there are certain strengths which come with being a public power entity. Board has elected officials and people can have a voice heard whether mad or happy. Public Power is one of the greatest democracies and strengths which is what we are celebrating. We bring safety, reliability, lowest municipal rates in Delaware, local control, some of best public service around [if you have a problem, you can talk to a human being], BPW is a not-for-profit organization who continually discusses lowering rates, customer response, community focused, local management, and an environmental stewardship.

James Richmann commended Vice President Vessella and General Manager Gordon for successful Public Relations Program; publicity campaign was picked up by a national media outlet and circulated throughout Delaware on modern electronic media. President Alfred said BPW is working to be transparent as ever.

13. It is recommended that the November 2011 and December 2011 monthly Board meeting be combined and held on Wednesday, December 7th at the regular time and location. (C. W. Alfred)

President Alfred requested a date change; combine November and December monthly meetings on November 30, 2011. An emergency meeting will be called if necessary.

14. Meetings attended by Board Members or Staff.

Jack Leshner, Preston Lee, Candace Vessella and Darrin Gordon participated in Public Outreach at Farmers Market. President Alfred, Preston Lee, and Jack Leshner attended DEMEC annual board meeting for non-participating members. Preston Lee also attended Executive Session of City Council on September 1, 2011 to discuss contract issues and the Street Committee Meeting last night. President Alfred thanked Preston Lee and James Richmann for participation on Street Committee which has been a long tedious process over many months. James Richmann said he appreciates Board's backing.

15. Board or Staff Requests for Agenda Item(s).

No requested agenda items.

16. Call to the Public

No questions or comments.

17. Call to the Press

No questions or comments.

18. Adjournment

Candace Vessella motioned to move into Executive Session, Jack Leshner seconded, and meeting adjourned at 8:45 p.m.

Recorded by: Rosemary Shannon