

# 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, Upstairs in the BPW Office, 107 Franklin Avenue, Lewes, Delaware on Wednesday, March 20, 2013 at 7:00 PM.**

### **Board Members Present:**

*C. Wendell Alfred  
D. Preston Lee, P.E.  
Jack Lesher  
James N. Richmann  
Candace Vessella*

### **Ex-Officio Members Present:**

*James L. Ford III, Mayor  
Darrin Gordon, General Manager  
Glenn C. Mandalas, Legal Council  
Heidi Wagner, Asst. General Manager*

### **Others Present:**

*Kristina Keller, Lewes BPW  
Ira Wexler  
Tom and Libby Owen*

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

At 7:00 PM, President Alfred welcomed everyone, called meeting to order and led Pledge of Allegiance. A moment of silence was observed for our troops serving our country.

## **2. Roll Call**

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

## **3. Revisions and/or Deletions to the Agenda**

Darrin Gordon asked to pull the General Manager's report. President Alfred confirmed that Item A on the Agenda will be pulled. Darrin Gordon also asked to include an item regarding Canal Crossing; the information was received on Thursday after meeting agenda had been posted and the work will be done in the next two weeks prior to the next meeting. It is purely informational. Addition to the agenda approved.

## **4. Consent Agenda**

- a) Receive the General Manager Monthly Report – TO BE REMOVED*
- b) Receive Severn Trent Report for January and February*
- c) Receive President Report*
- d) Receive Vice-President Report*
- e) Receive Secretary Report*
  - 1.) Approval of Regular Minutes dated January 23, 2013.*
- f) Receive Treasurer Report*
- g) Receive Asst. Treasurer Report*

**Darrin Gordon** said he needs to make an addition to the calendar in the General Manager's Monthly Report to include a Storm Water Utility Workshop on April 4, 2013 at 7:00 PM to discuss the move towards making our storm water utility much more a stand-alone utility focusing on two things; BPW has received the Storm Water Grant, a \$50,000 matching grant with a total cost of \$125,000, and Duffield Engineering is the one operating to get that grant completed, and to show where we are with that and allow input from the community. There is an announcement that will be given to Henry Evans to be advertised in the Cape Gazette.

**President Alfred** asked to make it a larger ad than normal.

#### **Addition to the agenda – Canal Crossing Item**

##### **INFORMATION:**

**Darrin Gordon** said everyone has a handout. The Canal Crossing item is a second water line. Currently we have this twelve inch water line that comes down and serves the beach. We are looking to make sure that it is improved and enhanced, and our engineers have been doing the work so that when we come across this canal we are going to be doing a directional drill. If you can see that little oval on your paperwork, this is where that pit has to be dug so that the folks that are actually drilling the pipe can hit that pit. Using a backhoe we are going to dig a trench that comes up here and ties in to our existing water line. Because we are a government agency, one of the many permits that we have to get going through the Corp of Engineers, is the Delaware State Historical Preservation Organization. What we have here is the second most important, if not the first most important, historical site in Delaware. The outline of this is called the Zwanandale Fort. In 1632, they believe that the ship from Dutchland came and dropped off 32 men and they built this fort. This gentleman in 1964 bulldozed this whole area. If you can tell, here is Pilot Town Road and here is the cemetery. These marks right here are the graves that he found. He also found this parapet all the way around the fort and the pilings where they were dug into the ground. He mapped that and it is called the Debris Site. His name was Professor C.A. Bonine. We just happen to have the luck of taking our water line right through what they consider to be the site of this fort. That means where we dig we are going to have to go and do a complete Class A archaeological dig of where we are going to put our pipe. That will be a little more expensive than we thought in the past. The price has gone up by \$8,300. It is doable and I have already signed and said we are going to move forward with that, unless I hear any disgruntledness from it. I believe it is absolutely appropriate and the right thing to do. I have already contacted the University of Delaware because it is actually their property all the way up to the road and they are OK. The other thing that I found interesting is they said the road itself has not been disturbed because it is the original footpath; Pilot Town Road is where that first Dutch guy put in the footpath and then it became a road. They know this because it became a road and the guy wanted to kick him out and there was a fight over it and there is paperwork that says what they did. So there might be some archaeology even underneath the road. There is a chance there might be nothing there, but we will move forward.

**President Alfred** asked Mayor who provides security for this?

**Darrin Gordon** answered that security has not been mentioned.

**Mayor Ford** said that it could be that during the process of the dig there could be fencing and security signs posted

**Glenn Mandalas** asked how long the will the dig take.

**Darrin Gordon** answered that we are talking two days. They said they are using the directional drill which causes very little disturbance and it is roughly a two foot trench that we are digging. If they don't find anything they will probably just back off and let us put everything in, but for the first part it will be a Class A sift and find what you can find. If we do find something we will be talking again and that is why I wanted to let everyone know what is there because it might expand if they do find something.

**Candace Vesella** said that she will talk to the General Manager and get some information papers so that the staff can respond with any questions that arise.

**Darrin Gordon** said the contract has been signed and they are moving on it, but I will have to find out the exact dates of when they will be doing this.

##### **ACTION:**

**President Alfred** asked for a motion to accept the remainder of the Consent Agenda. **James Richmann** motioned, **Preston Lee** seconded. Motion passed unanimously.

#### **OLD BUSINESS**

##### **5. Open forum/general discussion on the SAP /Blue Ocean management system upgrade progress and implementation.**

(**D. Gordon, H. Wagner, K. Keller**)

##### **INFORMATION:**

**Darrin Gordon** said we have been working now for about four months on a new operation system. It goes from the beginning of our business process; meter reading and data collection and input all the way through a system of e-mailing services, products and everything else out all the way out to the building end of it and maintaining all of the accounting. The city went through this just recently as well and they selected Edmunds. We considered that one, but we selected Blue Ocean. One of things that has been very impressive with them is that they have come in and have learned what we do, and have been able to make this work for us. We have a go live date of April 1 and we are not going to make that. Part of the reason is that we had a couple of other moving parts. We were using Level 1 for our billing, and about eight months ago we decided to go with a new one called Billtrust. Billtrust was supposed to be able to take on our billing information and also the way we collect using our ACH, which

is the interface between our collection of money and getting it to the bank and they never got to the finished product, other than one part which was our E-Lock lockbox. I am the hold up of that because as they were working on trying to get that working together, I fired them. Blue Ocean is going to pick that up and do that part of the program for us, but I should have fired Billtrust a lot sooner. So the hold-up is really myself. We are looking at having it go live on May 1. We will have a month of dual input which will be tough on our front office but then it will be running. That is the downside. The upside is that we are extremely excited about the power and capability of what this does. I brought Heidi and Kris to help us out and show you.

**Jack Leshner** asked when we will be on the new system for accounting purposes.

**Darrin Gordon** responded May 1.

**Heidi Wagner** said we are currently in the testing phase. Blue Ocean is testing but we are also testing here internally. For tonight we have just loaded a limited amount of sample data. We just want to show you two procedures; a purchase order and a service call. The purchase order procedure is going to tighten our internal controls. The service call that you see is going to improve customer service because it is going right out to the field and they will receive it very quickly. Kris is going to start off with a purchase order first.

**Kris Keller** said we are just creating a purchase order and we always get an approval for a purchase order. When we purchase anything over \$2,500 we have to get approval from Darrin or Heidi. Right now we do it in paper form. Now we will just have to wait for them to approve it right on this and it will go immediately to Heidi or Darrin. They will get it immediately; Heidi already received it on her screen.

**Heidi Wagner** said you will not see my computer screen projected on the screen, but right here there is an e-mail which popped right up on my desk and say "Request for Document Approval". So then I open it up, I see that it is a purchase order, and I want to look at the details of that. I see that it was sent from Kris requesting approval. I open up the document and I can see the details of it, and I can go into that item and see exactly what that item is. I can either approve or disapprove.

**Kris Keller** said you will see it already is on my screen with approval. Normally it would be Paula in the office and she would finish this out and call the guys in the field and tell them to go order the material. The guys in the field will get a Goods Receipt PO and once they get the material, they will then e-mail Paula to confirm receipt of material and that we can go ahead and send an invoice.

**Darrin Gordon** said when Kris says e-mail it is all within the system that the communication is going on. It is not going to Outlook or anywhere else. It is all internal

**President Alfred** asked if the men or women in the field will have this system on their computer. So it is a total BPW tied in system to everyone?

**Kris Keller** said yes. In this system you can always copy it as well right away so you are not losing any data and it links all throughout the system. An invoice in our procedure also needs an approval from Darrin or Heidi, so they will now also receive another e-mailing with an approval request.

**Preston Lee** asked if the request will go to both of them.

**Kris Keller** said it will go to both of them if it is from Paula or myself. If it is Heidi asking for it the request will only go to Darrin.

**Preston Lee** said if Heidi approves it, then Darrin will be notified somehow.

**Darrin Gordon** said it is our policy that we have taken all of our internal controls and financial controls and we have built it into this system. The second control on invoices is that either Heidi or I approve it and a member of the Board. Right now we have Jack in his office that approves every month all of these invoices that Heidi and I have also seen. We are going to have to have a computer set up for the Board to be able to do the same thing. You will also have access to this system. PKS has helped us design this and they have made sure that the safeties and the anti-fraud actions are still in play and hard coded into this so that we cannot bypass it. An invoice can be saved as a draft but we can't get to that point without our approval and the Board's approval.

**Heidi Wagner** said that if Darrin checks his e-mail right now he will see that it was approved and he will know I approved it.

**James Richmann** said that I think Jack and I need a more in depth class on checks and balances in relationship to the system.

**President Alfred** said that historically Jack or Jim would come in and go through that stack of invoices and sign and approve it.

But that is no more.

**Kris Keller** said he will be getting it via e-mail with a long list of invoices to approve. He will be able to open every one of them.

**Jack Leshner** said I heard you say that PKS played a role in designing this procedure. That tells me that it is auditable by anyone.

**James Richmann** said I think you and I have a responsibility to understand it.

**Kris Keller** said you cannot even create a check without that second invoice approval.

**Heidi Wagner** said I have now received the request for the invoice approval. I can see the detail of this and under remarks at the bottom it will tell me that Purchase Order 16 has been approved for this and also the Goods Receipt PO has been approved. I will go ahead and approve.

**President Alfred** asked if it tells you any other detail than that it is an AP invoice.

**Kris Keller** said yes and you will see that in a minute.

**Heidi Wagner** said those golden arrows are where you can drill down into the nitty gritty.

**Kris Keller** said I just received the approval and that is the first round of approvals. We cannot do the checks until the second person approves it. Kris continues to explain how to obtain the details of the request. Everything links together in real time. Every time you click a golden arrow it will show you more detail.

**Darrin Gordon** said that this Chart of Accounts only shows you one line but the real thing is going to show you everything.

**Preston Lee** asked if you will be entering in all of the detail or scanning in the documents.

**Darrin Gordon** said we will be entering in the details. We are working on the possibility of using a barcode reader but that is out there a ways. We could use it for billing and inventory coming in. GIS can also be utilized. With this system we can now start associating property lines and property parcels and putting that into GIS and tying that directly into Google Earth so that we

can get locations and maps.

**Preston Lee** said that say Jim wanted to see the actual document, he would have to go to someone to get it out of the actual file?

**Darrin Gordon** replied yes. We are not planning on copying invoices.

**Jack Leshner** asked if this include inventory control procedure.

**Darrin Gordon** replied yes. As we create the work order, it will show you the number of meters committed, and the number on the shelf. Everything is in live time. We can set up the order parameters.

**President Alfred** said that it would appear that the system, as great as it looks right now, it's shame you have to enter the data and you can't copy or scan into that system. Is that not a feature that is available? You could type in whatever you want, but from an auditing standpoint to see an actual invoice. I am just thinking of an audit.

**Darrin Gordon** said we will still be filing those invoices and there will still be access to them.

**Kris Keller** said obviously we have some kinks to work out and that is why we needed everyone's input. We will put those to Andrew and he will help us work everything out. I am sure there is a scanning feature because I know there is for a utility part of it. Every time a customer sends you something you can attach it. The nice thing with the utility part of this is that they did create this specifically for us. They weren't in the utility business before. We are going to be able send a service order directly to the guys in the field who will receive it on their e-mail and be able to do it with all the data in front of them.

**President Alfred** asked if this is in real time.

**Darrin** replied yes.

**Kris Keller** said if they were going to put in a new meter, in the future we are thinking they could scan the meter and it would be uploaded into the system once they are on that particular account. The accounts right now will be able to have everyone who is linked to it, active or inactive, and have all the services linked to it. So we will go ahead and show you a service order. It will tell you if you enter something incorrectly. We can tell them exactly what we want them to do, in this case to replace the meter. You can tell them anything going on at the property that we want them to know. We can assign the order specifically to who we want to handle it. We can also see the calendar of everything that they have scheduled for that day so that we can balance out their day too.

**Darrin Gordon** said you are able to see everyone's calendar in real time.

**James Richmann** asked if this calendar e-mail is internal to the Blue Ocean system. It is not an external calendar? So if I send you an invite from my system it will not come up?

**Darrin Gordon** responded we have talked about tying it with in Google and I believe we can but we are not sure we want to yet.

**Kris Keller** said we can tell them any descriptions that we want. Right from the service order she is getting the account comes right up.

**Heidi Wagner** said it all happens very quickly. The time it was assigned and the time it was completed is all included.

**Kris Keller** said the new meter number will update automatically in the system and it will be changed right from the handheld. Once it is scanned it is all done at one time.

**Darrin Gordon** said what I have learned is that with utilities we are really not selling kilowatts or gallons of water, we are a service. We have to provide service and billing in the correct ways and this is really powerful for doing that. We will talk in our budget about what we are doing with man hours. We have a staff we have pulled down to the nubbins and our ladies up front are pushed and if I could add that extra .23 full time employee equivalent in there, but it is hard to find someone like that. I see it coming and it is going to save us 15-20% of their time and workload. Laura does the billing and when she sends that file out it typically takes 2.5-3 hours to load. This system will do it in 40 minutes. There is that type of savings throughout the entire system. It is able to do human resources stuff, inventory. The whole thing helps us speed up, providing efficiency, and saving us manpower so that they can be involved in other things.

**President Alfred** said I wondered how this was going to improve customer service and it really does. Seeing it really makes you a believer. This is terrific. I wish all the customers could see this. I think it's a great system for checking your people and for planning and for emergencies and to be able to notify customers.

## **DISCUSSION:**

### **Question from Ira Wexler:**

*When you have data that flows out to the field, and people are looking at it on a laptop via a wireless connection, you have opened up a channel back to your central computer, so I am asking if your computers separate and secure that control the electric grid and water pumps ?*

**Darrin Gordon** answered yes they are separate.

## **6. Open forum/general discussion on the year to date financial status review of the 11<sup>th</sup> month financials ending February 28, 2013. (D. Gordon)**

### **PRESENTATION:**

**Darrin Gordon** said if you turn to tab #6 you have the 11 month financials ending February 28, 2013. I have constructed this as a grid to make it easier to follow along. This is pretty close to our end of year. We have done a heck of a job. That first arrow at D8 we are at .9% for the electric revenues so we are very close to what we estimated. On T8 that arrow shows that we are down by .01%. Weather was involved in electric. We had three months of June, July and September which were rate record breakers I the amount of electricity that we sold. There is always improvement but I think we did alright on those estimates. If we look at the purchase power on line 9 that reflects that we had a little more power on those days but again it's a matter of kilowatts. There is no flexibility in that. The Salaries, Wages, and Benefits are up 6.8%. Some of that comes from using other people. We have

been using Emmett in wastewater and he has been of great value to us. The next thing I would call attention to is Repairs and Maintenance on line 12. The two arrows on line 12 are at the water and at the wastewater. At the beginning of the year we had the water treatment plant where we some extra effort and we also have a new water supervisor and that reflects that he done some immense work on vehicles and equipment including our vac truck with some significant repairs but it has to be done. That number is up, but it is justifiable and about \$40,000.00 of that will not be repeated this coming year because it has gone into the equipment and I don't foresee it needing to be done again soon. The other arrow we have is on Other Supplies and Expenditures and I see that 18% on H14, and L14 is all the way up at 21%. That line indicates fuel costs which is part of Other Supplies and Expenditures. The fuel costs have simply gone up for some things. The difference is \$1,400.00 in the wastewater, and \$3,600.00 in the water. Those costs alone, as our efforts have gone up on line 12, there is somewhat of a reflection in that as well. The other thing I would show in Expenditures is Operating Expenses. At T15, Support Services, is the cost of paying your General Manager, Assistant General Manager, office staff, and I think it is significant to show we are down 9.6%. When you look at the number of \$1.1 million, that is significant savings and our staff is doing a good job.

**James Richmann** said we had all of those consultant contracts in previous years.

**Darrin Gordon** said some of those professional contractual services are on line 13, a different line. You are right but I would simply say we have done some savings. Contract services are where you have Severn Trent, which is the biggest. But we also have engineering and our solicitor. Going down to Total Expenses we are 1% up on electric, but again if you look at all those things we can control, the main thing there was an increase in the purchase power. That bottom line of arrows, if we can go down to Change in Net Assets, line 28, we have made \$205,000 in the electric, \$351,000 in water, \$226,000 in wastewater, \$30,000 in storm water, for a total of \$813,000. If you look at that in comparison to last year, Q28, you will see that we have a significant reduction in that change in net assets. Out of that change in net assets, we still need to pay our principal debt payment of \$775,000, so it is close. I feel comfortable saying we are operating as a non-profit organization and yet we are still in the black and doing what we need to be doing.

#### **DISCUSSION:**

**Jack Leshner** said by the end of this month, that \$813,000 could increase.

**Darrin Gordon** said we still have one more month to go and that could be going up, so we are going to get a little more margin in there.

**President Alfred** said I have a question about the suction truck. Pending that the storm water department really gets up and moving, that truck is going to be used a lot. I don't know what its life is or how old it is, but we need to keep it maintained that is for sure.

**Darrin Gordon** said we had a leak down in Cape Shores and we broke ground down there. Because of the rain and everything, our groundwater is so high we are in the sand and you know what that wet sand is like and all we can really do is use that back truck. It was priceless. I think it is about seven years old. A new one would be \$120,000.

#### **7. Open forum/general discussion and approval of the 2013-2014 proposed Operations and Maintenance Budget. (D. Gordon)**

##### **PRESENTATION**

**Darrin Gordon** said I will go through this fairly quickly, but at the end of this, I am requesting that this budget be approved. Thank you Mr. Mayor for making sure that is going to happen. First, from lines 1 – 8, these numbers have come from the assumption that I have taken the consumption from the last four years for all of these categories and that four year average is what I have used. So the variations that you see in there are based upon that four year average, instead of going from last year's usage. I believe that is appropriate. This year our numbers were up a little bit. Column A, D, and G titles says it is our 2012 12 month calendar, but it is not calendar, it is actually our fiscal year. I took the numbers from this last year so that is what that average is and what it is compared to. I did not go from January to December, and I went one month back as well.

**Preston Lee** said the purchase power dropped by 8.4%. That is huge.

**Darrin Gordon** said yes we went from \$86.40 per kilowatt down to \$81.40 per kilowatt. That accounts for 6.2%, and the other difference is what we used last year for those three months that were exceptionally high compared to that four year average.

**James Richmann** asked if we should be looking for another rate reduction.

**Darrin Gordon** said I think with our PPCA and what I plan on reporting to you next month, what I have done is sent this last P&L sheet to Mark Beauchamp and he is reviewing it and is going to get back to me as to where we are. He is the one that designed our rates two or three years ago.

**James Richmann** said I hate PPCA as a way of lowering rates. No one understands it. I just hate it.

**Darrin Gordon** said I will tell you that next year we are looking at it going up. We could lower it this year, and raise it the next year and the next. Let's save that for another discussion.

**James Richmann** said I don't want to go forward on auto pilot and then have a negative PPCA. If we do actually have a rate discussion and talk about a reduction then I am all for it. But if we end up refunding because of negative PPCA I am adamantly opposed to that because I don't think the ratepayers understand what a negative PPCA means on their bill. It is how it shows on the bill that counts.

**Darrin Gordon** said I am planning on having that discussion next month. So that is what I would say about the top eight lines; that is where it came from and those were the assumptions I used and that is what is reflected in those numbers. I think I used a half of a percent of growth in meters but I tried to keep that very flat. Regarding line 9 of Salaries and Benefits, we talked to the City but I did not discuss the City's decision on raises this year. Do you have any idea from the budge discussion from the city?

**Mayor Ford** said civilians are 3% for full time employees. Seasonal employees are getting no raise at all. Police are in negotiations with their contract.

**Darrin Gordon** said we did talk to the City about benefits. Kris has gone through and looked at the numbers. They have a better retirement plan and we have a better medical plan. The percent of money going to employees versus salary, ours is higher in that percent but bottom line is we did it and compared it and they are apples and oranges and that is my stand. I would say that we are more generous than the City is and we can leave it at that, but we also have different employees. I have put in this budget for a 5% raise. We have done the employee evaluations and for the most part we are hitting about the 4.75%. I still have the goal as the General Manager to make this the best utility around and to pay our people the best. The other .25% that I put in there is that we also have an incentive program on our books and in our policy so that people come up with cost saving activities or think of ways of saving us money that we can reward them for that. The next line is Utilities and it is what it is. Repairs and Maintenance I have kept fairly robust. Line N11 says the total went from \$440,000 down to \$405,000. That reflects the very last discussion where I said that some of the efforts done in the water and wastewater I don't think we are going to need to reproduce that. So about \$30,000 – \$40,000 of that will not be redone but we are going to still stay heavy with going out and repairing lines and the maintenance that is out there for our system. The system has not gotten any younger. Professional Contractual Services is down by 3.8%. The biggest one was in column D and E; you will see that we got hit early on that with engineering at the water treatment plant because of the water system. I don't see that being repeated either.

**James Richmann** asked if that should have been capitalized.

**Darrin Gordon** said no, I saw that as an O & M issue. It was with the old water plant. So I don't see that happening again.

**James Richmann** said I hope not. When are we going to switch over?

**Darrin Gordon** said July.

**Preston Lee** asked if this budget reflects anything about the old plant as far as demolition.

**Darrin Gordon** replies no.

**James Richmann** asked regarding the new water plant when do you have the final review where you accept the 95% completion point and that triggers a depreciation event. When is that?

**Darrin Gordon** answered probably July.

**James Richmann** asked if the additional depreciation for the new plant been built into the budget.

**Darrin Gordon** said yes. We have several things that are coming off the books plus the new coming on. We looked at that and the depreciation is pretty much a wash with what is coming off and what is coming on. Support Services you will see as a 4.2% increase from last year.

**Preston Lee** said I am glad to see the additional funds for labor for the storm water system. Hopefully we can go forward being proactive rather than reactive to maintaining the storm water system.

**Darrin Gordon** said to go back up to line 90 and you will see that Salaries, Wages, and Benefits have a total increase of 10.7%. That is because I have added an extra \$70,000 in there which I have spread it out through the water, wastewater, and storm water. Right now regarding the ladies in the front office, we are at what I call the critical mass, we cannot go any smaller. In those areas if I could have that .25 of a person here one day and a .18 of a person here the next day, then it would buffer that. We have Emmett that has been working with us and I am looking at keeping him on full time. We are going to be getting more serious, especially seasonally, with storm water, and having people set for that. One of the other things we did is brought someone in to learn the front office and when we have been shorthanded we have brought them in to help out. I have built that in the re for my flexibility to get extra help in when we need it. So that is what that increase is there for, above and beyond just the salary. Line 20, Interest, with our new investment we will make 1% which is conservative. Right now the investment is more like 2.4%. You will that the Interest Expense seems to go down, but if you look at the very bottom which has no number on it, but if you look at the Debt Repayment, this year it was \$775,000 and this coming year it will be \$806,000. That is simply that change in principal and interest that you have with any debt. Bottom line N26, change in net assets, end of year \$1,023,000.00. We have two goals going forward. We are looking at the 2015 Bank of New York bond that is going to become callable in 2015, and I want to be able to have the funds then so that we can pay off that debt. That is my target is that we will have the money to reduce that debt in 2015. L19 please notice is a negative number. In other words, our revenue. Bottom line with storm water, if we use all that time in an employee there, we are going to be negative by \$8000.00. The numbers as they come across is accurate.

**James Richmann** said walk us through the process for the budget. We give you approval of this tonight, and then when we discuss rates do we make an adjustment to this?

**Darrin Gordon** said no we do not make an adjustment to this because I believe what I would do is take that PPCA and zero it out and start again. Our rates are based on a twelve month rolling average. It comes off and that PPCA reacts to that twelve month rolling average. I also use that PPCA for the return of that \$500,000 escrow amount. Next year we anticipate that our rates are going to go up slightly, so that PPCA would then become positive.

**James Richmann** said I think we just agreed to not have the PPCA discussion tonight. I am fine with positive PPCA's, just not with negative PPCA's. I do think we need to know whether this is the final budget or not. Then if we have a discussion of negative PPCA's next time, then are there going to be adjustments to this budget?

**Darrin Gordon** said this is our final budget today and going forward. In six months I plan on coming back with this budget and having that serious review. We will have about four months experience with it, and the next thing we are going to do that is truly significant is that we have, with the rate adjustment coming in June, that is when we say we have that 5% increase in sewer that is automatically on the books. We have that with the water and we have that with the sewer. This budget reflects that. I was planning on having a discussion about our electric rates next month.

**James Richmann** said what I hear you saying is that we are going to approve this budget, and then if we do something about PPCA's next month, it may or may not affect this budget

#### **ACTION:**

President Alfred asked for a motion to approve the 2013-2014 budget. James Richmann motioned to accept the proposed budget for fiscal year 2014 as presented by the General Manager. Jack Leshner seconded the motion. Motion passed unanimously.

## **NEW BUSINESS**

### **8. Open forum/general discussion and approval of the write off of bad debt for the 2010/13 fiscal year of \$12,294.81. (D. Gordon)**

#### **INFORMATION:**

Darrin Gordon said you have two documents in your packet. With the public we have only shared one which is the write-off policy. The other information is purely informational and in fact I would ask you that you burn this afterward because this information is private. (The private information sheets proceed to be collected from all Board Members.) These bills were failed to be paid and they were turned over to collections in 2011 and they have gone through their paces. Now is the time to write them off. The total amount is \$12,294.81. In the utility industry, what is discussed, and this is a subjective number, but they say that if 2.5% of your income is in bad debt, you are doing OK. They have had some discussions about if that gets bumped up because of the economy and some of those struggles that you are still fighting a good battle. Ours is at .1%. That tells me is that I am not going to put in any more time trying to find these, so this is a debt we need to write off, get it off the books for the end of year so that we can move on to the audit. That is my recommendation that you approve this write-off

#### **ACTION:**

President Alfred asked for a motion to approve the General Manager's recommendation to write off \$12,294.81 of bad debt for the 2012-2013 fiscal year. Preston Lee motioned to approve. Motion passed unanimously.

### **9. Open forum/general discussion for receiving the 2011 Center for Disease Control Water Fluoridation Quality Award.**

#### **INFORMATION (D. Gordon)**

#### **INFORMATION:**

**Darrin Gordon** said I wish we had more than two people in the audience. We talked about service, but we also give the best water you can find. This is a letter from the CDC saying thank you very much and this is a benefit to our community.

**President Alfred** said he would like to get some press on this and let Henry Evans of the Cape Gazette know. That is a joint effort of our entire staff to make the water what it is today so everyone gets applause.

### **10. Meetings Attended by Board Members or Staff.**

**James Richmann** attended, along with Preston Lee, the Madison Avenue/Railroad Avenue Street Improvement meeting. At that meeting a plan was presented from the engineer and it is going to move forward to a public hearing and eventual Council and Board approval. I may have to recuse myself from one of the decisions because it relates to the street design. But it may not be a Board issue anyway. I think the Street Committee may ask the Board to come up with a recommendation in relationship to street design because the specific item in question has to do with the utility poles that are in the right of way. There is a utility pole right by my house and the street design would directly impact on me, so I am going to have to recuse myself from any action on that.

**Jack Leshner** attended the A&P Financial Seminar along with Darrin and Heidi.

**Preston Lee** attended the Water Plant Construction Progress Meeting. Just for your information we are 25% done. We are right on schedule and very minimal changeovers.

**President Alfred** asked Mayor Ford for the city's help with security to the construction site.

**James Richmann** said that Preston Lee and I also met with Darrin Gordon.

**Candace Vessella** attended the City Council Budget Workshops, the Planning Commission meeting, the American Public Power Conference and the most significant part was on the use of bonds. I will leave information with Darrin if anyone is interested. Also attended the City Council meeting, and the Short Preservation Committee meeting.

### **11. Board or Staff Requests for Agenda Item(s).**

James Richmann requested discussion of the PPCA's.

### **12. Call to the Public.**

No questions or comments.

### **13. Call to the Press.**

No questions or comments.

**14. EXECUTIVE SESSION**

*Executive Session on preliminary discussions on possible negotiations of franchise acquisition and to review and discuss draft meeting minutes of prior executive sessions. (29 Del.C. § 10004) (b) (2) (6) INFORMATION/ACTION*

**15. Adjournment.**

President Alfred asked for a motion to adjourn and move to Executive Session. Jim Richmann motioned, Candace Vessella seconded. Meeting adjourned at 8:22 PM. An Executive Session followed.

Respectfully submitted,  
Stephanie Moyer