

# 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, March 26, 2014 at 7:00 PM.**

#### Board Members

*C. Wendell Alfred*  
*D. Preston Lee, P.E.*  
*Jack Leshner*  
*James N. Richmann*  
*A. Thomas Owen*

#### Ex-Officio Members

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

#### Others Present:

*Charlie O'Donnell, GMB Engineering*  
*Rob Morgan, Lewes HOA*

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

At 7:00 PM, President Alfred welcomed everyone, called the 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 that all Board members, Darrin Gordon, General Manager, 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 that item #7 be removed from the agenda.

#### **4. Consent Agenda**

- a) Receive the General Manager Monthly Report
- b) Receive Severn Trent Report
- c) Receive President Report
- d) Receive Vice-President Report
- e) Receive Secretary Report  
I.) Approval of Regular Minutes January 29, 2014.
- f) Receive Treasurer Report
- g) Receive Asst. Treasurer Report

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

### **OLD BUSINESS**

#### **5. Open forum/general discussion and approval of the 2014-2015 Operations and Maintenance Budget. (D. Gordon, J. Leshner)**

##### **PRESENTATION:**

Darrin Gordon said this is the same operations and maintenance budget that was presented at the workshop which was discussed in detail. I would like to go through some items that I consider significant.

1. Items 1-7 are operating revenues and I have come up with those numbers using a five year average based on consumption. I have also considered a small percentage of growth at about 1.5%.
2. Line 8 is purchased power. Currently, this number is at a reduction of 1.08%. We anticipate an increase in the future

- and when I know that number we will make the adjustment which will probably happen at the six month review.
3. Line 9, specifically under the wastewater employee salaries. I have asked the Board for an additional employee in the wastewater department. There is also a maximum 5% increase raise for employees based on performance.
  4. Line 12 under professional and contractual services, that 2.5% is Severn Trent which is per their contract.
  5. Operating income is approximately \$1.26 million.
  6. Non-operating revenues. The significant number is on line 20 which is the interest income from our investments. This past year we have worked to adjust our portfolio and the number has increased from \$88K to \$300K. But I do not want us becoming dependent on that number, so I have conservatively placed that number at \$88K.
  7. Line 26 is change in net assets, which is \$1,073, 890.00.
  8. Line 27 indicates the debt we are still paying. The total amount of principal we have to pay is \$800K. When you remove that from the change in net assets you have a net positive of about \$270K.

**DISCUSSION:**

**President Alfred** asked Darrin Gordon to state the overall health of the BPW to the Board and to the public

**Darrin Gordon** said the BPW is in excellent shape financially.

**ACTION:**

Jack Leshar motioned to approve the 2014-2015 Operations and Maintenance Budget as presented by Darrin Gordon, Tom Owen seconded, and the motion passed unanimously.

**6. Open forum/general discussion and approval for the 2014-2015 to 2018-19 Capital Budget (D. Gordon, J. Leshar).**

**INFORMATION:**

**Darrin Gordon** said this budget was also presented at the workshop in quite a bit of detail. The grand total of what I am requesting is \$9.7 million plus an additional item. The additional item is under electric and has not been added to the sheet because it came to me just a couple of days ago. It is maintenance for our two main transformers. This proposal is for Potomac Testing to come in and test the entire system. The cost is \$26,260.00, which is above my approval authority, so I will add that to the bottom line for electric in the budget. Under water, we have the water main replacement renewal which is \$150K for this year. Water transmission to distribution upgrade and the key valve replacement will all be working very closely together. Under sewer, we have sewer main replacement, water main replacement, and storm drain replacements. Under support, the general obligation bond payoff stands at \$2.67 million in our 2015-2016 budget because the bond becomes callable in December 2015 and we want to have the monies available for that.

**DISCUSSION:**

**Jack Leshar** said the total loan payoff is greater than the \$2.67 million. What is the total?

**Darrin Gordon** said the total is about \$6 million. When we first got the bond, there were monies that were not spent, about \$3.3 million. The bond covenants said you either have to spend it or get penalized. We took that money and put it back in an escrow controlled by the bond council. It is still there and will be combined with the 2.67 that we have budgeted and that will pay off the debt.

**James Richmann** asked if the transformer maintenance should be a capital expense or an operating expense. It doesn't buy any future any capability.

**Jack Leshar** said I would put it under operations as a maintenance item.

**Darrin Gordon** said he would move it to the operating budget and asked for approval of the five year plan.

**ACTION:**

Jack Leshar motioned to approve the Capital Improvement Budget to the five year presentation, Preston Lee seconded, and motion passed unanimously

**NEW BUSINESS**

**7. Open forum/general discussion of the 2013-14 year to date financials.**

Item has been removed from the agenda.

**8. Open forum/general discussion for possible financing and grant opportunities through the State Office of Drinking Water and State Water Improvement Advisory Council. (D. Gordon, Charlie O'Donnell, GMB Engineering)**

**INFORMATION:**

**Charlie O'Donnell** of GMB Engineering said every year the state has their loan/grant funding program. They have a new program called the Water Quality Improvement Loan Program. The current loan the BPW has can be refinanced at a lower interest rate with the same terms, which would give you about \$310K. That was the catalyst to this beginning this process. Darrin and I discovered this and then we looked at some other projects that could be done. There ended up being four projects. The first one is the City-side valve sectoring, which is Darrin's key valve replacement project in his capital budget. This project is a total cost of \$530K, which includes \$60K of engineering fees. The next three projects have to do with the expansion of the

BPW water and sewer system. This includes the extension of water service into Highland Acres from the water main on Savannah Road. The total project cost is \$700K including \$60K of engineering fees. Along with that is the Highland Acres Sewer Collection project which also includes a street restoration portion. This is where the City and the BPW would be working together. The total cost is \$1.31 million with \$90K of engineering fees. The BPW portion is \$540K. There is a range (from \$422K to \$770K) on the street portion depending on how we approach it. The final project is the Savannah Place Sewer Collection and Street Restoration, which would be to extend sewer and get users into the BPW system. The total cost is \$1.64 million. The BPW portion is \$1.09 million, and anywhere from \$300K to \$500K would be the City portion. The BPW portion is higher because if we move forward with this project we would have to build a pump station, which would be regional in nature and eventually serve several other parcels. Regarding the status, the pre-applications were submitted in January. The final project priority list has a funding line. All of these projects are above the funding line so they could be approved. But they have to go through their process and the WIAC would approve or not approve them at an April 16<sup>th</sup> meeting. We don't know what the funding package will look like that they present back to the BPW. My guess is that it will be in the form of low interest loans of 2% or less with some grant money as well. The town's median household income shuts us out from a lot of the grant money that is available. The refinancing loan of \$310K would only fund capital projects, not engineering costs.

#### **DISCUSSION:**

**James Richmann** said regarding the Highland Acres project, why would the City invest in the streets if Highland Acres is not part of the city?

**Charlie O'Donnell** said there would have to be some move toward pre-annexation.

**Darrin Gordon** said there is no commitment on our end right now. There would be no cost to current customers or rate payers. Discussion ensues about Highland Acres.

**Charlie O'Donnell** said once the applications are submitted, DNREC will take the summer to review them. The engineering must be completed and the project must go out to contractor bids and the bids must be received before they actually settle on the loans.

**President Alfred** said we need more information on this. I would need something more concrete, otherwise the ratepayers could end up eating costs.

**James Richmann** said I am highly in favor of getting Highland Acres off septic and onto sewer. It is part of our environmental stewardship. It would be well worth the engineering costs to get the sewer moving forward. I think this is beyond the scope of BPW. I think this is an opportunity for another BPW/City Council meeting to discuss the projects.

#### **9. Open forum/general discussion and approval of the write off of bad debt for the 2013/2014 Fiscal Year of \$11,525.58.**

**(D.Gordon)**

Darrin Gordon said last year we had a write-off of approximately \$13K. This year we are requesting a write-off of \$11,525.58. This is the amount from folks that we have not been able to collect from by way of collections or lawyers. The industry average is that if you are above 2.5% of your net you are in good shape, and we are well below that. This is not consistent with the fiscal year.

#### **ACTION:**

Jack Lesher motions to approve the write off of bad debt for the amount of \$11,525.58, seconded by Preston Lee, and motion passed unanimously.

#### **10. Open forum/general discussion on Lewes BPW holding a proposed Household Hazardous Waste Collection. (D. Gordon, D. Preston Lee)**

**Preston Lee** said we had this idea of collecting household hazardous waste periodically here in Lewes and having the BPW transport it upstate to be disposed of in a Delaware Solid Waste Authority facility. We thought this would be an inexpensive way to assist the community and the environment. We talked to DNREC the Delaware Solid Waste Authority and they were enthusiastic and supportive. The big hang-up at this point is insurance which the state wants. Darrin hasn't heard anything official on the numbers, but that could be the Achilles Heel to this idea. The insurance is in regard to storage and transportation.

**President Alfred** said he spoke to the insurance agent and in addition to storage and transportation, but there is concern as well about something happening after it was delivered and would that come back to the BPW.

**Preston Lee** said everything has to be in its original container. Delaware Solid Waste was concerned about us trying to mix things or handle it improperly. But we were just going to take it to the disposal site the way a homeowner would. We thought it would be safer to have us transport in a controlled environment rather than hundreds of individual homeowners. The initial number that was thrown out to us was \$5K per year for the insurance. We may want to talk to the City and see if there is an interest in sharing that cost. But we need to get an exact number first and see what makes sense financially.

There is discussion about designated dates throughout the County and the State, as well as discussion with a member of the public about solid and liquid waste.

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

**James Richmann** attended the weekly meeting with Tom Owen, Darrin Gordon, and Heidi Wagner with Blue Ocean Systems regarding the status and actions necessary to complete the installation.

**Preston Lee** attended the DENREC workshop on oyster aquaculture, an Emergency Preparedness Workshop where Darrin

Gordon was the speaker, the Mayor Council Meeting, and a co-generation discussion with Beebe Hospital.

**Darrin Gordon** attended the APPA CEO Round Table

**Tom Owen** attended the Emergency Preparedness Workshop.

**President Alfred** participated in the Beebe Hospital Emergency Preparedness and a co-generation discussion with Beebe Hospital.

**James Richmann** made note that the Preservation Awards Luncheon will be held on April 11<sup>th</sup> and James Ford will be receiving the Community Service Award.

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

No requests.

**13. Call to the Public.**

**Rob Morgan, on behalf of the Lewes Homeowners Association:**

*Mr. Morgan asked on behalf of the Lewes Homeowners Association if April 25<sup>th</sup> at 7:00 PM is a convenient date and time for a candidate forum for any contested candidates, as well as uncontested candidates, the Board deems that appropriate.*

**14. Call to the Press.**

No comments or questions.

**15. Adjournment.**

James Richmann motioned to adjourn the meeting at 8:08 PM and to move to Executive Session. The motion was seconded by Preston Lee, and the motion carried unanimously.

An Executive Session was held.

Respectfully Submitted,  
Stephanie Moyer