

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, April 23, 2014 at 7:00 PM.

Board Members

C. Wendell Alfred
D. Preston Lee, P.E.
Jack Lesher
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:

Paul Eckrich, City of Lewes
Nancy Levinson, Member Elect
Tim Reath, The Chesapeake Group, UBS
Jamie Kujawski, The Chesapeake Group, UBS

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. President Alfred also introduced Member Elect, Nancy Levinson, who is present.

3. Revisions and/or Deletions to the Agenda.

No revisions and/or deletions.

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
 - 1.) Approval of Regular Minutes March 26, 2014.
- f) Receive Treasurer Report
- g) Receive Asst. Treasurer Report

Tom Owen motioned to approve the Consent Agenda, James Richman seconded, and motion carried unanimously.

OLD BUSINESS

5. Presentation of appreciation to outgoing Director James N. Richmann. (C. Wendell Alfred)

PRESENTATION:

President Alfred presented a Certificate of Appreciation and gift to James Richmann expressing thanks for his service and stating that he will be missed tremendously.

James Richmann expresses his thanks and his appreciation of support to the Board, former Boards, and City Council.

6. Presentation of appreciation to outgoing Ex-Officio Member – Mayor James L. Ford III. (C. Wendell Alfred).

PRESENTATION:

President Alfred presented a Certificate of Appreciation and gift to Mayor Ford expressing thanks and appreciation. Mayor Ford expresses his thanks to the Board, former Boards, and staff.

NEW BUSINESS

9. Open forum/general discussion of the Lewes BPW financial results for the 2013 calendar year and the first quarter of 2014. (D. Gordon, T. Reath)

President Alfred moved this item to be discussed first under new business.

INFORMATION:

Darrin Gordon explains the where the investment information is in the packet and introduces Jamie Kujawski of the Chesapeake Group.

Jamie Kujawski said from the period of 4/1/13-3/31/14 the net rate return is 2.58%. He compares a treasury bond versus having a conservative portfolio that was managed actively. Pleased with the conservative performance relative to other conservative assets. The packet lists the investment vehicles being used and they have been broken out to see each individual fund. This portfolio is keeping steadfast to the BPW's mission and is in compliance with the fiduciary code of conduct.

Jack Leshner said that the Chesapeake Group is guided by a formal document that was presented by the BPW as to how these funds will be invested.

7. Open forum/general discussion of the Nutrient Trade proposal to DNREC to use oyster aquaculture to meet the Lewes BPW NPDES permit requirements. (D. Gordon)

INFORMATION:

Darrin Gordon said we have a nutrient trade requirement because of our NPDES permit. This permit allows us to put affluent from our wastewater treatment plant into the Rehoboth-Lewes Canal. The permit says that we will offset every bit of nutrient that goes into the inland bays. We have moved 300 tons of chicken manure two years ago to make that requirement. Preston Lee and I met with DNREC on Monday because we have proposed to them that we are going to use oyster aquaculture to meet our requirement. DNREC told us that if our plant continues to operate as it is, we have removed enough chicken manure to equal about 90 years of our operation. We don't need to grow oysters. We are going to be able to use the nutrient trade with the chicken manure removal, and that will be sufficient for the NPDES permit, therefore costing us nothing extra that I can foresee in the next 20-25 years.

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

INFORMATION:

Preston Lee briefly explains the plan that has been discussed. The monkey wrench has been the insurance which would be a \$5K premium. Delaware Solid Waste has offered to have their contractor pick it up twice per year and haul it to their disposal facility in New Jersey. The only stipulation is that the BPW has to offer it to everyone who wants to drop something off, not just the BPW rate payers as we had originally planned. They also said they would not put any money into advertising. For the most part, the advertising will be through our billing, and possibly a notice in the paper right before a pick-up. For are still inquiring to make sure we still don't have an insurance issue. Hopefully it will move forward in the next month. Citizens will have to bring their hazardous waste to the BPW garage on Schlay Avenue. There will need to be a chain of custody.

ACTION:

Preston Lee motioned to follow through with the Household Hazardous Waste Collection program as discussed, Jack Leshner seconded, and motion passed unanimously.

10. Open forum/general discussion on Lewes BPW financial review of 2013-2014 F/Y. (D. Gordon)

INFORMATION:

Darrin Gordon said please note at the bottom left that this is subject to change as we are still going through the audit. There are some issues due to the Blue Ocean system changeover. The items I would like to make note of are numbered arrow 1-8:

- 1 and 2. Revenues, which are utility sales. The BPW and City utilities sales are lower than what they should be. They have been included in the commercial/industrial sales. This is one item that needs to be corrected.
3. Regarding the total amount of electricity sold, we are confident these numbers are correct. It is 7% higher than budgeted due to the long cold winter.
4. Total revenues are up by about 4% from the estimated budget. The amount of purchased power is up by about 7%. That coincides directly with the electric sales.
5. Operating income, which is taking the expenses and subtracting it from the revenues, is \$1.59 million.
6. Principal Payment Required. This is the amount of debt that we pay of principal for both the \$12 million loan for the waste water treatment plant, but also for a couple of other SRF loans and the Bank of NY bond.
7. There is another cost which is the interest expense (non-operating revenues). This what The Chesapeake Group just

spoke to us about. The interest income is \$358K, which is the 2.58% interest we made on our investments, which is added to income. The next line down is our interest expense. When we pay our \$800K principal, we also pay a portion of that in interest expense which is \$364K. That is the interest portion of our debt.

8. Line 8 total amount is about \$500K that we are above and in the black. Take out the \$350K of interest and we are at about \$150K above breaking even.

When you have a business doing \$13.6 million in revenues that is a fairly small percent. I think we are running a tight ship.

Jack Leshner said we often times equate the bottom line as cash in the bank. We use the \$800K for loan payments and we paid a lot of money to Blue Ocean. That is shown here, so when the audit is finished, we need to share the real results.

President Alfred asked Darrin if he is pleased. The Board has the understanding that we are operating efficiently and doing exactly what our mission is to our rate payers.

Darrin Gordon agreed. We do not have any anticipated rate increases. In December of 2015 our Bank of New York bond is going to be callable and we are going to pay \$2.6 million to pay that down and take a very close look at our rates to either keep them where they are or reduce them a little bit. We are working their plan. The audit will be complete in May or June.

Darrin Gordon answers a question from the public (Question was not heard the day of or in the recording):

On the Bank of New York bond for this year, there was an escrow amount of monies that was used to pay it down that the Bank of New York holds.

11. It is recommended that the Board approve the contract for Darrin Gordon, General Manager. (J. Richmann)

INFORMATION:

James Richmann said I have made amendments to the proposed contract for Darrin Gordon. I have made the corrections in Paragraph 1, 3, and 8. All other provisions remain the same. I have executed the instructions given to me by the Board, and I ask the Board to execute the contract.

ACTION:

Tom Owen motioned to accept the contract for Darrin Gordon with the changes discussed, James Richmann seconded, and motion passed unanimously

12. Open forum/general discussion on approval of a Resolution seeking approval from the Board to submit applications to the Delaware Office of Drinking Water and the State DNREC-Delaware Water Pollution State Revolving Fund for projects associated with the Highland Acres, Savannah Place and City-wide Valve sectoring upgrade. (D. Gordon)

INFORMATION:

Darrin Gordon said with the help of GMB Engineering we are going to the State seeking a couple of grants and possible funding for three different projects; a valve sectoring project which involves replacing about fifty valves in the system, getting water and sewer facilities to Highland Acres, and getting sewer to Savannah Place. These opportunities come through two different state agencies which are the Office of Drinking Water and DNREC State Revolving Fund. The application for the Office of Drinking Water was due yesterday. With that application, we need Board approval to apply the application. If the Board gives approval to apply, we can ask for the funding and find out later if we will be awarded and at that point we have the option to accept it or not accept it. This does not create an obligation to accept, and that is explained in the verbiage of the resolution. My request is that you approve our ability to apply for the grants and the loans.

Glenn Mandalas reads Resolution 14-001 for the record.

Mayor Ford said he would like to clarify that the application is for these three projects, but these could all be independent projects and it is not an all or nothing application

Darrin Gordon confirms that Mayor Ford is correct.

ACTION:

James Richmann motioned to approve Resolution 14-001 for the Board of Public Works to apply for grants and loans from the State of Delaware, Preston Lee seconded, and motion passed unanimously.

13. Meetings Attended by Board Members or Staff.

Preston Lee attended the oyster aquaculture meeting with Darrin Gordon and the Center for Inland Bays, the Sussex Conservation District regarding the drainage issues for the Highland Heights subdivision, the Water Infrastructure Advisory Committee, the Capital Projects Committee for Chesapeake Utilities, NPDES permit meeting with DNREC, met with Highland Acres, and the Mayor Council meeting.

James Richmann continues to meet on a weekly basis with the General Manager at Blue Ocean Systems with Tom Owen for the purpose of tracking the installation of our new financial management system. The works has been steady but not as rapid as we might hope. Blue Ocean has not yet signed their contract that Mr. Mandalas has drafted for them. We are making progress payments to them, but it is just enough for them to make payroll.

Jack Leshner attended the Special Meeting of the Lewes Planning Commission.

Question from the public asking about consolidating invoices with the new financial management system:

James Richmann said no not at this time. The cost to do this is over \$25K, so the decision was that we cannot afford it at this time. Not only is it a cost factor, but it is also our desire to get the contractor finished with the contract and moving on. It can be revisited later.

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

President Alfred requests to move the May meeting to Tuesday, May 20th at 7:00 PM

15. Call to the Public.

Barry Zimmerman, 418 W. 4th Street:

Does the BPW have a plan for the waste water plant should it get over the nine foot barrier during an event like Hurricane Sandy in New Jersey?

President Alfred said that is Hurricane Sandy hit here, we would have had the same problem as New Jersey did.

Darrin Gordon said we do have an emergency response plan and we have an elevated certificate that talks about that nine foot level on our plant. If it were to reach that, almost the entire beach front would be underwater. At that point it is an Act of God and we would be in a world of hurt. We have generators and other infrastructure so our ability to get back into operation is very strong. Because of Hurricane Sandy, we did implement remote capabilities for the plant.

16. Call the Press.

No questions or comments.

17. Adjournment.

President Alfred adjourned the meeting at 7:50 PM.

Respectfully Submitted,
Stephanie Moyer