

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, 114 East Third Street, Lewes, Delaware on Wednesday, January 28, 2015 at 7:00 PM.

Board Members Present:

C. Wendell Alfred
D. Preston Lee, P.E.
A. Thomas Owen
Jack Leshner

Board Members Not Present:

Nancy Levenson

Ex-Officio Members Present:

Theodore Becker, Mayor
Darrin Gordon, General Manager
Glenn C. Mandalas, Legal Counsel

Others Present:

Paul Eckrich, City Manager
Dennis Reardon, City of Lewes
Tim Crowley, Lewes, DE
Robert Hyberg, 231 Second St.

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 Nancy Levenson is not present. All other Board members are present. Also present are Darrin Gordon, General Manager, and Legal Counsel Glenn Mandalas.

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 for October 2014, November 2014, December 2014
- c) Receive President Report
- d) Receive Vice-President Report
- e) Receive Secretary Report
 - 1.) Approval of Special Meeting Minutes dated November 6, 2014 and Regular Minutes dated November 19, 2014.
- f) Receive Treasurer Report
- g) Receive Asst. Treasurer Report

Tom Owen motioned to approve the Consent Agenda, Preston Lee seconded, and the motion passed unanimously.

5. Open forum/general discussion of the 3rd Quarter Financial Report. (D. Gordon)

INFORMATION:

Darrin Gordon said the BPW is doing very well. He reviews some key points:

1. Revenue – For electric we are 8% over the budget, but in comparison to last year we are very close. We are 3% up for water and 1% down for sewer. Overall we are 5% up for the quarter. We are very close to last year.
2. Utility Purchase Power – We are up compared to last year due to the increase in kilowatt cost and our increase in revenues for electric.

3. I have very little control over this line other than when we start putting dollars into assets, which will reduce it. We had almost 116% increase in sewer costs than what was budgeted. This clues me in to the health of our system. Our electric system is very strong and robust. Our sewer and water system needs a little work.
4. Administrative – This is a big dollar amount. We are down by 11% from budget so that is a significant savings. We are currently running without the Assistant GM.
5. Operating Income – The total is down from budget by 6%.
6. Lines 6 and 7 are the interest in come which is the amount of money we are making off the dividends from our portfolio. We made \$242K. Line 7 is Change in Market Values, which is a second amount that we have look at according to our auditors. There was a loss of \$80K. We have to look at those two lines together. The investment policy is being followed and we have made good fiscal decisions.
7. Change in Total Net Assets is \$463K. We are very close to our estimate.

**6. Open forum/general discussion for the review of financial goals. (J. Lesher)
INFORMATION:**

Jack Lesher gives a PowerPoint presentation to review the financial goals of the BPW. Debt service affects our rates and he is a big proponent of paying off debts so that we can maintain our rates and perhaps even lower our rates. His source for the ratios was the audit report as of September 2014 but that does not change the basics of the discussion. Jack discusses the working capital and ratios including the current ratio, quick ratio, cash ratios, debts to assets ratio, debt to equity ratio, and days cash reserve ratios. This is the background for the Directors to gain support to pay off the 2005 bond.

**7. Open forum/general discussion of the 2005 Bond payoff. (D. Gordon)
INFORMATION:**

Jack Lesher said the City is going to refinance their bonds. We are talking about paying our portion in full. If we were to refinance, we could save \$600K over the remaining term of the note. If we pay off everything, which is what we would like to do, we would save \$1 million. This would be an enhancement to our balance sheet and gives us more wiggle room to keep our rates on the low side.

Darrin Gordon said in 2005 there was a bond that we took out in relationship with the City and the total of our portion was \$7 million. We spent \$2.7 million of it. The other \$3 million we put in an escrow account to go right back and pay for the bonds. The bond became callable in December. The City wants to re-fund the bond and we want to go in accordance in them. We have had the plan for a couple of years to pay this off and it is now due. The \$3.345 million that is escrowed will be taken by the bank and given to the bond holders. The \$2.75 million is the amount that we will have to write a check from our accounts to them. That will pay off the debt. This will be a great savings to us and our customers and I recommend that we move forward with this plan. Mr. Mandalas has helped to draft a resolution that is to be signed by the Board President and attested by the Secretary.

Glenn Mandalas reads a portion of the Resolution for the record:

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF PUBLIC WORKS OF THE CITY OF LEWES AND IT IS HEREBY RESOLVED, AS FOLLOWS:

Section 1. Authorization of Release and Transfer of Cash Proceeds. The Board hereby authorizes (i) the release of Cash Proceeds in the amount of \$2,751,765 plus the interest costs up to and including the Redemption Date and (ii) the transfer of such monies to the 2005 Paying Agent on or prior to the Redemption Date for purposes of redeeming a portion the Callable 2005 Bonds on the Redemption Date, all as described in the recitals to this Resolution.

Section 2. Officers Authorized to Act. The President or Vice President and Secretary or Treasurer are hereby authorized and directed to execute, on behalf of the Board, and take such action deemed necessary to effectuate the intent of this Resolution. IN the event that the President or Vice President or the Secretary/Treasurer of the board shall be absent or otherwise unavailable for the purpose of executing documents, or for the purpose of taking any other action which they may be authorized to take pursuant to this Resolution, the General Manager of the Board is hereby authorized and directed to execute documents, or otherwise to act on behalf of the Board in their stead.

Section 3. Further Action. The proper officers of the Board are hereby authorized and directed to take all such action, execute, deliver, file and/or record all such documents, publish all notices, if required, in order to consummate the transactions described in this Resolution.

Section 4. Repealer. All resolutions and parts of resolutions heretofore adopted to the extent that the same are inconsistent herewith are hereby repealed.

Section 5. Effective Date. This Resolution shall take effect on the earliest date permitted by law.

ACTION:

Jack Leshner motioned to approve the General Manager's recommendation and adopt the resolution as presented, Preston Lee seconded, and motion passed unanimously.

Roll Call:

Jack Leshner - Aye
Tom Owen - Aye
Preston Lee - Aye
President Alfred - Aye

8. Open forum/general discussion of the presentation of the 2015-2016 Proposed Operations and Maintenance Budget. Set a date for Board Workshop for the 2015-2016 O&M budget and strategic planning workshop. (D. Gordon)

INFORMATION:

Darrin Gordon said this is the beginning of the budget procedure and we will be setting up a date for the workshop. Regarding the revenues portion, I take a five year usage and then I apply the new rates. We will have a rate increase from April to December by 2.4%. From January to March it will go up roughly another 4%. Those increases have been incorporated into this revenue budget and I don't see that changing so long as the weather cooperates.

Preston Lee said that it should be emphasized that this cost is not being generated by our operation but what we are paying for the power coming in.

Darrin Gordon said the reason for the rate increase is due to regulatory changes by FERC. There are changes in the way generators are able to provide power and the rules of standby power generators. The rule changes increase the cost. There will be a meeting in April to explain these changes. Darrin briefly explains in more detail. These numbers are locked in now, but there may be another increase in 2017. We will not have reforecast this if the annexation is approved. Darrin notes the Contra account on the financial report and briefly discusses how it will be broken out. He also briefly discusses how he is handling the non-operation revenues. Salaries, Wages & Benefits have been increased by 4.5% to allow for a base raise of 2% and another 3% available for performance reviews to allow for a maximum of 5% and a minimum of 2%, averaging about 4.5%. The Interest Expense is down 38.89% which reflects our payment of debt with removal of the bond. The bond pay-off is reflected in this budget. Darrin asks the Board to review this budget so that it can be discussed in detail at the February Workshop. Budget approval will be requested at the March Board Meeting. The workshop will be held on Tuesday, February 24th at 3:00 PM.

9. Open forum/general discussion to change the date for the February Board Meeting. (D. Gordon)

The February Board Meeting will be held on Tuesday, February 24th at 7:00 PM.

10. Open forum/general discussion for the increase of the Capital Budget for two project cost increases. (D. Gordon)

Darrin Gordon said we have an approved Capital Budget that we have been working on. There are two items that have been underfunded in the budget. The first one is the Bay View and Angler's Road Project that we are working on with the City. \$15K had been budgeted for the storm water portion of the project. The engineers have had to increase this amount and Darrin explains why. \$35K is the amount now needed to complete this portion of the project. The second item that is underfunded is the Water Tank Maintenance. \$125K was the amount originally budgeted and approved for this project. MBA did a report on this project which was very well done. Based on this report, it is estimated that the cost will be \$618,820.00 to complete this project. Darrin is asking for a total of about \$650K, including the cost of the bid process which is about \$30K.

There is discussion about the timing of the projects and avoiding peak season. Mayor Becker also notes the importance of precautions and environmental concerns surrounding the removal of lead paint and suggests steps that should be taken to inform the public. There is also discussion debating the cost of replacing and repairing the water tank.

ACTION:

Tom Owen motions to accept the General Manager's proposal as presented to authorize the substitution of \$15K for \$35K for the Bay View/Angler's Road Storm Water project and \$650K for the Water Tank Rehabilitation, Jack Leshner seconded, and the motion passed unanimously.

11. Open forum/general discussion for activity and support of the City of Lewes Mitigation Committee. (D. Gordon)

INFORMATION:

Darrin Gordon said he is a member of the Mitigation Committee, which addresses the emergency preparedness for the City. This year the committee would like to send Darrin and Paul Eckrich to the National Hurricane Conference in Texas. The trip was not budgeted for, but Darrin believes it would be a big benefit for him to attend.

ACTION:

Preston Lee motioned to authorize the General Manager's request to attend the National Hurricane Conference, Jack Leshner seconded, and motion passed unanimously.

12. Meetings Attended by Board or Staff.

Preston Lee attended two meetings of the construction progress project for the Savannah Road Water Main Upgrade and the Canal Crossing, Capital Projects Committee with the City, and the Special Mayor and Council Meeting on the Highland Acres Annexation.

Jack Leshner attended the SCAT Meeting on January 7th.

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

President Alfred requested an agenda item for next month's meeting regarding the possible replacement of Nancy Levenson on the Planning Commission, per her request.

14. Call to the Public.

Robert Hyberg, 231 Second Street:

If Highland Acres moves forward, my understanding is that the State will help the citizens finance what they need to build the infrastructure. Are impact fees applicable to this and the infrastructure that will have to be placed in there to support the sewer and water? Do we have a mapping of all the infrastructure pipes and what their ages are? I am on a move to encourage citizens of downtown Lewes to sign up for natural gas. That would mean that Chesapeake would have to come in and negotiate a lot of infrastructure to get natural gas downtown.

Preston Lee said there is a mapping of what we think we have but we are not sure that it is 100% accurate. We don't know the condition of everything. We just had a study done which should have been more thorough than it ended up being so we will need to go back and collect more data to fill in all the missing pieces. We do have a better handle than we had a year ago.

Darrin Gordon said I think what I am hearing in your question is are you as a citizen going to be impacted or paying for Highland Acres and you will not. They will be paying impact fees and we are establishing what the impact of their addition to all of the downstream pipes, pipe volumes, etc. so that we can improve those when it is needed. We have a pretty good idea of what the impact will be of those 53 homes on our system. We have secured a two percent, 30-year loan through the State if that is where we decide to go. We will make those decisions once the election is held.

Darrin briefly explains the process of working with Chesapeake to install natural gas and there is continue discussion on this topic. The BPW has no issue with the installation of natural gas.

Mayor Becker asks about the timeline to build the infrastructure for Highland Acres if the annexation goes through.

Darrin Gordon estimates about eight months.

15. Call to the Press.

No questions or comments.

16. Adjournment.

President Alfred adjourned the meeting at 8:08 PM.

Respectfully Submitted,
Stephanie Moyer