

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, July 29, 2015 at 7:00 PM.

Board Members Present:

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

Ex-Officio Members Present:

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

Others Present:

Paul Eckrich, City Manager
Andrew Haynie, PKS
Ginger Heatwole, PKS
Jess Mill, PKS
Charlie O'Donnell, GMB
Katherine McCallister, GMB
Nick Roth, The Cape Gazette
Eric Van Glade, Cape Shores
Rob Morgan, City of Lewes

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 are present. Also present are Mayor Ted Becker, General Manager Darrin Gordon, and Legal Counsel Glenn Mandalas.

3. Revisions and/or Deletions to the Agenda.

Agenda Item #10 removed.

4. Consent Agenda

- a) Receive the General Manager Monthly Report*
- b) Receive Severn Trent Report for June 2015*
- c) Receive President Report*
- d) Receive Vice-President Report*
- e) Receive Secretary Report, Approve Regular Minutes June 24, 2015 and Special Meeting Minutes May 11, 2015.*
- f) Receive Treasurer Report*
- g) Receive Asst. Treasurer Report*

President Alfred said he received a letter that appeared in The Cape Gazette and announced it will be on next month's agenda. Preston Lee motioned to approve the Consent Agenda, Tom Owen seconded, and the motion passed unanimously.

5. Open forum/general discussion of the 2014-2015 Fiscal Year Audit Report given by PKS, LLC. The report to be received by a Board vote. (Andy Haynie, PKS, D. Gordon, J. Leshner, Treasurer).

INFORMATION:

Andy Haynie reviewed the summary of the audit findings for the year. An unmodified audit opinion was issued on the financial statements, which is the highest level of opinion that can be issued. There was a significant decrease in cash this year due to the

large bond pay off. There was a slight increase in investments, but most of the assets stayed the same. All investments are in accordance with the BPW policy. The biggest asset (71%) are the capital assets which is the infrastructure the Board owns. Total current liabilities is \$1.8 million. Total net position is \$44.1 million. \$29 million is tied up in capital assets. Andy also discusses the operating revenues and expenses, and non-operating revenue and expenses. He also discusses the series of graphs included in the audit summary which show the breakdown of revenue and expenditures. Overall, the BPW is in good financial position.

ACTION:

Jack Leshner motioned to accept the audit from PKS for year ending March 31, 2015, seconded by Nancy Levenson, and motion passes unanimously.

6. Open forum/general discussion of the 2015-2016 first quarter financial review. (D. Gordon)

INFORMATION:

Darrin Gordon reviews the financial statement for the first quarter (April, May, and June). The budget is compiled by take a five-year average and applying it to the rates. Darrin highlights sales, purchase power, expenses including repairs and maintenance in the water department, administrative budget, non-operating expenses, and change in net assets. Gain and loss on sale of assets is the last highlight and there is discussion on this topic.

Rob Morgan, 415 E. Cape Shores Dr.:

Are the numbers in the budget one quarter or are they seasonally adjusted? Is that last year's first quarter, or a quarter of last year's total?

Darrin Gordon said the revenues are seasonally adjusted. Most of the expenses are not seasonally adjusted.

Darrin also reviews the quarterly report from UBS regarding the BPW's investments. Preston Lee is concerned about the investment percentages and requests to have UBS come to the next Board meeting to discuss.

7. Open forum/general discussion of the presentation of the GMB sewer impact fee update report. (Charlie O'Donnell, GMB, D. Preston Lee, D. Gordon)

INFORMATION:

Charlie O'Donnell said they built the model in 2007 which includes every sanitary sewer pipe in Lewes and its size, slope, capacity, etc. This project is simply an upgrade to the existing model. The boundaries have been revised since 2007 and that affects impact fees. Impact fees were also updated using construction cost data and downstream effects. Charlie defines impact fees as the cost to increase capacity of the wastewater treatment facility. Two lines need to be expanded. We are clear on where the lines are of the Sussex County sewer system and the BPW sewer system. A big question is how we service areas outside Lewes city limits and large plots of land inside city limits. The final report will be submitted to the BPW and the Environmental Finance Committee at DNREC who helped fund this project. He discusses a few of the specific communities the impact fees associated with them.

Katherine with GMB reviews the various impact fee areas and table of cost estimates associated with each area using a projected map for the Board members and audience to view.

Question from Public (name unknown):

What is your planning horizon for this infrastructure?

Charlie O'Donnell said it has been broken out into three different horizons; 1-5 years, 5-10 years, and greater than 10 years.

What is the lifetime horizon?

Charlie O'Donnell said the pipes in the ground last a really long time. 75-100 years for the gravity sewer pipe. The pump stations have to be looking at about every 15 years

Do you have an overlay map for sea level rise? What will happen and who pays for what happens?

Charlie O'Donnell said an overlay has not been done and looked at specifically in regards to the wastewater system. Overlays are available through DNREC. The areas most affected by sea rise are on the beach side and none of the areas we are talking about right now are on the beach side

For areas that are being added, in terms of impact fees, are you calculating in for replacement and who is going to pay for that increased extension to the Board's liability?

Charlie O'Donnell said sea level rise has not been factored into the numbers that have been given tonight.

8. Open forum/general discussion of 2015-2016 capital projects and the presentation of two additional projects for approval. (D. Gordon)

INFORMATION:

Darrin Gordon said there are two items. First item is the Rate Design & Study. This study would look at electric rates, water rates, and sewer rates. The fee for rate design is \$25,900.00. The fee for the water cost of service study is \$13,500.00. The fee for the waste water cost of study is \$14,500.00. Darrin recommends that the Board move forward with at least the sewer rate study. There is discussion about how many years this study will cover, the timing, other proposals, cost, and benefits of the

study.

The second item is a proposal to move forward with wireless meter reading. The meter reader is retiring in about six months. The state has had a fiber cable brought down from Dover into Georgetown which comes out to Seaford and Lewes. Connex can come in and create a wireless connection on that fiber. The packets contains a proposal to establish the first step of doing the automatic meter reading. Darrin explains the process. The engineering study that is part of this proposal is about \$27,000.00. It would be an additional \$175,000.00 to get the system implemented and working. Darrin discusses another product on the market called Tantilus. Connex could also add another layer to the service by providing WiFi to the community. There is a request for Darrin to prepare a cost benefit analysis. There is discussion about the need for this in the community, exploring other providers, cost, and security.

9. Open forum/general discussion for authorization for the General Manager to sign the Showfield Developers Agreement. (D. Gordon)

INFORMATION:

Darrin Gordon said the Showfield development is going to start construction. The BPW will be providing only water. The agreement has been reviewed by Glenn Mandalas. Darrin needs Board approval to sign the agreement. Their application process started prior to the resolution that required them to have the pre-annexation agreement.

DISCUSSION:

Preston Lee requests discussion about the insurance numbers and if they are reasonable.

Glenn Mandalas reads the resolution in its entirety for the record.

Rob Morgan:

It is my understanding that the Board gave the developer a "Ready to Serve" letter. Wouldn't the provision of a "will serve" letter since the agreement expired trigger a possibility of a pre-annexation agreement?

Darrin said the communications started with Showfield began before he came to the BPW. I believe there was a commitment prior to the resolution. They are in our CPCN which draws a line around the area we serve. With that protection, we have an obligation to serve the people inside that CPCN.

ACTION:

Tom Owen motions to adopt the resolution to give the General Manager authority to sign the agreement, Preston Lee seconded, and motion passed unanimously.

10. Open forum/general discussion for the assignment of Kris Keller as the Alternate Director for the Delaware Municipal Electric Corporation (DEMEC).

Removed from Agenda.

11. Open forum/general discussion for receiving the 50 Year Aware of Appreciation for Fluoridation by the BPW from the Association of State and Territorial Dental Directors Center for Disease Control and Prevention. (D. Gordon)

INFORMATION:

Darrin Gordon said the BPW fluoridates the water and we are proud of it. It helps people have good teeth and good health. The law says if you started doing it prior to 1974 you have to continue doing it, and we did.

12. Meetings attended by Board Members or Staff.

Tom Owen attended the SCAT meeting.

Preston Lee attended the ribbon cutting for the Greater Community Village, 2 sewer project meetings, Savannah Road progress meetings every other week, Highland Acres meeting, the Round Table, and Connex meeting, and Capital Projects meeting.

Nancy Levenson met with Andy Haynie regarding the annual audit

13. Board or Staff requests for agenda item(s).

None

14. Call to the Public.

No questions or comments.

15. Call to the Press.

No questions or comments.

16. Adjournment.

Preston Lee motioned to adjourn the meeting and move into Executive Session at 8:50 PM, Tom Owen seconded, and motion passed unanimously.

An Executive Session was held.

Respectfully Submitted,
Stephanie Moyer