



Daphne Utilities

APPROVED MINUTES

Utilities Board Meeting

City of Daphne Council Chambers ♦ March 28, 2007 ♦ 5:00 p.m.

I. CALL TO ORDER

The March 28, 2007, regular Board meeting for the Utilities Board of the City of Daphne was called to order by Chairman, Mr. Segalla, at 5:06 p.m.

II. ROLL CALL

Members Present: Robert Segalla, Chairman
Ron Scott, Vice Chairman
Lon Johnston, Secretary Treasurer
James "Bo" White

Members Absent: Fred Small, Mayor

Others Present: Rob McElroy – General Manager
Danny Lyndall – Operations Manager
Jerry Speegle – Board Attorney
Teresa Logiotatos – Finance Manager
Lori Scharles – Administrative Assistant
Melinda Immel, Engineer– Volkert
Tim Patton, Engineer – Volkert
Ray Moore, Engineer – HMR

Others Absent: Deloris Brown – Human Resources Manager
Drew Klump

III. PLEDGE OF ALLEGIANCE

The Chairman led the Board and meeting attendees in the Pledge of Allegiance.

IV. APPROVAL OF MINUTES

a. *Utilities Board Minutes from February 28, 2007*

The Chairman inquired if corrections or editorial editing was recommended for the Minutes from the February 28, 2007, Utilities Board meeting. The Chairman requested a typographical error be corrected on Page IV- 2 "e".

MOTION BY Chairman to approve the Utilities Board of the City of Daphne minutes from the regular Board meeting conducted February 28, 2007; Seconded by Mr. Johnston.

AYE: JOHNSTON, SCOTT, WHITE

ABSTAIN: SEGALLA

MOTION CARRIED

V. OLD BUSINESS

a. Park City Agreement:

Mr. McElroy stated that the agreement with Park City has not been completed but that Mr. Speegle will have more to address on this in his comments.

b. Proposed Increase in the Minimum Charge for Water & Sewer:

MOTION BY Vice Chairman Scott to consider the minimum rate for 60¢ a month for water and 60¢ a month for sewer to go into effect the next billing cycle; Seconded by Mr. White. Chairman Segalla called for any further comments or questions, Mr. Johnston made a few summary comments.

AYE: ALL IN FAVOR

NAY: NONE OPPOSED

MOTION CARRIED

c. Haley's Lane Sewer:

Rob McElroy notified the Board that it was left under "Old Business" but will be dropped for the coming month due to lack of new information on this issue. He informed that Mr. Soutullo is moving forward in extending the sewer line at their cost on their property and it will be one single connection on Main Street whereby Daphne Utilities will provide them a back-flow preventor at our cost.

d. Deposit Charges Increase:

Mr. McElroy stated that this increase has been put into effect for both temporary meters for construction and deposits for homeowners for new connections which is a refundable amount.

e. Lend-A-Hand Program:

Mr. McElroy informed that flyers have been distributed by insertion into the bills and that Daphne Utilities has been contacted by Ecumenical Ministries to initiate this program. He stated that further information will be provided as developments evolve. After questions from Mr. Scott and Mr. Johnston, Mr. McElroy further explained how the program works.

f. Bio-diesel Production:

Mr. McElroy updated the Board that there is approximately 1,200 gallons in the tanks and are continuing to develop plans to move forward with this program. He stated that there continues to be interest and he has been requested to speak at several conferences about the program. He announced that the program still generates positive media interest and that even though it makes good financial sense to continue the program, he is concerned about becoming a bio-diesel producer. Mr. McElroy commented that the need to keep the program in the spotlight was evidenced by a recent sewer spillover due to a grease plug in the sewer lines. He further stated that this is the reason the Bio-diesel program is important to make the customers aware of what can happen when oil and grease are released in to the sewer system. Mr. Scott asked the reporting responsibilities of a spill like this, to which Mr. McElroy informed him that ADEM and the Board of Health who in turn notifies the press as well as filing a formal report.

g. Surplus Sale:

Mr. McElroy stated that in addition to the Surplus Sale, this is relevant to the land swap of the old Riviera Substation behind the main office. He stated that the Utilities is required to have an ordinance or resolution approved by the City Council. He presented documentation for both. Mr. Scott questioned the approval by the City of Foley to which Mr. Speegle replied that all the requirements are in the title binder.

VI. NEW BUSINESS

Since there was no new business, Chairman Segalla offered public participation from two attendees: Mr. Bill Lewis of Seaman Capital made a presentation regarding the reduction of capacity fees for an apartment development his company is planning. Chairman Segalla commented that while he understands Mr. Lewis's business dilemma, he has a responsibility to over 10,000 Daphne Utilities' customers and to give relief for one application would put the other customers at risk. Mr. Lewis remarked that the Board should be concerned of a class-action lawsuit asking for all the funds back. Chairman Segalla replied that if a class-action lawsuit is going to happen, then let it happen because the Board will not be intimidated by the threat or mention of a lawsuit. He further stated that Board feels they have a reasonable pricing on the product, but that is the way it is. Mr. Scott added that he thanked Mr. Lewis for coming in, but that he found it unfathomable that Mr. Lewis would not know the amount of capacity fees in connection with a high-scale apartment complex. He mentioned impact fees were another issue. He stated that he did not think it would be fair to allow a reduction of capacity fees for one developer and not for the other developers who have already paid these capacity fees. He said that he was

sympathetic and that the development will move forward for the good of the City of Daphne. Mr. Lewis apologized if his comments were taken as a threat, he did not mean it that way.

Mr. John Warner from Johnson Controls from Milwaukee, WI, made his presentation to the Board on how Johnson Controls can help municipalities and utilities with respect to gaining efficiencies in their operations. He presented a slide show of his findings and thoughts after analyzing information from Daphne Utilities. Mr. McElroy shared with the Board that the meters currently being installed are capable of easily being converted to automatic or touch-reads. He also stated that his concerns are that replacing all the meters at once will inevitably fail at once as well, and that he would be more inclined to implement this replacement in multi-year phases.

VII. BOARD ATTORNEY'S REPORT

Mr. Speegle stated that there were a few items to review in executive session.

VIII. FINANCIAL REPORT

Mr. McElroy spoke for Mrs. Logiotatos who had lost her voice and reviewed with the Board the Summary and noted the new 3-D graphs as requested. He also pointed out on the standard graphs that the Revenue is below our projection due in fact to the mild winter whereby natural gas sales were down and water revenues were not considered at this point as well, but this also is shown not to impact our Net Income because the gas is a pass-through. Mr. McElroy also emphasized that on the Combined Income Statement that the Salaries & Wages were under budget by \$140,000 due to the fact that positions are not rushed to be filled as quickly. Mr. Johnston asked about the cross-training to which Mr. McElroy indicated that it is a great help and in particular of keeping down the temporary hires. Mr. McElroy additionally informed the Board that the end transition of reorganization is taking place whereby water, sewer and natural gas in the field services area will be under one manager, and that the systems support will also be under one manager. The Board was also made aware of an issue involving the closing of the 2007 State Revolving Loan and that a special meeting of the Board will need to take place before April 11, 2007. A discussion took place to organize details of the meeting and paperwork involved.

IX. GENERAL MANAGER'S REPORT

a. *GM Report*

Mr. McElroy notified the Board that he attended the Alabama Rural Water Association Annual Convention in Mobile whereby various ADEM representatives were present. He indicated that he has been apprised that requirements and certifications of operators working in treatments plants, water distribution lines, sewage systems, well departments are going to be more stringent and professional workers will be running operations and that is going to affect the end costs. Mr. McElroy then invited the Board members, engineers and Mr. Speegle to the Annual Employee Appreciation Banquet. Chairman Segalla gave thanks to Jenni Vincent of the Daphne Bulletin for the nice article on the Bio-diesel production. Mr. McElroy also gave kudos as well for the informative and well-written article on the rate increase.

b. *Operations Report*

Danny Lyndall, Operations Manager, reported to the Board that the clogged pipe that caused the sewage spill that took place in Spanish Fort in a wooded area north of the construction site of the Bass Pro Shops has been cleared and clean up is taking place. Mr. McElroy notified the Board that both Mayors Bonner and Small have been informed of the event.

Mr. McElroy discussed the court decision regarding the sewer non-compliance involving Dr. Ennis. He stated that since the City repealed the old ordinance and instituted a new ordinance, the prosecutor felt they could not prosecute on violations of an ordinance that had been repealed and the process will start over again. Mr. McElroy noted that Dr. Ennis' letter regarding a twenty foot swath of environmental disturbance through wetlands wasn't so and that he was interested in putting a 2" low-pressure sewer line that could be put in with a trencher or bored if damage is an issue. Mr. McElroy stated that there are multiple options available to him and hoping to find a reasonable solution to this issue. Mr. Scott then mentioned that he has had comments that residents from Juniper near Whispering Pines have never been sewered and all those people would like to be and asked if there were pockets in the City still unsewered. Mr. McElroy replied that the Board had been briefed and that there are about a dozen pockets around the City that remain to be sewered as well as individual lots throughout. Mr. Scott asked what the process would be for a neighborhood that would like to be brought onto the sewer system. Mr. Johnston indicated that it was a money issue that happened years ago. Melinda Immel gave her insight to this issue and stated that she could forward this information and that it was a money issue as well. Mr. Johnston noted that it was not a deliberate omission.

Melinda Immel gave her comments regarding a phone call she received from Patrick with EMA relative to the

Hurricane Katrina generator grant for which Daphne Utilities applied and are requesting additional information and are reducing the scope. She mentioned that Daphne Utilities is estimated to receive \$115,000 that would pay for two portable generators, but when asked when the funds would be available, she was not given an answer by Patrick.

X. BOARD ACTION

A. The Motion to Reconsider Resolution 2007-01 Increase in the Minimum Charge for Water & Sewer took place under Old Business.

XI. PUBLIC PARTICIPATION

XII. BOARD COMMENTS – None

XIII. EXECUTIVE SESSION

MOTION BY Vice Chairman Scott to go into Executive Session to discuss pending legal matters at 6:30 pm. Seconded by Mr. Johnston; Executive Session concluded at 7:07 pm.

AYE: ALL IN FAVOR NAY: NONE OPPOSED MOTION CARRIED

XIV. ADJOURNMENT

MOTION BY Vice Chairman Scott to adjourn the meeting. Seconded by Mr. Johnston.

AYE: ALL IN FAVOR NAY: NONE OPPOSED MOTION CARRIED

The meeting adjourned at 7:07 pm.