



Daphne Utilities

APPROVED MINUTES

Utilities Board Meeting

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

I. CALL TO ORDER

The November 28, 2007, regular Board meeting for the Utilities Board of the City of Daphne was called to order by Chairman, Mr. Segalla, at 5:00 p.m.

II. ROLL CALL

Members Present: Robert Segalla, Chairman
Ron Scott, Vice Chairman
Lon Johnston, Secretary Treasurer
Fred Small, Mayor
Fenton E. Jenkins

Others Absent:

Others Present: Jerry Speegle – Board Attorney
Rob McElroy – General Manager
Teresa Logiotatos – Finance Manager
Danny Lyndall – Operations Manager
Deloris Brown – Human Resources Manager
Lori Scharles – Executive Assistant
Melinda Immel, Engineer– Volkert
Ray Moore, Engineer – HMR

Others Absent: Drew Klumpp – Adm. Services Manager

III. PLEDGE OF ALLEGIANCE

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

NOTE: Jerry Speegle arrived at 5:07 p.m.
Fenton Jenkins arrived at 5:11 p.m.
Deloris Brown arrived at 5:12 p.m.

IV. APPROVAL OF MINUTES

a. Utilities Board Minutes from October 31, 2007:

The Chairman inquired if additions, deletions or corrections were recommended for the Minutes from the October 31, 2007, Utilities Board meeting. No editing was requested, and the Chairman entertained a motion for approval.

MOTION BY Mayor Small to approve the Utilities Board of the City of Daphne minutes from the regular Board meeting conducted October 31, 2007; Seconded by Mr. Johnston.

AYE: SEGALLA, JENKINS, JOHNSTON, SMALL, SCOTT

ABSENT: MOTION CARRIED

V. OLD BUSINESS

a. *Park City Service Agreement:*

Mr. McElroy informed the Board that Mr. Speegle has been in discussions with Park City's Attorney Tim Grogan and an agreement has been agreed upon but nothing in writing has been received.

b. *Wells 10 & 11 Construction Update:*

Mr. McElroy advised the Board of his meeting with the Baldwin County Board Of Education and a representative of HMR to discuss a remedy of re-routing the ditch that is directed at the well-head.

c. *Step-by-Step Hiring Procedure:*

Mr. McElroy pointed out that the Procedure was included as part of the current Board book and a Board vote on the Procedure was needed. Chairman Segalla clarified that the Procedure is for Supervisors and suggested a disclaimer to that effect.

d. *Items in Abeyance:*

1. **Gas Franchise Agreement** – Mr. Speegle had not arrived in time to discuss this issue.
2. **19 Acres** – no new development.
3. **Daphne High School Stadium** – Mr. Johnston reported that this item was discussed at the previous Finance meeting and was clarified by the Attorney General's Opinions. Chairman Segalla suggested that a more recent Opinion should be sought before the final decision is made and recommended that the Board authorize Mr. Speegle to get that opinion on the capacity fees. Mr. McElroy stated that he had requested Mr. Speegle to prepare such letter. Mr. Scott commented that while he has conceded the fact that the Utility Board is not in a position to give anything away based upon what has been read from previous Opinions; he realizes, however, this is a unique situation and how the capacity fee calculations are determined should be fair to all parties. Chairman Segalla stated that if the Board is of a common mind and that enough legal data is obtained, the decision to obtain or not obtain an updated Attorney General's Opinion would be left at the discretion of Mr. Speegle and that it would be a matter of how the capacity fees are calculated at the end of the stated annual period with which Mr. Speegle and Mr. McElroy are working with a third party. Mr. Scott included that he agreed with this and asked that from a practical standpoint for the Board to find some comparable situation, such as Hoover High School or some other high school in the State of Alabama, in order to determine how those capacity fees were calculated. Mr. Speegle concurred that a similar comparison within the State would be valuable information. Mayor Small stated that it is not beyond the point for the Board to go into some type of contractual agreement with the Quarterback Club to equal whatever type of capacity fees that are determined for some set period of time that would equal out to be zero. Mr. Speegle stated that if the Board is going to get something that is equal value for whatever it is that the Quarterback Club can provide. Mayor Small continued that it would be just like when the City enters a contractual agreement, such as when the band is given so much money to go off and support the City's name; this would be the same type of agreement except that it would be advertising at the stadium. Mr. Speegle stated that we had talked about this before and certainly his thoughts were to find out what the approximate value that advertising would be and relate it to what the capacity fees are because otherwise if it is not quid-pro-quo, it would be a gift. Mayor Small remarked that when we do capacity fees, the Utilities gives residence for instance, \$25 a month, for financing capacity fees. Mr. McElroy stated that it is over time and for the capacity fees that a person pays the maximum amount of time that it can be extended, it comes out to \$25 a month, it's not that whatever your capacity fees that one would just pay \$25 a month, and it is typically residential. Mr. Speegle commented that this extension is not usually permitted for commercial accounts as it results in acquiring the building permit. Mayor Small stated that if it was commercial or residential, it really wouldn't be any different depending on how it was done. Chairman Segalla remarked that Mr. Speegle made a great point that he happened to concur with and that is to determine the value of these capacity fees before any trading takes place; the total dollar amount needs to be calculated; the Chairman affirmed that the calculations for the capacity fees are currently being researched with a third party, and when that is concluded at the end of the reporting year, that is when this Board should begin this process, if in fact this Board does not think an updated Attorney General's Opinion is necessary and Mr. Speegle is comfortable with that decision. Chairman Segalla expressed that he would like Mr. Speegle to advise the Board, from a legal standpoint, if it is necessary to get an updated Opinion or if the information previously provided is sufficiently current. Mr. Speegle stated that he saw no reason to seek an updated Opinion and that he was in agreement with the prior Attorney General's Opinion and that he knew of nothing that has changed or have uncovered cases that have changed. Chairman Segalla then requested of Mr. McElroy, along with the third party with whom he is working, to contact other municipalities of other comparable

sized cities to find out what they may have done and worked out in a parallel situation. Mr. McElroy commented that this has been previously done and that the issue is the numerous methodologies used by cities across the country to build stadiums and sports complexes similar to Daphne's. He further commented that whichever methodology is chosen, it has to be uniformly applicable to everyone and that this reasoning is why the load is being reported for actual comparison. Chairman Segalla closed by stating that he agrees with Mr. Scott in wanting to do something for the High School, but first and foremost that the fiduciary responsibility is to Daphne Utilities and if in fact we can work something out, fine; but if not, his primary responsibility is to ensure that this Utility is financially healthy and nothing can be given away if in fact the numbers turn out to be pretty big. He further added that this Board had previously stated its position to avoid long-term contracts because they are bothersome and difficult to manage and Mrs. Logiotatos confirmed by nodding her head. Chairman Segalla stressed for clarity that the Board's responsibility is to the Utility, first and foremost; and if other organizations can be helped, that is agreeable with him. Mr. Scott included that the stadium does not belong to the Quarterback Club, that it belongs to the Baldwin County School System, and that is who will get the bill and as far as how they decide pay it is the question. Mayor Small stated that the agreement is that the Quarterback Club will have to pay for it. Mr. Scott further added that whatever we do, and it is important from a public relations standpoint, that we are able to defend without saying our fiduciary responsibility is to the Utility, that we're able to defend this in a court of public opinion so it cannot be anything that is so ridiculous that the stadium is minimally used but being equivalent to xxx number of households that makes the Utility look bad. He remarked that the Board has a dual responsibility of making sure the Utility does not come away looking like a villain. Mr. Scott also stated that if we could find some other stadiums across the country but that it would be best to point to schools in Alabama so that we can look at how those utilities handled the capacity fees and so that we can sit down with whoever is going to pay the fees and justify it. No further comments were made regarding this item.

VI. NEW BUSINESS

VII. BOARD ATTORNEY'S REPORT

Mr. Speegle discussed the agreement with Park City and his correspondence with their attorney Tim Grogan. He stated that there is no change on the issue with Friday Construction Company and that he would be leaving this item on his report. Mr. Speegle mentioned the Rick Fine agreement and the check received for \$15,000 determined from the old option agreement that has since expired. Mr. Speegle further updated the Board about the Daphne Utilities properties title search.

VIII. FINANCIAL REPORT

Teresa Logiotatos reviewed the Financial Report for October, 2007, for the Board. Chairman Segalla referred to a discrepancy on Page 27 regarding "Customers", to which Mrs. Logiotatos assured would be corrected.

IX. GENERAL MANAGER'S REPORT

a. *GM Report*

Mr. McElroy reviewed the General Manager's report. A discussion took place to move the December Utilities Board meeting date to January 2, 2008.

MOTION BY Mr. Johnston to change the December, 2007, meeting date to January 2, 2008; Seconded by Mr. Scott.

AYE: SEGALLA, JENKINS, JOHNSTON, SMALL, SCOTT

ABSENT: MOTION CARRIED

Chairman Segalla complimented the Utilities employees on the recent announcement of the naming of the park as the Elizabeth S. Yelding Park at the November 19, 2007, Council meeting. Also, Mr. Scott initiated the subject of Baldwin County Sewer Service providing service on County Highway 64 which prompted further discussion about becoming a viable alternative to developers and homeowners.

b. *Operations Report*

Mr. Lyndall reviewed the operations report with the Board. An assessment of the abandoned well near City Hall was discussed.

Mrs. Immel requested the Board to consider making a motion to adopt the Proposed Amendments for the Standard Specifications posted on the Daphne Utilities website.

MOTION BY Mr. Jenkins to adopt the Proposed Amendments to the Standard Specifications posted on the Daphne Utilities website. Seconded by Mr. Scott.

AYE: SEGALLA, JENKINS, JOHNSTON, SMALL, SCOTT ABSENT: MOTION CARRIED

Mr. Moore discussed with the Board the HMR Project Status Report. He updated the Board on the status of the Highway 64 South sewer project.

X. BOARD ACTION – Step-by-Step Hiring Procedure

Chairman Segalla entertained a Motion for the adoption of the Step-By-Step Hiring Procedure.

MOTION BY Mr. Johnston to approve the Step-By-Step Hiring Procedure. Seconded by Mayor Small.

AYE: SEGALLA, JENKINS, JOHNSTON, SMALL, SCOTT ABSENT: MOTION CARRIED

Relative to Human Resources, Cedric Goodloe commented to the Board that Daphne Utilities Human Resources will be focusing on training and development for the manager and supervisors in the field for the upcoming year. Chairman Segalla suggested a follow-up meeting with consultant, Jim Sisson. Mr. Jenkins asked if a field safety officer is assigned to various departments. Mr. Lyndall explained that Kenneth Johnson is the acting safety officer conducting field observations and advising managers and supervisors of safety issues as well as performing safety meetings. Mr. Jenkins questioned if safety reports are prepared. Mr. McElroy clarified how the safety sessions are formed and conducted and the summary that is prepared after each session. The Board requested a reporting of Man-hours without Lost Time Accidents, additionally broken down by crews.

XI. PUBLIC PARTICIPATION – None

XII. BOARD COMMENTS –

Mr. Johnston inquired as to the status of the performance reviews. Mr. McElroy discussed with the Board the changes that are being implemented. The Board as well as Mr. Speegle stressed the importance of documentation of personnel issues.

XIII. ADJOURNMENT:

MOTION BY Mayor Small to adjourn the meeting. Seconded by Mr. Johnston.

AYE: SEGALLA, SCOTT, SMALL, JOHNSTON, JENKINS ABSENT: MOTION CARRIED

The meeting adjourned at 6:12 p.m.