



# Daphne Utilities

## APPROVED MINUTES

### Utilities Board Meeting

City of Daphne Council Chambers ♦ March 31, 2010 ♦ 5:00 p.m.

#### I. CALL TO ORDER

The March 31, 2010 regular Board meeting for the Utilities Board of the City of Daphne was held and called to order by Chairman Robert Segalla, at 5:01 p.m.

#### II. ROLL CALL

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

**Others Absent:** Fred Small, Mayor

**Others Present:** Jerry Speegle – Board Attorney  
Rob McElroy – General Manager  
Danny Lyndall – Operations Manager  
Teresa Logiotatos – Finance Manager  
Deloris Brown – Human Resources Manager  
Drew Klumpp – Administrative Services Manager  
Lori Scharles – Executive Assistant  
Melinda Immel – Volkert & Associates  
Doug Bailey – HMR

**Others Absent:**

#### 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 March 3, (February) 2010:**

The Chairman inquired if there were any corrections noted for the Minutes from the March 3, (February) 2010, Utilities Board meeting. No corrections, additions and/or deletions were noted.

**MOTION BY Lon Johnston to approve the Minutes for March 3, 2010; Seconded by Ron Scott..**

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

#### V. Old Business

a. **Central Services Building (Property Investigation) – Update**

Mr. McElroy noted that Mr. Speegle recommended adjourning to Executive Session to discuss a legal matter during the Legal section of the agenda.

**b. Items in Abeyance:**

1. **Gas Franchise Agreement** – No current information was reported.
2. **19 Acres – Daphne Utilities property** – No current information was reported.
3. **Sewer Cut-off** – Drew Klumpp updated the board on the progress of the collection in the Promissory Note. He advised that Mr. Speegle's office will be mailing correspondence to the delinquent customers giving them an additional 15 days before proceeding with the suit.

**VI. New Business**

**a. Proposed Rate Increase – vote**

Mr. McElroy advised that the notice for the rate increase had been published in the newspaper at three different times as well as his briefing the Board and the public at last month's Utility Board meeting with an informative slideshow and additionally posting that presented slideshow on the website of which received 1600 visits; he stated that he felt confident that this information had been announced sufficiently. Chairman Segalla expressed his dissatisfaction with the recent newspaper headlines that had been appeared. Ron Scott stated that he had advised the Daphne City Council of tonight's vote and for any input; he also expressed his concern of the world economic impact for the citizens of Daphne but agreed the rate increase is needed and recommended to the Board, with input from Council members, that if a rate increase is passed that it become effective the first of our fiscal year, which would be October 1. Fenton Jenkins commented that his suggestion coincides with Mr. Scott's, and recommended doing more advertising to explain why the increase is needed. Lon Johnston inquired as to what would have to be deferred if this is postponed until October. Teresa Logiotatos answered that \$300,000 is built into the budget for seven months of the rate increase which would require a budget review and drop off some capital projects, but also causing a flat net income than what was projected as long as everything else develops as budgeted, such as revenue, etc. Mr. Johnston asked if there were any short-term actions we could take to reduce expenses even though we have been reducing for 5 years. Mr. McElroy answered that \$500,000 of expenses were deferred last year when the downturn in the economy was imminent and \$1.5 million worth of expenses had been deferred this year, trimming enormous amounts from the budget even though a lot of work is needed, and that it's the Board's discretion but the fat had been trimmed from the budget. He continued that our current business plan in place relies heavily on hope which isn't the best business plan to have. Mr. Scott expressed his concern of the Utilities' sacrifices, such as freezing increases. Chairman Segalla asked when Mr. Troutman made the presentation. Mr. McElroy answered that Mr. Troutman made the presentation was March, 2009. Chairman Segalla commented that wastewater treatment of our business is losing money and costs could be cut to the barebones on everything, cut out merit increases and do a lot of stuff, it's not going to change the fact that every 1,000 of water that we treat we lose money on it, so the only way to make that up is to increase that rate. Chairman Segalla noted that he thought we could probably defer the 2% on the water, but left the final decision to Rob McElroy. He continued that when losing money on a service that is provided day in and day out, no matter how much you cut costs, you're not going to make up the difference there because it's got to pay for itself and it's not even breaking even, it's losing money pure and simple; it's been losing it since BlueWater Consulting did the study for us and it was a good study and we all saw it and that is the part that is bothering me; we can defer some of the capital improvements but we can't defer the fact that we're losing money on treatment of water and we just can't keep continuing to do that; this year we went from a 5-1/2% to 4-1/2% performance increase allotment, and I don't think we've ever spent our budget on pay raises, so I think our supervisors are doing a fairly good job as good as could be expected. Chairman Segalla stated that he didn't like to see this thing deferred because every day we're still losing money on treating water. Mr. McElroy commented that if we're worried about how much profit we were making, it would be a completely different discussion; he noted that today we lose, on average, \$1500 a day, seven days a week, 365 days a year on sewer; the fact is that it costs us more to treat sewage than we charge our customers right now, \$1500 every single day. Chairman Segalla stated that was his point and that we're losing money on that service, a service which we have to provide and we can't cut back on the service; we can't cut back on any of our services, as a matter of fact. He noted that there is still no expression from the Board, if we want to vote on it now or wait until someone from public participation may show up and suggested to wait in case someone does want to show up and wants to be heard. Mr. Scott suggested waiting due to the fact of the time error in the newspaper. Chairman Segalla agreed and asked if Mr. McElroy had anything further confirmation as to why the increase is needed. Mr. McElroy answered that he felt enough had been said. Mr. Scott asked what would have happened if the \$250,000 grant had been denied. Mr. McElroy clarified that was capital expenditures and not operating budget. Mrs. Logiotatos added that would have had to come out of our reserve is what would have happened. Mr. McElroy explained that the budget covers our operating expenses, our capital expenses really are a completely different issue. Mr. Scott further commented on the issue of the grant and his concern for the citizens of Daphne to delay the effective date of the rate increase. Mr. Johnston also commented that he feels the need is very, very clear and in conjunction with the need being very, very clear, he was somewhat surprised that we can't come to grips with this very moderate rate increase,

and that we're not really stabbing or jabbing the public at all; he stated that this is based on real life needs and to that end, while he did not have any problem waiting until October to initiate it, he felt strongly that we need to have this rate increase placed before the public vote for it." Chairman Segalla commented that since it is Mr. Scott's desire to wait until the end of the agenda even if it happens before six o'clock because there was an error in the paper about the meeting time so it's best to wait to vote until after public participation.

**VII. BOARD ATTORNEY'S REPORT**

Mr. Speegle had nothing further to add to his report. Chairman Segalla asked about the Park City contract and the history on when we assessed their rate increase and inquired if it is required to give them 30 or 60 days notice. Mr. Speegle answered that he would discuss this with Mr. McElroy. Chairman Segalla remarked that he thought we gave them 60 days previously.

**VIII. FINANCIAL REPORT**

Teresa Logiotatos notified the Board that the audit is complete and that the preliminary audit will be released in the bond market in order to be in compliance of notification. She advised that the Board should get their copy and a representative will be at the next board meeting to present the findings. Danny Lyndall answered Mr. Scott's inquiry as to the comparison of our natural gas prices to those in other municipalities.

**IX. GENERAL MANAGER'S REPORT**

**a. GM Report**

Mr. McElroy had nothing further to add to his report but updated the Board on the water leak at the main office.

**b. Operations Report**

Danny Lyndall had nothing further to add to his report, but he gave a status report of a water main leak on US 98.

Melinda Immel of Volkert & Associates had nothing further to add to her report.

Doug Bailey from HMR had nothing further to add to his report.

**X. PUBLIC PARTICIPATION – none**

**XI. EXECUTIVE SESSION –**

**MOTION BY Ron Scott to go into Executive Session at 5:30 pm for discussion of pending real estate transaction and ongoing litigation; Confirmed as proper purposes by Jerry Speegle; Seconded by Lon Johnston.**

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

Executive Session ended 5:57 p.m.

**MOTION BY Ron Scott to authorize Rob McElroy and Jerry Speegle to perform property negotiation; Seconded by Lon Johnston.**

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

**MOTION BY Lon Johnston to approve the rate increase as provided to the Board;**

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

Ron Scott then seconded the motion in order to continue discussion of the rate increase. He recommended amending the Proposed rate increase to reflect the start date effective October 1, 2010

**MOTION BY Lon Johnston to accept the amended proposed rate increase to reflect the start date effective October 1, 2010, as recommended by Vice Chairman Ron Scott; Seconded by Ron Scott;**

**Roll Call Vote:**

<b>Mayor Fred Small</b>	<b>Absent</b>
<b>Lon Johnston</b>	<b>AYE</b>
<b>Robert Segalla</b>	<b>AYE</b>
<b>Ron Scott</b>	<b>AYE</b>
<b>Fenton Jenkins</b>	<b>AYE</b>

**MOTION CARRIED**

**XII. BOARD COMMENTS** – Ron Scott also commented on Fenton Jenkins recommendation of publishing an advertisement justifying the necessity of the rate increase and advising the public with adequate time to prepare and that the Board does not take any rate increase lightly.

**XIII. ADJOURNMENT–**

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

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

The meeting adjourned at 6:03 p.m.