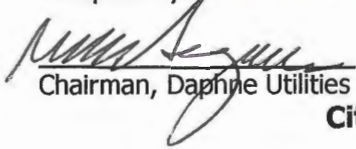




Daphne Utilities

APPROVED MINUTES

Accepted by:


Chairman, Daphne Utilities

Utilities Board Meeting

City of Daphne Council Chambers ♦ July 31, 2013 ♦ 5:00 p.m.

I. Call to Order

The regular July 2013, Board meeting for the Utilities Board of the City of Daphne was held on July 31, 2013 and called to order by Chairman Robert Segalla, at 5:05 p.m.

II. Roll Call

Members Present:

Robert Segalla, Chairman
Fenton Jenkins, Vice Chairman
Randy Fry, Secretary/Treasurer
Lon Johnston

Others Absent:

Dane Haygood, Mayor

Others Present:

Jerry Speegle – Board Attorney – arrived
Tony Hoffman – Board Attorney
Rob McElroy – General Manager
Danny Lyndall – Operations Manager
Teresa Logiotatos – Finance Manager
Deloris Brown – HR Manager
Drew Klumpp – Administrative Services Manager
Lori May-Wilson – Executive Assistant
Melinda Immel – Volkert & Associates
Ray Moore – 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 June 26, 2013:

The Chairman inquired if there were any corrections noted for the submitted Minutes from the June 26, 2013, Utilities Board meeting. No corrections were made.

MOTION BY Lon Johnston to approve the Minutes for June 26, 2013; Seconded by Fenton Jenkins.

AYE: FRY, JENKINS, JOHNSTON, SEGALLA

ABSENT: HAYGOOD

ABSTAIN:

MOTION CARRIED

V. Old Business

No old business to address.

VI. New Business

A. Discussion of Utility rates.

This agenda item was recommended to discuss at the end of the meeting due to the length of a webinar presentation given by Blair Troutman.

B. Changes in Employee Handbook – Revised Handgun Policy

Mr. McElroy advised the Board that this change in the Daphne Utilities Employee Handbook is required to reflect the latest policy issued by the State issued on handguns. The Chairman urged caution for our customer service if faced with a handgun threat. Mr. Johnston inquired about the use of the word “weapon” for the field personnel who may use box-cutters or a knife in their daily work day. Mr. Tony Hoffman with Zieman, Speegle, Jackson & Hoffman explained that a review of the statute for a more precise definition of the word weapons, specifically for knives of a certain blade length. He further explained that it would be against the law for the Utilities Board to search vehicles unless it is reported that something is visible. Mr. McElroy further added that our policies and procedures are implement with the intention to keep our employees safe and not to create files to fire people.

MOTION BY Fenton Jenkins to approve the revised Handgun Policy (incorporated in the Daphne Utilities Employee Handbook of Rules, Policies and Procedures); Seconded by Lon Johnston.

AYE: FRY, JENKINS, JOHNSTON, SEGALLA

ABSENT: HAYGOOD

ABSTAIN:

MOTION CARRIED

VII. BOARD ATTORNEY’S REPORT

Mr. Hoffman had nothing to add to his report except to state that an Executive Session will be required.

VIII. FINANCIAL REPORT

Teresa Logiotatos briefly reviewed the financial for the Board. She notified the Board members that Daphne Utilities’ will be changing outsourced payroll companies. She also advised that the auditors were contracted to return to investigate the variance between the water production and the bills. She answered questions about the benefits of the new payroll company and additional questions.

IX. GENERAL MANAGER’S REPORT

A. GM Report

Rob McElroy had nothing further to add to his report but reviewed his report for the Board.

Deloris Brown had nothing further to add to her report. Chairman Segalla asked about driver training and texting while driving. She advised that this is addressed under the “Communication” portion of the Employee Handbook but not under driver training.

Mr. McElroy informed the Board of the letter from Councilman Ron Scott regarding Daphne Utilities support to the Daphne City Council on the concern of the gas pipeline and Big Creek Lake watershed.

MOTION BY Lon Johnston to approve the Daphne Utilities Board letter to Mr. Scott in support of the City of Daphne pertaining to the gas pipeline going thru Big Creek Lake Watershed; Seconded by Fenton Jenkins

AYE: Fry, Jenkins, Johnston, Segalla,

ABSENT: Haygood

ABSTAIN:

MOTION CARRIED

Chairman Segalla recognized Michael Hogeland, Sybil Williams, and James McPherson for taking their next grade level ADEM exams.

Danny Lyndall had nothing additional to add to his report but recognized Jim Caudle and the Wastewater Reclamation staff for winning the Best Operated Plant Award from AWPCA (Alabama Water Pollution Control Association) organization. As well, Chairman Segalla recognized Rob McElroy as a past president of the same organization. Danny Lyndall also informed the board of the Daphne Utilities' interconnections as previously requested. Fenton Jenkins inquired to any spills as a result of the recent heavy rains. Mr. Lyndall informed the Board of one recent spill and noted the information in his operations report.

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

Ray Moore of HMR had nothing further to add to his report.

X. BOARD ACTION –

A. Adoption of revised Handgun Policy to Employee Handbook (compliance issue with state law).

Accomplished under "New Business".

XI. BOARD COMMENTS – Lon Johnston shared with the Board his thoughts on the utility rate increases that will be considered. His first point was:

- the 3+million dollars per year over the next 10 years,
- averaging \$1.4-1.6 million in net income against the \$3+million cost,
- available reserves and borrowing capacity are limited to emergencies to the aged infrastructure that would be costly,
- no assistance from connection fees based on growth, which is limited,
- grants may be helpful but concern of frequency and amounts and should not be depended upon,
- operating costs reductions – technologically some improvements currently being made with meter reading but should be relied upon; limited due to continued duration of operating cost reductions;
- savings in loan interest rates can no longer take place;
- operating costs increases – men, money and material will increase year by year with no escape

He suggested options of deferring capital improvements and that was already being done as well as reducing quantity and quality of services being provided. He suggested establishing a capital improvement fund for 5 years and forewarned that it may transpire into being similar to the extended periods of time implemented by the Baldwin County School System. He proposed that a culmination of rate increases along with one or more of these options or finally, a planned rate increase encompassing multiple years and pointed out that this Board needs to take action now or the Utility will suffer financially.

Blair Troutman with BlueWater Consulting gave a webcast/audio overview of where the Utility stands and gave rate options and recommendations for rate alternatives. His presentation was a clarified direction resulting from the July 13th work session, which was incremental increases each year resulting in benefits of a sustainable portfolio in order to be able to borrow at the lowest rates.

Rob McElroy asked the Board's direction and was instructed to be prepared for discussions, a public hearing and a Board vote on rate increases at the next Board meeting. Mr. McElroy indicated that a bill stuffer will go out advising of the public hearing and that with a vote being made at the next Board meeting, the increase would be able to be calculated into the upcoming budget. Mr. Johnston commented that he did not want to see the options eroded and reminded that this problem could have been avoided at a previously recommended rate increase. Randy Fry asked if he could receive the actual number of customers would be impacted and he was assured he would receive this information he requested.

XII. PUBLIC PARTICIPATION – None.

MOTION BY Lon Johnston to adjourn to Executive Session for 20 minutes as certified by Tony Hoffman to discuss pending legal claims and the reputation and character of employees; Seconded by Fenton Jenkins.

AYE: Fry, Jenkins, Johnston, Segalla,

ABSENT: Haygood

ABSTAIN:

MOTION CARRIED

XIII. ADJOURNMENT –

***MOTION BY** Chairman Segalla to adjourn the meeting; Seconded by Lon Johnston*

AYE: *Fry, Jenkins, Johnston, Segalla,*

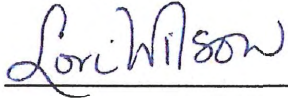
ABSENT: *Haygood*

ABSTAIN:

MOTION CARRIED

The meeting adjourned after Executive Session at 7:15pm.

Preceding minutes submitted to the Daphne Utilities Board by:



Lori Wilson, Executive Assistant, Daphne Utilities