

Accepted by:


Chairman, Daphne Utilities



APPROVED MINUTES

Utilities Board Meeting

Council Chambers, Daphne City Hall ♦ March 30, 2016 ♦ 5:00 p.m.

I. Call to Order

The regular March 2016 Board meeting for the Utilities Board of the City of Daphne was held on March 30, 2016 at 5:00 p.m. in the Council Chambers at Daphne City Hall and called to order by Chairman Robert Segalla, proceeded by the Roll Call:

II. Roll Call

Members Present:

Robert Segalla, Chairman
Randy Fry, Vice Chairman
Billy Mayhand, Secretary/Treasurer
Mayor Dane Haygood, Board Member
Selena Vaughn, Board Member

Members Absent:

Others Present:

Jennifer Holifield– Board Attorney
Danny Lyndall – General Manager
Van Baggett – Operations Manager
Drew Klumpp – Administrative Services Manager
Teresa Logiotatos – Finance Manager
Lori May-Wilson – Executive Assistant
Melinda Immel – Volkert & Associates
Ray Moore – HMR
Robbie Strom – HMR

Others Absent:

Jerry Speegle – Board Attorney

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 24, 2016:

The Chairman requested any additions, corrections, or deletions for the submitted Minutes from the February 24, 2016 Utilities Board Meeting.

MOTION BY Billy Mayhand to approve the submitted Minutes for the February 24, 2016 Utilities Board meeting; Seconded by Mayor Dane Haygood.

AYE: Fry, Haygood, Mayhand, Segalla, Vaughn

NAY:

ABSENT:

ABSTAIN:

MOTION CARRIED

V. OLD BUSINESS –

A. RESOLUTION 2016-01 – Bond Purchase Authorization for Refunding of Series 2005 DWSRF-BL and Series 2006 CWSRF-DL and Series 2006 DWSRF-DL (Board Action: Resolution Adoption)

Teresa Logiotatos explained the agenda topic as authorization to move forward with the purchase of the 2016 Bond Issue to be purchased on approximate April 7th by our underwriter, Pfil Hunt, but this Resolution had to be signed in order for him to proceed.

The Chairman called for a Motion to approve Resolution 2016-01;

MOTION BY Billy Mayhand to approve Resolution 2016-01- Bond Purchase Authorization for Refunding of Series 2005 DWSRF-BL and Series 2006 CWSRF-DL and Series 2006 DWSRF-DL; Seconded by Selena Vaughn.

AYE:

NAY:

ABSENT:

ABSTAIN:

The Chairman called for any questions or comments. Mayor Haygood requested to be provided with an update of the savings from this refunding. Mrs. Logiotatos stated that she did not have an update on that for this board meeting but that she could get that information from Pfil Hunt and pass it along after this board meeting.

MOTION BY Billy Mayhand to approve Resolution 2016-01- Bond Purchase Authorization for Refunding of Series 2005 DWSRF-BL and Series 2006 CWSRF-DL and Series 2006 DWSRF-DL; Seconded by Selena Vaughn.

AYE: Fry, Haygood, Mayhand, Segalla, Vaughn

NAY:

ABSENT:

ABSTAIN:

MOTION CARRIED

VI. NEW BUSINESS –

A. Presentation of 2014/2015 Audit by Mike Andreoli of Robertson, Androeli, and Covington, PC

Mr. Mike Andreoli of Robertson, Androeli and Covington, PC presented the fiscal audit of September 30, 2015. He emphasized that the most important section of the audit is the Independent Auditors' Report, which reflected a clean opinion, with no internal control issues or issues of any kind. He stated it was a very good report. Mr. Andreoli pointed out the Management's Discussion and Analysis which is written and provided by the Daphne Utilities' staff. He highlighted from the Statements of Revenues, Expenses and Changes in Net Position Report that 2015 revenue was flat, decreasing approximately \$10,000 over the previous period, with a substantial amount stemming from service income, however it was offset by capacity fees. He also mentioned the Net Pension Liability, which is the amount Daphne Utilities is unfunded. Mr. Andreoli pointed out in the "Notes To Financial Statements" section - Note 3 relating to the Retirement Plan, Note 4 Long Term Debt's decreasing balance, Note 7 Supplemental Bond Disclosure which indicates bond activity, and Note 12 Prior Period Adjustment – GASB 68 which clarifies adjustments. He explained the Supplementary Information shows previous year comparisons with each department. In conclusion, Mr. Andreoli commented on the Independent Auditors' Report on Internal Controls, relating to compliance, accounting practices, and fraud. He stated no issues were discovered. He welcomed questions from the Board. Chairman Segalla requested the inclusion of the PILOT fee for next year's audit.

B. Request by City of Daphne for assistance with the Whispering Pines Sewer Project

Board member Mayor Haygood spoke on behalf of the City of Daphne regarding the formal request from the City for financial help in completing the last six pockets of unsewered areas in the City. He explained that the project has come back over-budget by \$379,000. The Mayor reaffirmed the City's commitment to helping make this project happen but noted that there will be revenues received by Daphne Utilities as a result of the additional sewer customers and wanted to make a request to see what assistance could be provided by Daphne Utilities. The Chairman asked the Mayor if he wanted to make that into a motion; the Mayor deferred to the General Manager for his recommendation. The Chairman stated his position was that the subject at hand was (the City) asking for the \$379,000 and that it should be approved or disapproved by the Board before determining if there are any ways to assist the City with something other than cash. Mr. Lyndall deferred to the Board on how he should address the subject and reiterated to the Mayor that in the previous discussions that this would be a Board decision as it is a greater amount of money than he has the authority to approve. The Chairman and the Mayor had a lengthy discussion regarding the Utility's financial position and the responsibility for installation of sewers. The Chairman reminded the Mayor that it is the responsibility of the City to sewer the City and reminded him of the PILOT fee that was put in place in 1999 in order to pay for it; he stated that it was not his opinion that it was Daphne Utilities' obligation to pay for the shortfall and a decision on that subject should be made by the Board first before other ideas are initiated. The Mayor called upon Ms. Kelli Kichler, Daphne Finance Director/Treasurer, to answer questions regarding information on debt and PILOT fee collections for the past sixteen years. During a lengthy discussion that took place between Ms. Kichler, the Chairman, and the Mayor regarding the PILOT fee program, as well as the City of Daphne's ordinances pertaining to the PILOT fee program, Ms. Kichler pointing out that the PILOT fees collected from Daphne Utilities were \$330,000 and the debt service that was attributable to the sewer was \$470,000. The Chairman commented he would like to know the total amount of PILOT funds received. Mayor Haygood recommended the discussion to be carried over in order to find an "elegant solution" for the benefit of everyone. Mr. Mayhand recollected his sewer issues when he relocated back to Daphne and was building his home back in the 1990s; he stated that his opinion is that the City has had ample time to put a plan in place. He further stated if a plan is in place for the City to spend \$21 million for recreation and \$500,000 at Alligator Alley, he has enough confidence in the Mayor and Council to work this (sewer) issue out without infringing on (the Utility's) assets. Mrs. Vaughn commented that the City committed to the citizens to use the long-standing PILOT fee program for the sewer infrastructure, and that the City is in a situation whereby they will have to either use their reserve funds or cancel projects within their budget. This request for assistance would put Daphne Utilities in the same situation of using reserve funds or cancelling projects; she suggested having further discussions. Mayor Haygood stated he would still like to hear any ideas the General Manager may have. Mr. Lyndall explained that Daphne Utilities had been working with Mr. Moore of HMR for several years on various solutions for this forthcoming situation and advised that the plan solicited for bid was the most cost-effective way for the City and worked mutually to keep costs as low as possible while balancing the resulting additional sewer flow to the existing sewer system. He commented that Operations Manager, Van Baggett had further reviewed the plan and discovered a few more areas where additional savings can be gained. Mayor Haygood and the Chairman continued their discussion on the matter with the Chairman suggesting the Mayor make a motion. Mayor Haygood indicated he did not want to make a Motion until GM Lyndall's recommendations.

VII. BOARD ATTORNEY'S REPORT

Ms. Holifield had nothing further to add to the submitted report.

VIII. FINANCIAL REPORT

Teresa Logiotatos advised the Board that it would be necessary to meet again to finalize the

bond refinancing issue. After Board discussion, it was agreed to reschedule the April board meeting to April 20th.

MOTION BY Randy Fry to reschedule the April Utilities Board meeting to April 20th, 2016, at 5:00 pm; Seconded by Billy Mayhand.

AYE: Fry, Haygood, Mayhand, Segalla, Vaughn

NAY:

ABSENT:

ABSTAIN:

MOTION CARRIED

Mrs. Logiotatos continued with the review of the financials for the Board, highlighting the financial summary report, the cash flow report and several checks in the check history report.

IX. GENERAL MANAGER'S REPORT

A. GM Report

Danny Lyndall introduced Bobby Purvis to detail Daphne Utilities' involvement with the Eastern Shore Chamber of Commerce's STEP program. Mr. Purvis explained to the Board the Utilities' participation and cooperation in this high school program. Mr. Lyndall had nothing further to include in his report. Chairman Segalla gave positive feedback on his recent attendance of Bobby Purvis' Leadership Academy classes.

B. Operations Report

Van Baggett advised that industry organizations are conducting inspections of our water plant and answered questions from the Board regarding automatic reads on gas meters that is not included in the report. The Board requested this item to be included in the report. He also addressed preventions of SSO's, in particular, at Yancy Branch.

C. Engineering & Consulting Reports

Melinda Immel from Volkert had nothing further to add to her report.

Ray Moore from HMR updated on the Board on the vibrations from the 6th Street Project. A discussion took place regarding communicating to the nearby residents of disturbances that will be associated with this project.

X. BOARD ACTION – Previously addressed.

XI. PUBLIC PARTICIPATION – None.

XII. BOARD COMMENTS – Mayor Haygood asked for an update regarding the meeting with the City of Fairhope; Ms. Holified answered that she is aware the meeting occurred and that there is going to be an exchange of information in order to resolve the issue. Mayor Haygood appreciated the communication efforts on the Sixth Street water treatment project; he stated that we did not get hear a recommendation by the General Manager regarding the request from the City and requested a recommendation from the General Manager at the April 20th (Utility Board) meeting as to what deal structure or financial assistance could be provided; he affirmed that the Boardmembers do not want to put (the Utility) in a bad position but the General Manager is capable and creative, as well as the finance manager, to suggest a solution so that the Board can consider action. He pointed out that the Daphne Recreation projects are \$16.4 million in lieu of the \$21 million as stated from an earlier comment. Mrs. Vaughn stated that her question relating to Fairhope Gas had been previously answered. Mr. Mayhand had no comments. Mr. Fry remarked that the discussion was helpful in revealing facts that may not have been

presented and that his discussions with the General Manager showed his participation with the City, and that the five smaller unsewered areas of the City that there is a good plan for the Utility to make a contribution to see those happen. He stated that both the City and the Utility make good points and that there is a commitment regardless of how it ultimately is completed. He thanked everyone for coming and the good jobs they do, and he will continue to address the concerns that arise. Chairman Segalla commented to (Bobby Purvis) continue the employee development and thanked everyone for coming.

XIII. ADJOURNMENT

MOTION BY Mayor Haygood to adjourn.

AYE: *Fry, Haygood, Mayhand, Segalla, Vaughn*

NAY:

ABSENT:

ABSTAIN:

MOTION CARRIED

The meeting adjourned at 6:11 pm.

Preceding minutes submitted to the Daphne Utilities Board by:



Lori Wilson, Executive Assistant, Daphne Utilities