UTILITY COMMITTEE

The Utility Committee Meeting was held on July 22, 2013 at 5:00 p.m. with Chairwoman Williams presiding. Members present were Mr. Perza (arrived at 5:05 p.m.), Mr. Slavin, Mr. Blakeman, and Mr. Snaman. Members of Council present were Mr. Hutchison and Council President Bonar. Mayor Carey was also present.

AGENDA ADDITIONS/DELETIONS

Mr. Slavin moved for approval of the agenda as presented, seconded by Mr. Blakeman and unanimously carried.

Proposed Amendments - Water/Wastewater Capital Improvement Projects (CIP)

Mr. Scott Koenig, City Manager, reminded members that during their meeting of February 13, 2012, information was provided regarding the Calpine project at the Garrison Oak Technical Park. Staff requested support for City funding for infrastructure improvements up to a target of $6M. At the time of the request, it was not known how much of this amount would need to be allocated for streets, storm water, water, and wastewater. This $6M was included in the FY13 Capital Improvement Plan (CIP) as a placeholder and was divided up as follows: $2M for streets and storm water, $2M for water, and $2M for wastewater, and these projects were budgeted in the FY13 CIP.

Mr. Koenig stated that there were tenants, including LS Power, that did not require utility infrastructure associated with the City supplying utilities; however, the remainder of the park was intended to be an industrial, manufacturing park that would have tenants with various demands. He reminded members of the discussion that occurred in February 2012 when the Calpine Project was considered. He noted that the first energy block proposed to be built by Calpine consisted of 309 MW and that there was a potential for a second 309 MW, for a total of 618 MW of power production. He explained that this demand was driving the actual build-out and the proposals for the water infrastructure associated with the project. As staff had moved forward in the planning of the wastewater infrastructure, demands had been tagged to various lots located within the development in order to provide a profile of the types of companies that the City hoped to have located at the Garrison Farm.

Mr. Koenig reminded members that the $6M included in the CIP was based on discussions with Calpine regarding infrastructure improvements associated with the Calpine Project and development of the Garrison Farm. He stated that since then, staff had been reviewing a detailed engineering analysis of the actual needs, explaining that staff needed to determine what would be required of the City when Calpine had indicated a peak demand of over 2M gallons per day in order for the City to provide fire protection and elevated storage, and to make this demand work with the remainder of the system. As a result, staff had developed proposed revisions to the CIP that would allow the City to move forward with the construction on the infrastructure projects since bids were now beginning to be received.

Mr. Koenig indicated that development of the conceptual design and technical specifications of the elevated water tank by the URS Corporation was approved by Council in September 2012 in the amount of $49,000 and this was completed in April 2013. The original scope of the water project

was changed to increase the pipe size and tank size. The tank was originally estimated for 1 million gallons and the pipe was a 12-inch main. The size needed, based on requirements of the Calpine project, is a 1.5 million gallon tank and a 16-inch main. He explained that these factors, as well as the soil condition, had resulted in a revised project estimate of $4,235,000.

Mr. Koenig reminded members that the design of the wastewater facilities by Pennoni Associates, Inc. was approved by City Council in September 2012 in an amount not to exceed $365,000 and would be completed by August 2013. This firm was tasked with pump station design, analysis and design of existing force main and gravity sewer, analysis and upgrade design to existing PS #5, and abandonment and design of existing PS #14. He stated that in order to facilitate the tie into the County system, it would be necessary for this project cost estimate to be increased to $3,224,200.

Mr. Koenig advised members that the streets and storm sewer design was close to completion by Becker Morgan Group. He stated that, based on current information, staff anticipated this project to be within the estimate of $2M.

Mr. Koenig explained that in order to cover the increased estimated costs of these projects, which now totaled $9,459,200, staff had revised the CIP. If other funding sources were to become available or actual costs were lower, he assured members that staff would replenish the projects affected by priority of need. He reviewed the proposed revisions to Water/Wastewater Capital Improvement Plans FY13 and FY14, as follows:

Project	Current Estimate	Revised Estimate
GOTP - Water System Improvements - Bond	$2,000,000	$4,235,000
Transfer Water Quality Improvements - FY13	250,000	
Transfer Water Quality Improvements - FY14	905,000	
Transfer Emergency Generators - FY14	80,000	
Transfer - WW System Improvements - Bond - FY13	1,000,000	
Total GOTP - Water System Improvements	$4,235,000	
GOTP - Wastewater System Improvements - Bond	$2,000,000	$3,224,200
Transfer to GOTP - Water Infrastructure - FY13	(1,000,000)	
Transfer Wastewater Impact Fees - FY14	1,000,000	
Transfer Inflow Infiltration Improvements - FY14	1,013,800	
Defer purchase of Jet Truck - FY14	210,400	
Total GOTP - Wastewater System Improvements	$3,224,200	

Mr. Koenig indicated that the proposed amendments would contain the project costs within the approved budget by deferring other system improvements until they could either be re-budgeted or by moving money back into the projects through possible savings in other projects, additional financing, etc. He explained that if the City were to seek State Revolving Funds and other means of financing these projects, additional engineering studies would most likely be required, which

would jeopardize the timelines that had been discussed with Calpine and other new tenants. He advised members that recently there had been a substantial increase in the level of interest in the Park and, as a result, there had been several meetings with potential tenants.

Staff recommended approval of the Revised Capital Improvement Plan for FY14. Due to time constraints, staff requested that this item be considered by City Council during the meeting being held later in the evening.

In response to Mr. Slavin, Mr. Koenig concurred that he had major concerns with deferring capital improvement projects. In regard to staff's request that this matter be considered by City Council during the meeting scheduled for later in the evening, Mr. Koenig noted that the bids for the Garrison Water Storage Tank would also be presented to City Council for consideration later in the evening and, according to discussions with Mrs. Donna Mitchell, Treasurer/Controller, it would be necessary to amend the CIP prior to taking action on the storage tank. He indicated that if approval for the CIP amendments was not granted, no action would be taken on the storage tank.

Mr. Slavin relayed his concerns regarding the difference between the estimated and actual costs and the difficult position Council was put in due to the statements and pronouncements made during the budget hearings. Responding, Mr. Koenig stated that he shared these concerns; however, he reminded members that when Calpine comes on line, Calpine will become the City's largest customer and substantial revenues would be generated. He explained that the revenue generated by the Calpine project would help fund additional projects in the future and that these revenues would be realized in June 2015.

Responding to Mr. Slavin regarding the $1M in wastewater impact fees in FY14, Mrs. Mitchell explained that the impact fee reserve for wastewater in the Water/Wastewater Five (5) Year Forecast was $3.6M. These impact fees had been used for growth portions of projects, resulting in an amount of $1.6M at the end of the five (5) years. She indicated that this amount was now at $600,000 since another $1M would be taken for this project.

Mrs. Williams questioned if staff had contacted the State of Delaware regarding the possibility of increasing Payment in Lieu of Taxes (PILOT) amounts paid by the State. Responding, Mr. Koenig stated that staff had not discussed the possibility of an amendment to the amount of PILOT payments from the State because it was his understanding that this was determined by a legislated formula. Since the State would benefit greatly from the development of the Garrison Park, Mrs. Williams urged staff to contact the Governor and local legislators regarding their financial assistance in this matter. In regard to Calpine, Mr. Koenig stated that Calpine selected the Garrison Park for utility and land planning reasons, explaining that the City had enough water and land, as well as appropriate land use to serve them. He assured members that it was Calpine's intent to make money.

Mr. Koenig assured members that staff was tasked with maintaining the current system as well as growing the system. He explained that the City would need to make a choice and determine if the project warranted the system being expanded in this way. In making this decision, he noted that utility growth assists the City in spreading the burden of actual maintenance among more customers.

Responding to Mr. Slavin, Mr. Koenig stated that the related bids were received on June 27, 2013 and were valid for 90 days.

Mr. Hutchison reminded members that the Garrison Farm is owned by the City because of a $2M gift from the State of Delaware.

Mr. Koenig stated that additional financing was not considered by staff because the five (5) year forecasting models proposed to City Council did not include any additional debt service associated with additional financing. The requested amendments would maintain the current debt service and financing plans that had been presented to Council for the five (5) year projections.

Responding to Mr. Perza, Mr. Koenig did not feel that members could earmark future revenues to replace funds that would be transferred by deferring capital improvement projects. He suggested the possibility of members taking such action during adoption of the City's budget.

Mr. Perza moved to recommend approval of the Revised Capital Improvement Plan (CIP) for FY14, as recommended by staff. The motion was seconded by Mr. Blakeman and carried with Mr. Slavin voting no. *(Due to time constraints, this item was placed on the Council Agenda for the meeting being held later in the evening.*)

TEA/NAES Report (March and April)

The TEA/NAES Monthly Reports for March and April 2013 were provided to members to enable them to monitor electric sales and revenues received, which will provide a better understanding of any fluctuations that occur and allow the opportunity to make improvements if deemed necessary.

In response to Mr. Blakeman, Mrs. Donna Mitchell, Controller/Treasurer, confirmed that the report for FY2013-14 would be the current company's forecast. She noted that the forecast report submitted during the budget presentations was based on The Energy Authority (TEA) forecasts (rather than PACE Global). Regarding the PJM - Energy and Transmission Fees on the Variance Report, Mrs. Mitchell stated her recollection that there was a change in PJM Fees after the City's budget for last fiscal year was approved; however, she assured members that she would validate that this was the case.

Responding to Mrs. Williams, Mr. Scott Koenig, City Manager, stated that Unit 3 ran from Tuesday through Saturday and the Combustion Turbine (CT) also ran. He stated that there was a valve issue involving Unit 1, which was off-line until Friday evening, and Unit 2 was in "spinning" reserve during most of that time, resulting in the City running at full power.

Mrs. Williams questioned the City's ability to transfer additional revenues acquired in the Electric Fund to the Water/Wastewater Fund to address the funds required in regard to the proposed CIP amendments previously considered by members. Responding, Mrs. Mitchell stated that although Council had the authority to transfer funds from the Electric Fund to the Water/Wastewater Fund, such a transfer would not be policy compliant.

Mr. Blakeman moved to recommend acceptance of the TEA/NAES Monthly Reports for March and April 2013, seconded by Mr. Perza and unanimously carried.

Mr. Blakeman moved for adjournment, seconded by Mr. Slavin and unanimously carried.

Meeting adjourned at 5:39 p.m.

Beverly C. Williams
Chairwoman

BCW/TM/jg/js/mk/dd
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