



Danville Utility Commission
4:00 p.m. February 22, 2016 Meeting
Council Chambers, City Hall
Minutes

Commission Members Present: Vanessa Cain, Bill Donohue, Ken Larking, Michael Nicholas, Bob Schasse, Fred Shanks, Phillip Smith, Jim Turpin

Commission Members Absent:

Staff Present: Michael Adkins, Meagan Baker, Patricia Conner, Greg Disher, Barry Dunkley, Carolyn Evans, Jason Grey, Arnold Hendrix, Alan Johnson, Jon Sharp, David Stiles, Clarke Whitfield and Allen Wiles

Others Present: Jerry Shupe and Charles Fiero of Severn Trent

Call to Order and Announcements

Chairman Smith opened the meeting and asked that the attendance be recorded. As a quorum was present, the meeting was called to order.

Discussion/Business Items

Minutes of January 25, 2016 Commission Meeting

Chairman Smith asked for any corrections, deletions, or adjustments to the minutes of January 25, 2016.

Mr. Nicholas made a motion to approve the minutes. Mr. Turpin seconded the motion and the motion carried unanimously.

Review of Utilities' Financial Statements

Patricia Conner reviewed the Utilities' financial statements. Ms. Conner then addressed questions from the Commissioners.

The Commissioners requested further information on the PCA recovery.

FY17 Budget Discussion

Mr. Grey noted that the only change since the January meeting concerns the water fund rate increase. After analyzing more current data, staff determined that the 3% increase in the water fund as recommended by the rate study consultant is not necessary. Mr. Grey corresponded with the rate consultant and is waiting on an explanation from them concerning their recommendation.

Mr. Shanks questioned the LED street lighting capital improvement project mentioning the recent crime in the community and how it relates to under lit areas. He recommended the utility consider this issue when the project begins. Mr. Grey explained that a test area is currently installed along Riverside Drive near Windsor Heights to test the lights durability and actual energy savings. The FY17 LED project would include a lighting study to address over lit and under lit areas. If the test area proved to be successful and beneficial as expected, the project would begin and be completed in multiple phases over a number of years.

Mr. Turpin moved that the Danville Utility Commission approve the updated version of the utility department's proposed fiscal year 2017 budget for submission to the Interim City Manager and inclusion in his budget proposal to City Council, with the Commission's recommendation for its adoption by the Council. He further moved that staff make the budget expenditure adjustments necessary to bring the budgets back into balance without further rate increases and brief the commission on actions taken at the April meeting, should ongoing evaluations reveal revenue shortfalls.

Ms. Cain seconded the motion and the motion was approved unanimously.

Fund Transfer Policy

Michael Adkins, Director of Finance explained that the contribution by utilities to the general fund was created at levels meant to approximate taxes that would be paid to the City were the utility owned by a private company as well as profit that would be earned by shareholders. The total contribution amount was set based on the FY 2013 budget. The amount can be increased based on the growth in net fixed assets but it cannot be decreased.

Mr. Adkins noted that the amount contributed has not changed but he does review it each year to see if it should be adjusted.

Mr. Shanks questioned the ability to increase the amount contributed to the general fund. He mentioned that the ability to increase the amount is not prevented by the policy but the decision would ultimately be determined by City Council.

Mr. Nicholas noted that the option of decreasing the amount contributed to the general fund should be considered. He explained that the utility is under pressure to be successful and still fully contribute to the general fund when both may not be feasibly possible.

Mr. Turpin mentioned that if a private utility were present they would be able to make a return on investment so this policy covers the utility's ability to do that.

The Commissioners decided to continue this discussion at the next meeting.

Water Plant Privatization Evaluation

Barry Dunkley, Director of Water and Wastewater Treatment explained the recent RFP that was issued to evaluate whether the city's water treatment plant would be better served under a private company. (The wastewater treatment plant is currently contracted by a private company, Severn Trent.)

The RFP was issued in August and the city received two proposals. Five criteria were considered during the evaluation process: corporate profile qualifications, experience and technical qualifications, financial qualifications, technical approach and pricing.

Two proposals were reviewed and compared to the cost and benefits of the city operating the plant. While there would be many benefits to privatization, Mr. Dunkley mentioned that if privatized, water customers would see a 4% rate increase.

Mr. Schasse mentioned the water taste and odor issues and asked what improvements could be done to improve the water quality.

Mr. Donohue questioned whether the pre-sediment base would help with the taste and odor issues.

Mr. Grey acknowledged the water treatment plant employees for all of their hard work dealing with the taste and odor issues over the past year.

Mr. Smith recommended that the commission continue with the city maintaining the water plant but keep all of the topics that have been discussed in mind. Additionally, the DEQ grant that the City is currently applying for, should provide a lot of information on the taste and odor issues.

Mr. Smith stated that the commission agreed with staff and recommend that the city continue operating and maintaining the water treatment facilities and leverage outside contractor services where needed.

Department Discussions

Mr. Turpin mentioned the Hometown Connections Report and requested to see an update on the current status of the recommendations.

Mr. Nicholas mentioned a past experience at the customer service building involving issues with credit cards and having to stand in multiple lines. There was further discussion on how to have a more streamlined process.

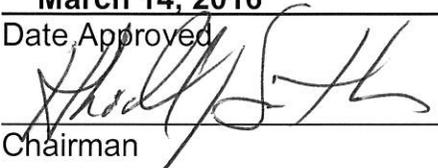
Mr. Grey reported that five out of eight of the AMP hydro projects are up and running and available. The City of Danville is now receiving power from each and the remaining should be completed by the end of the year.

Adjournment

Chairman Smith stated the next meeting is scheduled for March 14, 2016. There being no further business, Chairman Smith adjourned the meeting at 6:00 p.m.

Submitted by Meagan Baker
Secretary to the DUC

March 14, 2016

Date Approved


Chairman
Danville Utility Commission